iomart

Annual Report and Accounts 2014

Our Business

The iomart Group is one of Europe's leading providers of cloud computing and managed hosting services. The Group specialises in the design, delivery and management of business-critical hosting services enabling companies and organisations to reduce the cost, complexity and risks associated with maintaining their web and online applications.

The Group holds a unique position within the marketplace. By owning its own extensive data centre and fibre network, the company is able to deliver the complete set of vertical components in the hosting stack from network, compute through to complex cloud storage solutions.

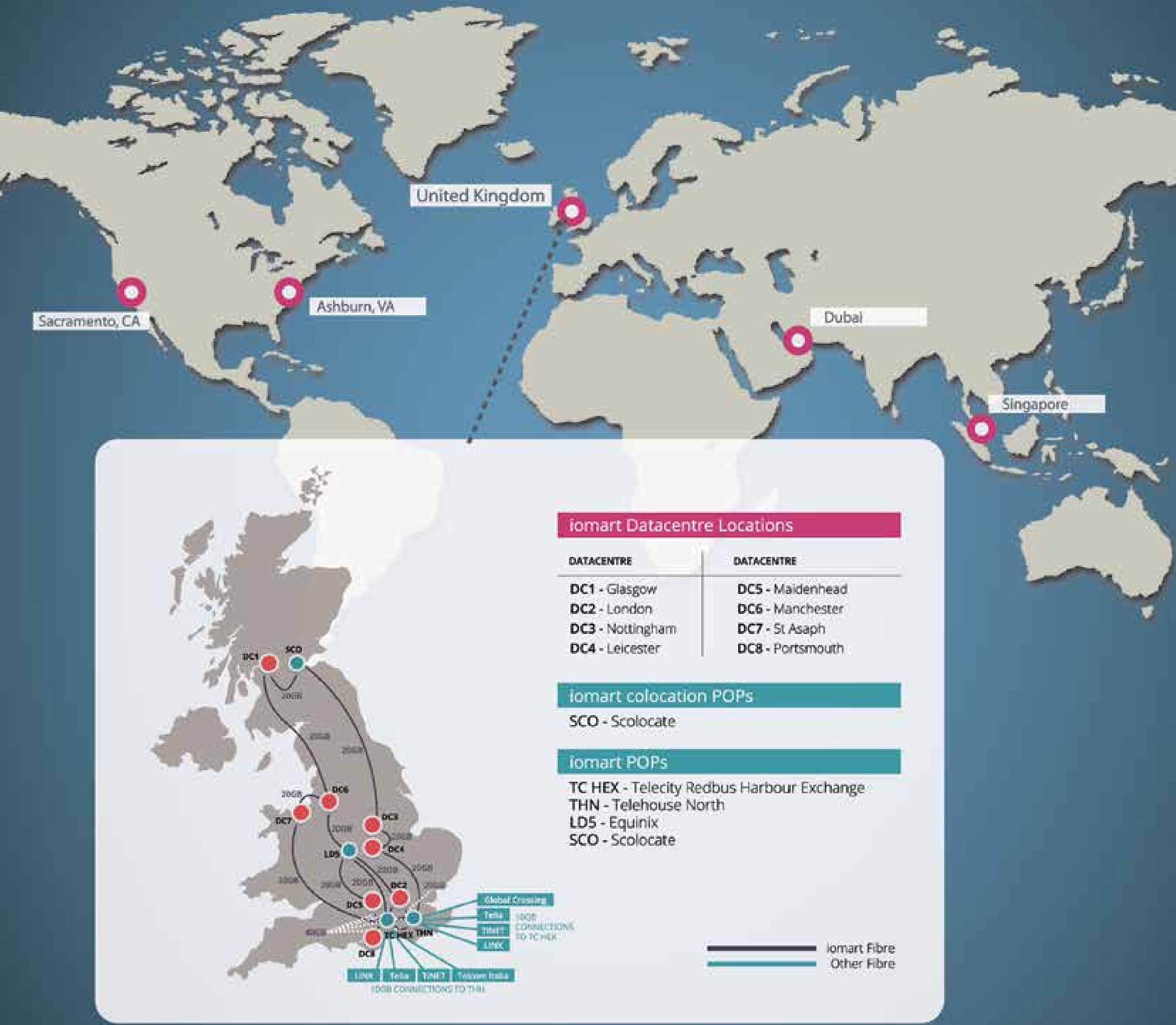
As more and more mission critical business applications move on to the web, so organisations need more resilience, security and 24 hour management; the market for managed hosting services, data storage and the outsourcing of IT infrastructure is expected to grow significantly over the next few years.

"Moving our hosting to iomart has ensured we can continue to expand with the confidence that we have the infrastructure able to expand with us. The platform allows us to have the flexibility we need for our future plans and iomart's proactive support ensures we have the systems expertise to hand as the business expands."

Nick Creed, Digital Director, The Drum

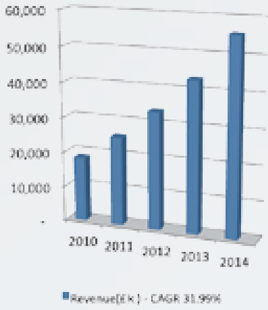
Our Locations

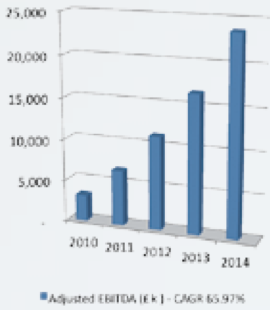
We own and operate one of the most comprehensive data centre networks in the United Kingdom. Every data centre offers full 24 x 7 on site support and is connected by our own fully resilient fibre network stretching over 1,800 kilometres. With our international points of presence (POPs) we are able to connect our clients around the globe.



"We use enterprise-class hardware which feeds through to high availability and recoverability. Our whole critical IT structure is safeguarded by the controls and security that iomart has in place."

Phil Davies, Director IS for Misys UK & EMEA





Our Track Record

The iomart Group plc has enjoyed several years of good organic growth and profitability, buoyed further by eleven acquisitions since 2009. The financial objectives and goals set by iomart aim to strengthen the company's place in the emerging global cloud market. There is no doubt that there is a long term shift towards a cloud dominated technology landscape, and iomart, with its infrastructure, expertise and product set, is well positioned to take advantage of that.

Cloud computing will be a key theme as corporate budgets continue to support online, outsourced and hosted IT.

High visibility from recurring revenues, scope to sell more services to customers and excellent cash flow makes this a high-quality business.

Steven Frazer, Shares Magazine, April 2014

Our Products

iomart's suite of services covers the main areas of hosting infrastructure compute services and storage that are of increasing importance to any organization of any size.

The Group has created a complete end to end hosting service delivery platform, enabling clients to avail themselves of a range of hosting products and services, from traditional managed networking solutions to hosted desktops. Our portfolio of hosting and data centre services addresses the issues and complexities that are commonly experienced by customers when attempting to host and manage their IT infrastructures internally.

"SHI sought out iomart based on its extensive experience in the European market with BaaS and Disaster Recovery offerings based on EMC Avamar technologies. Our customers can now take advantage of iomart's advanced customer interface, which offers a more user-friendly and efficient experience when executing simple or even advanced backup and recovery tasks." Richard Place, General Manager, Cloud Services at SHI International Corp

Our Customers

The Group currently serves thousands of customers of all sizes across all sectors through six main brands – Easyspace, RapidSwitch, Redstation, Backup Technology, iomart and Melbourne.

Recognising the dawning of the 'cloud age' over five years ago, iomart Group has built its technologies from the ground up specifically to be delivered via the cloud. Underpinning its strategy was the acquisition of its own network and UK data centre estate.

This is the key feature that sets iomart Group apart from many of its competitors in that it is essentially a cloud services company with its own infrastructure.

Clients include: Liverpool FC, Royal Horticultural Society, Stagecoach, Mysis, Centrica, Atos, British Red Cross, Papworth Trust and Network Rail.

"Hosting World Whisky Day with iomart is beneficial in two ways. Not only does it mean the website is always up and people can access it from anywhere in the world, but it also lends weight when I am talking to the big whisky brands they can see that I am being supported by a successful UK Plc."
Blair Bowman

Our Corporate & Social Responsibility

The Stronger the Community - the Stronger we are. Our approach to corporate citizenship mirrors our core values. We seek to involve ourselves in projects that help young people achieve their personal goals through teamwork.

Host Your Kit

50 Football & Basketball youth teams across Britain received complete team strips through our Host Your Kit Campaign.

"The kit looks outstanding and all players, parents and spectators mentioned how great that it looked. Once again, thank you! This had made a huge impact on the squad."
Dave Evans, Stirling West Lothian Basket Ball Club

Supporting the next generation

The Group believes that it is vitally important to support projects that inspire young people whilst challenging them to learn about the opportunities that the digital world offers them.

University of Strathclyde Business and Enterprise Challenge

"This year's Challenge has been outstanding and we're really delighted that iomart supported us to enable so many pupils take part. The young people who take part do show significant improvements in their attitude to their existing academic ability and this gives them the confidence to undertake a university degree as a result." Jan McGhie, Innovative Routes to Learning Centre, University of Strathclyde.

Overseas Support

"The combination of kit and donation from iomart was a massive boost to the success of the trip and is hugely appreciated by all." Rebecca Cumming, Coach St Mirren U14s Basketball Squad

"Thanks to iomart, it's the first time we've taken the wind band abroad so it's a fantastic opportunity for our young musicians. To be playing while Spain are defending the World Cup will make it even more exciting as there's bound to be an incredible atmosphere in Barcelona." Pamela Frew, Principle Music Teacher, Helensburgh Academy

Our Employees

Talented, motivated and creative people lie at the heart of our success and the Group has now grown to employ over 300 UK based employees. We want our people to thrive, prosper and to leave work every day feeling valued and that they have made a difference. In return, iomart is committed to their professional and personal development and to ensuring that we deliver a fantastic place to work.

We are proud of the impact our employees make in their local communities. We encourage our team to get involved with projects, voluntary organisations and charities wherever and whenever they can.

We'll support them in any number of ways from the provision of services, donations or equipment and we're delighted to do so. Whether our employees are abseiling from bridges, climbing mountains, running marathons, running Scout Groups, organising Dance classes, they can be assured that their colleagues are cheering them on!

"I just wanted to write to say a huge thank you to everyone at iomart for supporting With Kids and our Christmas appeal. We had such a brilliant response that we were able to provide 101 families with food parcels and presents on Christmas morning. We also had 175 children at our Christmas Parties and all of them received presents from Santa. We really couldn't have been able to support so many families without the generosity of you all and we really can't thank you enough." Suzy Blair, With Kids

iomart in Numbers

4 ENGLISH PREMIER LEAGUE FOOTBALL CLUBS USING IOMART

30,000

ADDITIONAL PHYSICAL SERVER CAPACITY AT MAIDENHEAD DC

400Gb

THE AMOUNT OF DATA STORED BY IOMART IN 2000

5 MAJOR AWARDS WON IN 2013/14

15 Petabytes

THE AMOUNT OF DATA STORED BY IOMART IN 2013

1,865 Km

UK FIBRE NETWORK OWNED BY IOMART

11 NUMBER OF ACQUISITIONS SINCE 2009

Highlights

Financial

- Revenue growth of 29% to £55.6m (2013: £43.1m)
- Adjusted EBITDA[1] growth of 43% to £23.6m (2013: £16.5m)
- Adjusted profit before tax growth[2] of 37% to £14.6m (2013: £10.7m)
- Adjusted basic earnings per share[3] from operations increased by 29% to 10.95p (2013: 8.46p)
- Cashflow from operations increased by 62% to £24.0m (2013: £14.8m)
- Adjusted EBITDA[1] margins increased to 42% (2013: 38%)
- Proposed final dividend increased by 25% to 1.75p per share (2013: 1.40p per share)

Operational

- Increased European footprint and dedicated server expertise through the acquisition of Redstation Limited for a maximum consideration of £8.1m
- Acquired major presence in the Cloud backup and disaster recovery market through the acquisition of Backup Technology Holdings Limited for a total consideration of £23.0m
- Completion of fit out of around 600 racks of datacentre space in Maidenhead

1 Throughout these financial statements adjusted EBITDA is earnings before interest, tax, depreciation and amortisation (EBITDA) before share based payment charges and acquisition costs. Throughout these financial statements acquisition costs are defined as acquisition related costs and non-recurring acquisition integration costs.
2 Throughout these financial statements adjusted profit before tax is profit before tax, amortisation charges on acquired intangible assets, share based payment charges, mark to market adjustments in respect of interest rate swaps, the accelerated write off of arrangement fees on the bank borrowing facilities which were repaid early in the year and acquisition costs.
3 Throughout these financial statements adjusted earnings per share is earnings per share before amortisation charges on acquired intangible assets, share based payment charges, mark to market adjustments in respect of interest rate swaps, the accelerated write off of arrangement fees on the bank borrowing facilities which were repaid early in the year and acquisition costs, including the taxation effect of these.

Revenue Growth
29%
to £55.6M

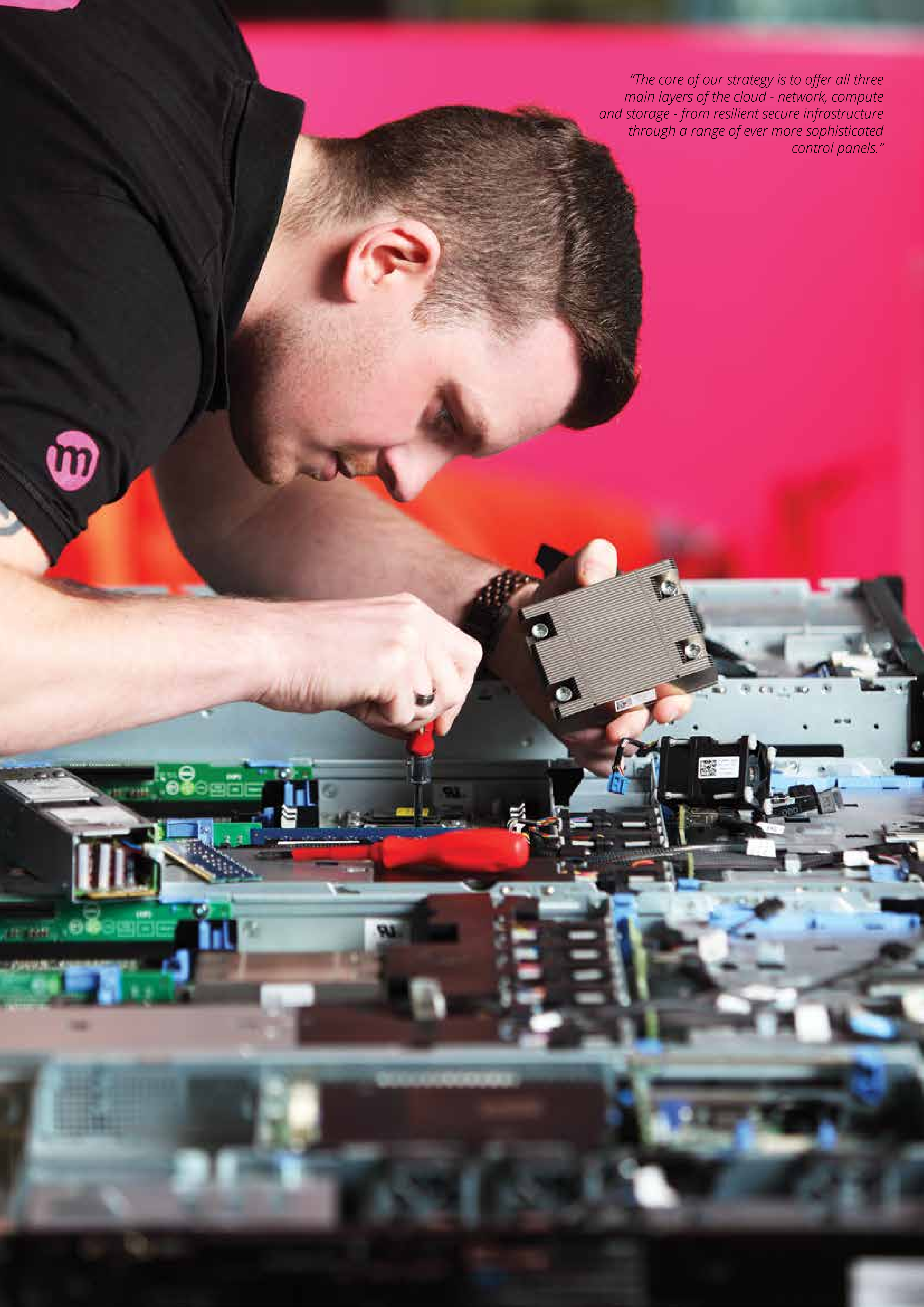
EBITDA Growth
43%
to £23.6M

Margins Increased to
42%

PBT Growth
37%
to £14.6M

Cashflow Increased
62%
to £24.0M

Proposed Final Dividend Increased by
25%
to 1.75p



"The core of our strategy is to offer all three main layers of the cloud - network, compute and storage - from resilient secure infrastructure through a range of ever more sophisticated control panels."

Strategic Report
Chairman's Statement

I am delighted to report on another very good year for your Group. We continue to make excellent progress as we execute on our combined strategy of both growing our own business and acquiring others and our reputation as one of the UK's leading cloud computing companies continues to develop.

We have again enjoyed a substantial increase in profitability over the year, driven both by organic and acquisitive growth. Over the last five years we have made eleven acquisitions in total and two of those we made this year, Redstation and Backup Technology are the largest to date. All are performing as expected and have been integrated into iomart's operations. As a result of these acquisitions we increased our datacentre estate with the addition of a datacentre in Portsmouth and we now have datacentres in eight locations throughout the UK to support the delivery of our cloud solutions. We appreciate the continued support shown by the Bank of Scotland through the provision of additional loan facilities to help fund our acquisition activity.

All of this progress is a result of a great deal of hard work by our executives and staff and I thank them all on behalf of the Board and the shareholders for their efforts over the year.

We have a commitment to a progressive dividend policy as our profitability and cash generation grows. This year the Board is proposing to pay a final dividend of 1.75p per share on 2 September 2014 to shareholders on the register on 15 August 2014, representing an increase of 25% over the dividend last year. We have decided that we will continue to offer shareholders the option to participate in a Dividend Reinvestment Plan (DRIP) as an alternative to receiving cash. Details of the DRIP scheme will be distributed with the annual accounts in due course.

With the high level of revenue visibility we enjoy, we have begun the 2015 financial year in a strong position. I look forward to another exciting year of growth and look ahead with considerable confidence.

Ian Ritchie
Chairman
27 May 2014

Strategic Report
Chief Executive Officer's Report

Introduction
I am pleased once more to report on another excellent year for iomart. We have increased our revenues and profits both organically and through acquisition as we continue to deliver a widening range of cloud computing solutions.

Our revenues in the year were £55.6m, an increase of 29% over the previous year and our adjusted EBITDA of £23.6m showed a 43% increase over the previous year.

We continue to believe in the long term opportunity for iomart as IT spending moves towards the 'cloud', as networks and connectivity expand and mobility increases. Our vision remains to be the best in the UK at the delivery of compute, storage and network in the cloud in a seamless, efficient and scalable way.

Market
The market continues to grow and evolve. All the trends I have spoken about in recent years remain intact.

One is the increasingly mobile world which we inhabit. Many of us have multiple devices that need to connect to data residing in datacentres, the totality of which effectively define the 'cloud'.

The second is the growth in faster and more reliable connectivity, making it easier to access and operate in the cloud.

The third is the inevitable growth in the volume of data being created which needs to be stored and managed securely.

These three overarching trends are interlinked, driving each other forward, and are set to continue growing for many years to come.

The core of our strategy is to offer all three main layers of cloud, ie network, compute and storage from resilient secure infrastructure through a range of ever more sophisticated control panels.

As business cycles in the cloud arena become more apparent and as we learn more about long term customer behaviour we will continue to develop our products to ensure we offer what the customer wants at the right price, on demand and in line with their growing and changing needs. This requires us to be at the leading edge of cloud technologies.

The tools and technologies used to deliver these services are constantly evolving and we continue to invest to ensure we are at the forefront of this evolution. It is important that as we grow bigger we continue to invest in the automation required to ensure we can continue to scale the business in a well thought through and planned way. There is a lot of ongoing development in network technology, in the compute and virtualisation layer and in the storage layer as the big technology vendors evolve their own solutions for a future in the cloud. We have strong and growing relationships with all our technology partners and we work hard to ensure we are aware of, and are following, all the relevant technology roadmaps.

There are many IT companies who now sell 'cloud' services. This is more of an opportunity than a threat as we see a future where specialist service providers will provide wholesale cloud products to the market. iomart is well positioned to be a leading provider of such products.

To date it has mainly been the web-facing elements of infrastructure that have been outsourced to the cloud and the back-office workload continues to be handled "on premise". Most of this back-office infrastructure is bought in the same way as it was 15 years ago. We believe this will change and we can already see the early adopters starting to move to the cloud. This defines the 'dripping roast' nature of the market opportunity and as I have been saying for the last five years, it has a long, long way to go.

iomart is at the forefront of this transformational shift and I expect the cloud opportunity to continue for many years to come.

Acquisitions

We again augmented our organic growth through the acquisition of three operations during the year. In September 2013 we acquired Redstation Limited ("Redstation"), Backup Technology Holdings Limited ("BTL") and Open Minded Solutions Limited ("Open Minded"). All three have proven to be good additions to the Group and have now been integrated into the business. We continue to look for businesses that fit our acquisition criteria with a view to making further acquisitions in the coming year.

Operational Review

Whilst all of our activities involve the provision of services from common infrastructure we are organised into two operating segments.

Hosting

Our Hosting segment, which now includes Redstation and BTL, continued to perform well over the year.

We provide a wide range of managed hosting services to both SMEs and corporate customers. All our solutions are delivered from our network of datacentres located throughout the UK. The more complex managed hosting solutions are delivered by iomart Hosting and customers typically pay for these services on a monthly basis on contracts ranging between one and three years in length. We address the dedicated physical server market through our RapidSwitch and Redstation operations largely through online marketing. Melbourne delivers complex managed hosting solutions and provides us with a strong presence in the North West of England with a particular emphasis on the creative sector. BTL provides enterprise class cloud backup and business continuity services.

We have made a substantial investment in our Maidenhead datacentre which has increased our overall capacity substantially and in addition we acquired additional datacentre space in Portsmouth as a consequence of the acquisition of Redstation.

Further investment has been made in our network to make use of the dark fibre we put in place last year with our Manchester operation now fully connected and we expect to integrate our Portsmouth facility into our network over the course of the current financial year.

Revenues in this segment have grown by 40% to £44.7m (2013: £32.0m) partly as a result of the continued organic growth and in part due to acquisitions.

Easyspace

The Easyspace segment, which now includes Open Minded, has performed well over the year.

Our activities within this segment provide a range of products to the micro and SME markets including domain names, shared, dedicated and virtual servers and email services.

There has been a significant change to the domain name market which began late in the year. There are now substantially more domain suffixes available and more continue to be added on a daily basis. We expect Easyspace to benefit from this new market opportunity.

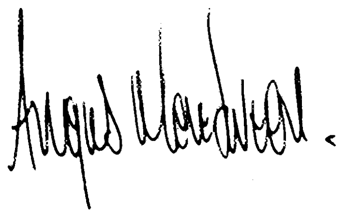
As anticipated revenues of £11.0m (2013: £11.1m) have remained around the same level as in the previous year, delivering strong levels of cash for the Group.

Current trading and outlook

Trading since the year end remains encouraging and in line with our expectations.

We continue to be well placed to deliver an ever wider range of cloud services to our increasing customer base. With our growing reputation and ongoing investment in leading edge technologies, alongside our own development skills, we are well positioned for further significant growth.

I look forward, once again, with confidence to the year ahead.



Angus MacSween
Chief Executive Officer
27 May 2014

Strategic Report.
Finance Director's Report

Trading Results

Revenue

Revenues for the year grew by 29% to £55.6m (2013: £43.1m) through the combination of continued organic growth and the impact of acquisitions.

Our Hosting segment grew revenues by 40% to £44.7m (2013: £32.0m). This growth was helped by a full year contribution from Melbourne which we acquired in August 2012 and Redstation and Backup Technology both of which were acquired in September 2013. The growth in the Hosting segment revenues excluding the impact of acquisitions was 14%.

Revenues within the Easyspace segment of £11.0m (2013: £11.1m) were close to the level of the previous year showing a very modest 1% decrease.

We continue to have good revenue visibility and high levels of recurring revenue. With our larger customers we have multi-year contracts for the provision of complex managed hosting solutions. Many of our smaller customers pay in advance for the provision of hosting services resulting in a substantial sum of deferred revenue which we then recognise during the period over which we provide our services.

Gross Margin

Our gross profit for the year was £37.8m (2013: £28.9m) representing a gross margin of 68.0% (2013: 67.2%) with both operating segments contributing to this improvement in both absolute and relative terms. The improvement in our Hosting segment is a result of the operational leverage of the operation together with the impact of acquisitions. In our Easyspace segment it has been as a result of the impact of acquisitions.

Adjusted EBITDA

The adjusted EBITDA for the year was £23.6m (2013: £16.5m) an increase of 43%. Our percentage adjusted EBITDA margin has also significantly improved to 42.5% (2013: 38.3%). The Hosting segment increased both its absolute and relative margin over the period whilst the Easyspace segment performed very much in line with the previous year.

The Hosting segment's adjusted EBITDA was £21.7m (2013: £14.3m), an increase of 51.9%. In percentage terms the adjusted EBITDA margin has improved to 48.6% (2013: 44.7%). This greatly improved performance is a direct result of the additional gross margin delivered by the increase in sales revenue from the Hosting segment offset by an increase in administrative expenses. Administrative expenses have increased principally due to the impact of the acquisitions made in the period and the full impact of the acquisitions made in the previous period. The inclusion of Melbourne for the full year has contributed to the improvement in the adjusted EBITDA in absolute terms and has helped maintain the percentage margin improvement. Similarly the contribution from both Redstation and BTL since their acquisition in September has contributed to both the absolute and relative improvement in the margin.

The Easyspace segment's adjusted EBITDA was £5.0m (2013: £5.0m) which was the same as in the previous year. In percentage terms the adjusted EBITDA margin has improved slightly to 45.2% (2013: 44.9%). The improvement in adjusted EBITDA is primarily due to the impact of the synergies achieved through the integration of the acquisitions made in both this and the previous financial years.

Group overheads, which are not allocated to segments, include the cost of the Board, the running costs of the headquarters in Glasgow, Group marketing, human resource, finance and design functions and legal and professional fees for the year. These overhead costs have increased to £3.0m (2013: £2.8m) mainly due to increased payroll costs.

Adjusted profit before tax

Depreciation charges of £7.2m (2013: £4.9m) have increased largely as a consequence of the acquisitions made in the year and also as a result of charges for the equipment bought to provide services to the additional Hosting segment customers.

The charge for amortisation of intangibles, excluding amortisation of intangible assets resulting from acquisitions ("amortisation of acquired intangible assets") of £0.7m (2013: £0.5m) has remained fairly static over the year.

Finance income in the period was £0.1m (2013: £0.1m). Finance costs of £1.2m (2013: £0.5m), excluding the mark to market adjustment in respect of interest swaps on the Company's loans and the accelerated write off of arrangement fees on the early repayment of bank facilities, increased substantially over the period. This was largely due to the new bank facilities which have been drawn down to fund the acquisitions made in the year.

After deducting the charges for depreciation, amortisation, excluding the charges for the amortisation of acquired intangible assets, and finance costs, excluding mark to market adjustments on the interest rate swap and the accelerated write off of arrangement fees on the early repayment of the bank facilities, and crediting the finance income from the adjusted EBITDA, the Group's adjusted profit before tax was £14.6m (2013: £10.7m) an increase of 37%.

Profit before tax

The measure of adjusted profit before tax is a non-statutory measure which is commonly used to analyse the performance of companies particularly where M&A activity forms a significant part of their activities.

A reconciliation of adjusted profit before tax to reported profit before tax is shown below:

Reconciliation of adjusted profit before tax to profit before tax	**2014 £'000**	**2013 £'000**
Adjusted profit before tax	14,612	10,668
Less: Amortisation of acquired intangible assets	(3,093)	(1,302)
Less: Acquisition costs	(374)	(364)
Less: Share based payments	(1,257)	(258)
Less: Mark to market adjustment on interest rate swaps	(20)	(46)
Less: Accelerated write off of arrangement fees on early repayment of bank facilities	(153)	-
Profit before tax	**9,715**	**8,698**

The adjusting items are: charges for the amortisation of acquired intangible assets of £3.1m (2013: £1.3m) which have increased substantially as a result of the acquisitions made in the year and the full year effect of acquisitions made in previous years; costs of £0.4m (2013: £0.4m) as a result of acquisition costs; share based payment charges in the period of £1.3m (2013: £0.3m) which have increased substantially as a result of additional share options granted; a mark to market adjustment in respect of interest rate swaps on the Company's loans of £0.02m (2013: £0.05m) and the accelerated write off of arrangement fees on the early repayment of bank facilities during the year of £0.15m (2013: £nil).

After deducting charges for the amortisation of acquired intangible assets; acquisition costs; share based payments; mark to market adjustments in respect of interest rate swaps and the accelerated write off of arrangement fees on the early repayment of bank facilities during the year from the adjusted profit before tax; the reported profit before tax was £9.7m (2013: £8.7m) an increase of 12%.

Taxation

There is a tax charge for the year of £2.0m (2013: £1.7m). The tax charge for the year is made up of a corporation tax charge of £2.5m (2013: £1.5m) with a deferred tax credit of £0.5m (2013: charge £0.2m). At the year end, the Group has unused tax losses of £4.0m (2013: £5.1m) available for offset against future profits, which have been provided for in full within deferred tax.

Profit for the year from total operations

After deducting the tax charge for the year from the profit before tax the Group has recorded a profit for the year from total operations of £7.7m (2013: £6.9m).

Earnings per share

Adjusted earnings per share is based on profit for the year attributed to ordinary shareholders before share based payment charges, amortisation charges of acquired intangible assets, mark to market adjustments in respect of interest rate swaps, the accelerated write off of arrangement fees on the early repayment of bank facilities during the year, acquisition costs and the tax effect of these items was 10.95p (2013: 8.46p) an increase of 29%.

The measure of adjusted earnings per share as described above is a non-statutory measure which is commonly used to analyse the performance of companies particularly where M&A activity forms a significant part of their activities.

The calculation of both adjusted earnings per share and basic earnings per share is included at note 12.

Basic earnings per share from continuing operations was 7.30p (2013: 6.91p), an increase of 6% over the year.

Acquisitions
On 4 September 2013 the Company acquired Redstation for a maximum consideration of £8.1m; on a no cash no debt, normalised working capital basis. An initial payment of £2.0m in cash and £1.5m in shares was made to the vendors and debt of £3.1m was also repaid. A further sum of £0.2m was paid in cash in December 2013 to reflect the additional debt assumed, cash acquired and normalised working capital position of the company at completion. An additional sum is due related to the profitability of Redstation in the period to March 2014 and the estimated amount to be paid in this regard is £1.2m. Payment of this sum is expected to be made during June 2014.

On 30 September 2013 the Company acquired BTL for a total consideration of £23.0m; on a no cash no debt, normalised working capital basis. At completion, there was a payment made of £14.9m in cash, plus another £1.1m in cash to reflect the additional debt assumed, cash acquired and normalised working capital position of the company at completion, thereby totalling a payment of £16.0m in cash and £3.5m in shares to the vendors. There was also a repayment of debt of £2.6m. A further deferred sum of £2.0m was paid in January 2014.

On 9 September 2013 the Company acquired the entire share capital of Open Minded for a total consideration of £0.1m. Open Minded is a customer of Rapidswitch.

Cash flow and net cash
Net cash flows from operating activities
The Group continued to generate high levels of operating cash over the year. Cash flow from operations was £24.0m (2013: £14.8m) with the significant increase of 62% over the previous year's level largely due to the improvement in adjusted EBITDA. After deducting payments for corporation tax of £2.3m (2013: £1.2m) the net cash flow from operating activities was £21.7m (2013: £13.6m).

Cash flow from investing activities
In line with our strategy of accelerating our growth by acquisition the Group continued to incur substantial sums on investing activities, spending a total of £31.5m (2013: £13.6m) in the period. Of this amount, £19.0m (2013: £8.8m), net of cash acquired on acquisition of £1.4m and shares issued of £5.0m, was incurred in relation to acquisition activities described above. As well as the investment in the year to acquire Redstation, BTL and Open Minded the Group also paid contingent and deferred considerations due on the acquisitions of Internet Engineering and Skymarket respectively in the previous financial year.

The Group continues to invest in property, plant and equipment through expenditure on datacentres and on equipment required to provide managed services to both its existing and new customers. In particular the Group significantly expanded its datacentre in Maidenhead and as a result the Group spent £11.7m (2013: £4.1m) on assets, net of related finance lease drawdown and non-cash reinstatement provisions.

Expenditure was also incurred on development costs of £0.6m (2013: £0.5m).

Cash flow from financing activities
There was net cash generated from financing activities of £11.4m (2013: £2.5m). The Company's borrowing facilities were restructured in the period. Bank loans of £37.5m were drawn down (2013: £9.0m) out of which existing facilities of £14.0m (2013: £4.0m) were repaid, including £5.0m which had been drawn down in the period to help finance the acquisition of Redstation, and the balance of £18.5m was used to help finance the acquisition of BTL (2013: £5.0m used to finance the acquisition of Melbourne). Subsequently, a further loan repayment of £2.5m was made in March 2014. £5.7m of borrowings in acquired businesses were repaid (2013: £0.2m) of which £3.1m related to the acquisition of Redstation and £2.6m to the acquisition of BTL and £1.4m (2013: £1.4m) of finance leases were also repaid. We received £0.2m (2013: £0.6m) from the issue of shares as a result of the exercise of options by employees. We also made a dividend payment of £1.5m (2013: £0.9m) and incurred finance costs of £1.2m (2013: £0.6m).

Net cash flow
As a consequence, our overall cash generation during the year was £1.6m (2013: £2.5m) which resulted in cash and cash equivalent balances at the end of the year of £13.0m (2013: £11.4m). After recognising bank loans of £30.0m (2013: £8.8m) and finance lease obligations of £2.8m (2013: £3.0m) net debt balances at the end of the period stood at £19.8m (2013: £0.4m) a level the Board is comfortable with given the strong cash generation of the Group.

Financial position
The Group is now in a position where it is generating substantial amounts of operating cash. The generation of that cash flow together with the committed bank loan facility for acquisitions and finance lease facilities which are available to fund capital expenditure, means that the Group has the liquidity it requires to continue its growth through both organic and acquisitive means.

Richard Logan

Richard Logan
Finance Director
27 May 2014

Key performance indicator review

Revenue Growth	2014	2013
Revenue	£55.6m	£43.1m
Growth	29% increase	29% increase

Revenue from continuing operations grew by 29% over the year compared to a growth of 29% in the previous year. The Hosting segment grew revenues by 40% (2013: 37%) and the Easyspace segment declined by 1% (2013: grew by 9%).

Adjusted EBITDA Margin	2014	2013
Adjusted EBITDA	£23.6m	£16.5m
Adjusted EBITDA margin	42%	38%

The adjusted EBITDA margin has shown a substantial improvement as a result of the Hosting segment both continuing to win new business and the inclusion of Redstation and BTL which were acquired during the year and Melbourne which was acquired during the previous year. Easyspace has also contributed to the adjusted EBITDA margin improvement through increased operational efficiencies resulting from the acquisitions in the previous year.

Principal risks and uncertainties

The board has established a formal process to identify risks and uncertainties through the production and maintenance of a risk register. There are a number of potential risks and uncertainties which have been identified as a result of this process which could have a material impact on the Group's future performance. These are not all the risks which the board has identified but those that the Directors currently consider to be the most material. In addition to these risks Note 29 contains details of financial risks.

Staff

As with any service organisation iomart is dependent on the skill, experience and commitment of its employees and especially a relatively small number of senior staff. The performance of the Group could be adversely affected if the required staffing levels are not maintained. The Group seeks to recruit and retain suitably skilled and experienced staff by offering a challenging and rewarding work environment. This includes competitive and innovative reward packages and a strong commitment to training and development.

Datacentre operation

Any downtime experienced at our datacentres would immediately have an impact on our ability to provide customers with the level of service they demand. Should the Group be unable to provide the required level of service this could have an adverse effect on the Group's performance through the loss of customers and reputation. Our ongoing investment in preventative maintenance and lifecycle replacement programme ensures our datacentres continue to deliver operational efficiency and effectiveness.

Network

The service we provide to customers is dependent on the continued operation of our fibre network which connects our datacentre estate. Should the network fail there would be an adverse impact on customers. The Group has implemented a resilient network throughout its datacentre estate with no single points of failure to ensure the likelihood of network failure is minimised.

Customers

The Group provides an essential service to an extensive client base many of whom rely on the provision of that service for their major internet presence. Any diminution in the level of service could have serious consequences for customer acquisition and retention. Our high level of recurring revenue and our low level of customer attrition are evidence of our ability to provide the level of service required.

Key suppliers

The Group is dependent on certain key suppliers for the continued operation of its business, the most significant of which are those for electricity, bandwidth and servers. Were any of these key suppliers to fail in their service provision to the Group this could have an adverse effect on the Group's ability to provide services to its customers. In all cases these supplies are obtained from reputable organisations chosen after a thorough selection process. After selection, the Group actively seeks to maintain good relationships with the chosen suppliers. The Group also seeks to maintain either several sources of supply or in the case of electricity alternative sources of power.

Search engine optimisation

A significant amount of the Group's sales revenues are generated through consumers using internet search engines to acquire goods and services. Should the Group's search engine optimisation performance deteriorate this could have an adverse effect on the revenue of the Group. The Group continually monitors the position of its websites with respect to these search engines. Through the allocation of experienced staff the Group seeks to maintain or enhance the position of its websites for detection by internet search engines.

Growth management

The Group is experiencing high levels of growth through both organic and acquisitive means. As a consequence we need to continue to evolve as an organisation to meet the demands that such growth places on our business operations. Failure to evolve in the necessary way could lead to deterioration in overall business performance. As part of our annual strategy and budget review process, which is updated as necessary throughout the year we identify the resource and organisational changes that are needed to support our growth. In addition a detailed integration and migration plan is produced for each acquisition that is made to ensure the acquired operation is successfully integrated into the Group's operations.

Acquisitions

The Group has made several acquisitions over the last years and has a stated strategy to continue to make acquisitions. This produces three areas of risk:

- Acquisition target risk – We may not be able to identify suitable targets for acquisition. Through a combination of internal research and external relationships we maintain an active pipeline of potential acquisition targets.

- Acquisition integration risk – We may not integrate the acquired business into the Group in an effective manner and as a consequence could lose staff and customers of the acquired business. For each acquisition we prepare a detailed integration and migration plan which includes the participation of the vendor to ensure successful integration of the acquired business into the Group's operations.

- Acquisition performance risk – The acquired business may not perform in line with expectations. As a consequence the expected financial performance of the operation may not be achieved with a resulting adverse effect on profits and cashflow. For each acquisition diligence and integration planning is undertaken and all potential synergies identified.

The Strategic Report on pages 13 to 20 has been approved by the Board and is signed on its behalf:

Richard Logan
Finance Director
27 May 2014

Nottingham Forrest Ladies Under 15 team winning the League Cup

Abingdon Town FC Under 10 team

iomart supporting GB Youth Teams via its Host Your Kit Campaign

HOST YOUR KIT

Board of Directors


1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6

1. **Ian Ritchie,** Chairman
2. **Angus MacSween,** Chief Executive
3. **Crawford Beveridge,** Non Executive Director
4. **Chris Batterham,** Non Executive Director
5. **Richard Logan,** Group Finance Director
6. **Sarah Haran,** Operations Director

Ian Ritchie
Chairman

63, appointed 2008; currently Chairman of Computer Application Services Ltd, Interactive Design Institute Ltd, Blipfoto Ltd, Cogbooks Ltd and Red Fox Media Ltd. He is a past President of the British Computer Society and the current Vice President (Business) of the Royal Society of Edinburgh. Ian was founding chairman of several technology companies, including Voxar Ltd (now part of Toshiba), Orbital Software Group plc (now part of Sopheon plc), Digital Bridges Ltd (now part of Oberon Inc) and Sonaptic Ltd (now part of Wolfson Microelectronics plc).

Angus MacSween
Chief Executive

57, appointed 2000; after a short service commission in the Royal Navy, Angus started his first business selling telephone systems in 1984. Since selling this first business he has established, grown and sold 5 profitable businesses in the telephony and internet sector. Following the sale of Teledata Limited, the UK's leading telephone information services company to Scottish Telecom plc, Angus spent two years on the executive of Scottish Telecom plc where he was responsible for the development of the company's Internet division. In December 1998 Angus founded iomart.

Chris Batterham
Non Executive Director

59, appointed 2005; Chris was finance director of Unipalm plc, the first internet company to IPO and stayed with the company for 5 years following its takeover by UUnet. He was CFO of Searchspace until 2005 and is currently a non executive director of Toumaz Ltd, SDL plc, office2office plc and chairman of Eckoh plc. Chris has also served on the boards of Staffware plc, DBS Management plc, DRS plc, Betfair plc and The Invesco Techmark Enterprise Trust plc.

Crawford Beveridge
Non Executive Director

68, appointed 2011; Crawford Beveridge CBE has over 40 years experience in the technology industry, including 16 years at Sun Microsystems ("Sun"), most recently as Executive Vice President and Chairman, EMEA, APAC and the Americas until retiring in January 2010. His business background also includes roles with Hewlett-Packard, Digital Equipment Corp., Analog Devices, non-executive director of Hitachi Global Storage Technologies, a subsidiary of Hitachi Ltd and Chief Executive of Scottish Enterprise. Current board roles include Chairman of the investment advisory board at Scottish Equity Partners and Non Executive Chairman of NASDAQ listed Autodesk.

Sarah Haran
Operations Director

48, appointed 2000; Sarah has spent her career implementing and managing operations centres for large corporations such as Microsoft Inc, Compaq Inc, Scottish Power plc and Prestel Limited. She joined iomart in 1998, from Scottish Telecom plc and has been responsible for developing the day-to-day business processes and technical operations to support the Group's customer base.

Richard Logan
Group Finance Director

56, appointed 2006; Richard is a chartered accountant having qualified with Arthur Young in 1984. Richard then spent 7 years with Ben Line Group initially as Group treasurer and latterly as financial director of Ben Line's main container shipping division. From 1992 to 2002 Richard served as finance director of Kingston SCL a company which provided administration and billing software to the mobile communications market during which time he was involved in a management buy-out and subsequent trade sale of the company. Immediately prior to joining iomart Richard served as finance director of ePOINT Group, a technology company based in Scotland.

As the company is listed on the Alternative Investment Market it is not required to comply with the provisions of the UK Corporate Governance Code (the "Code") issued in September 2012. However, the Board is committed to ensuring that proper standards of corporate governance operate and has established governance procedures and policies that are considered appropriate to the nature and size of the Group.

We do not comply with the Code. We have reported on our Corporate Governance arrangements by drawing upon best practice available including those aspects of the Code we consider to be relevant to the Company. Your Board considers that at this stage in the Group's development the expense of full compliance with the Code is not appropriate.

The Board

The Code requires the Company to have an effective Board whose role is to develop strategy and provide leadership to the Company as a whole, as well as ensuring a framework of controls exist which allow for the identification, assessment and management of risk, ultimately taking collective responsibility for the success of the Company.

Through the leadership of the Chairman, the Board sets the Company's strategic goals; ensuring obligations to shareholders are met. Matters reserved for a decision of the Board include approval of Group strategy, annual budgets and business plans, acquisitions, disposals, business development, annual reports, interim statements, and any significant funding and capital expenditure plans.

The Board meets regularly, usually monthly, to discuss and agree on the various matters brought before it, including the trading results. The Company has a highly committed and experienced Board, which is supported by a senior management team, with the qualification and experience necessary for the running of the Group.

In addition, there is regular communication between Executive and Non-Executive Directors, where appropriate, to update the Non-Executive Directors on matters requiring attention prior to the next Board meeting.

Role of the Chairman and Chief Executive Officer

The Code requires that there should be a clear division of responsibilities between the running of the Board and the executive responsible for the Company's business, so as to ensure that no one person has unrestricted powers of decision.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. Once strategic and financial objectives have been agreed by the Board, it is the Chief Executive Officer's responsibility to ensure they are delivered upon. To facilitate this, the Chief Executive Officer chairs the Group's Operations Boards which additionally comprises the other executive directors and, where appropriate, senior members of the management team. The day-to-day operation of the Group's business is managed by these Boards.

The Chairman holds other directorships, as detailed in his biography on page 13. The Board has considered the time commitment required by his other roles and has concluded they do not detract from his chairmanship of the Company.

Composition of and Appointments to the Board

The Code requires that there should be a balance of Executive and Non-Executive Directors and when appointing new Directors to the Board there should be a formal, rigorous and transparent procedure.

The Board comprises a Non-Executive Chairman, Chief Executive Officer, Finance Director, Chief Operating Officer and two independent Non-Executive Directors. Short biographies of the directors are given on page 23.

All Non-Executive Directors serving at the year-end are considered to be independent. The Board does not consider the shareholdings of the Non-Executive Directors as detailed on page 30 to have any effect on their independence.

The Board is satisfied with this balance between Executive and Non-Executive Directors. The Board considers that its composition is appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between Executive and Non-Executive Directors.

Each member of the Board brings different experience and skills to the Board and its various committees. The Board composition is kept under review as this mix of skills and business experience is a major contributing factor to the proper functioning of the Board, helping to ensure matters are fully debated and that no individual or group dominates the Board decision-making process.

When a new appointment to the Board is made, consideration is given to the particular skills, knowledge and experience that a potential new member could add to the existing Board composition. A formal process is then undertaken, which may involve external recruitment agencies, with appropriate consideration being given, in regards to Executive appointments, to internal and external candidates. Before undertaking the appointment of a Non-Executive Director, the Chairman establishes that the prospective Director can give the time and commitment necessary to fulfil their duties, in terms of availability both to prepare for and attend meetings and to discuss matters at other times.

Information and Development
A further principle of the Code is that information of a sufficient quality is supplied to the Board in a timely manner.

The Chairman is responsible for ensuring that all the Directors continually update their skills, their knowledge and familiarity with the Group in order to fulfil their role on the Board and the Board's Committees. Updates dealing with changes in legislation and regulation relevant to the Group's business are provided to the Board by the Company Secretary/Finance Director and through the Board Committees.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring the Board procedures are properly complied with and that the discussions and decisions are appropriately minuted. Directors may seek independent professional advice at the Company's expense in furtherance of their duties as Directors.

Training in matters relevant to their role on the Board is available to all Board Directors. New Directors are provided with an induction in order to introduce them to the operations and management of the business.

Performance Evaluation
The Code requires the Board to undertake a formal and rigorous evaluation of its own performance annually and that of its committees and individual Directors.

During the year a formal evaluation was conducted by means of a detailed questionnaire which was completed by each Director. The results of this process were collated by the Chairman and discussed by the Board collectively. The evaluation included a review of the performance of individual Directors, including the Chairman, and the Board Committees. Based on this evaluation the Board has concluded that its performance in the past year has been satisfactory.

Re-election
Under the Code, Directors should offer themselves for re-election at regular intervals and under the Company's Articles of Association, at every Annual General Meeting, at least one third of the Directors who are subject to retirement by rotation, are required to retire and may be proposed for re-election. In addition, any Director who was last appointed or re-appointed three years or more prior to the AGM is required to retire from office and may be proposed for re-election. Such retirement will count in obtaining the number required to retire at the AGM. New Directors, who were not appointed at the previous AGM, automatically retire at their first AGM and, if eligible, can seek re-appointment.

Two Directors will retire from office at the Company's forthcoming AGM and stand for re-appointment.

Board Committees
The Board has established two committees to deal with specific aspects of the Board's affairs: Audit and Remuneration Committees.

The Board has also established a Nominations Committee which is chaired by Ian Ritchie and includes Crawford Beveridge, Chris Batterham and the Chief Executive Officer.

Attendance at Board and Committee Meetings
Attendances of Directors at Board and Committee meetings convened in the year, along with the number of meetings that they were invited to attend, are set out below:

	Board		Remuneration Committee		Audit Committee	
	Held	Attended	Held	Attended	Held	Attended
Ian Ritchie – Non-Executive Chairman	10	10	3	3	3	3
Angus MacSween – Chief Executive Officer	10	10	-	-	-	-
Sarah Haran – Chief Operating Officer	10	10	-	-	-	-
Chris Batterham – Non-Executive Director	10	10	3	3	3	3
Crawford Beveridge – Non-Executive Director	10	10	3	3	3	3
Richard Logan – Finance Director	10	10	-	-	-	-

The Audit Committee

The Audit Committee's role is to assist the Board with the discharge of its responsibilities in relation to the internal controls and external audits . The Audit Committee will normally meet at least three times a year. The Audit Committee is chaired by Chris Batterham and its other members are Ian Ritchie and Crawford Beveridge. The Finance Director, Chief Executive Officer and other senior management attend meetings by invitation and the Committee also meets the external auditors without management present. Chris Batterham, as chairman of the Audit Committee, has recent and relevant financial experience.

During the year, the Audit Committee, operating under its terms of reference, discharged its responsibilities, including reviewing and monitoring:

- interim and annual reports, information including consideration of the appropriateness of accounting policies;
- material assumptions and estimates adopted by management;
- developments in accounting and reporting requirements;
- external auditors' plans for the year-end audit of the Company and its subsidiaries;
- the Committee's effectiveness;
- the Risk Register covering the systems of internal control and their effectiveness, reporting and making new recommendations to the Board on the results of the review and receiving regular updates on key risk areas of financial control;
- the performance and independence of the external auditors concluding in a recommendation to the Board on the reappointment of the auditors by shareholders at the Annual General Meeting. The auditors report annually to the Committee confirming their independence and stating the methods they employ to safeguard their independence;
- non-audit fees charged by the external auditors; and
- the formal engagement terms entered into with the external auditors.

Under its terms of reference the Audit Committee is responsible for monitoring the independence, objectivity and performance of external auditors, and for making a recommendation to the Board regarding the appointment of external auditors on an annual basis. The Group's external auditors, Grant Thornton UK LLP, were first appointed as external auditor of the Company for the period ended 31 March 2005.

The Remuneration Committee

The Remuneration Committee is chaired by Crawford Beveridge and its other members are Ian Ritchie and Chris Batterham. It is normal for the Chief Executive Officer to be invited to attend meetings except where matters under review by the Committee relate to him.

The Committee has responsibility for making recommendations to the Board on the remuneration packages of the Executive Directors which includes:

- making recommendations to the Board on the Company's policy on Directors' remuneration and overseeing long term incentive plans (including share option schemes for all employees);
- ensuring remuneration is both appropriate to the level of responsibility and adequate to attract and/or retain Directors and staff of the calibre required by the Company; and
- ensuring that remuneration is in line with current industry practice.

Internal Control

The Directors, who are responsible for the Group's system of internal control, have established systems to ensure that an appropriate level of oversight and control is provided. The systems are reviewed for effectiveness annually by the Audit Committee and the Board. The Group's systems of internal control are designed to help the Company meet its business objectives by appropriately managing, rather than eliminating, the risks to those objectives. The controls can only provide reasonable, not absolute, assurance against material misstatement or loss. Executive Directors and senior management meet to review both the risks facing the business and the controls established to minimise those risks and their effectiveness in operation on an on-going basis. The aim of these reviews is to provide reasonable assurance that material risks and problems are identified and appropriate action taken at an early stage.

The Board confirms that procedures to identify, evaluate and manage the significant risks faced by the Group have been in place throughout the year and up to the date of approval of the Annual Report.

Financial Control

The annual financial plan is reviewed and approved by the Board. Financial results with comparisons to plan and forecast results are reported on monthly to the Board together with a report on operational achievements, objectives and issues encountered. Significant variances from plan are discussed at Board meetings and actions set in place to address them.

Approval levels for authorisation of expenditure are at set levels and cascaded through the management structure with any expenditure in excess of predefined levels requiring approval from the executive directors.

Relations with Shareholders

The Chief Executive Officer and Finance Director have, where appropriate, had regular dialogue with shareholders and analysts to discuss strategic and other issues including the Company's financial results.

The Company engages in full and open communication with both institutional and private investors and responds promptly to all queries received. In conjunction with the Company's brokers and other financial advisers all relevant news is distributed in a timely fashion through appropriate channels to ensure shareholders are able to access material information on the Company's progress. The Company's website has a section for investors, which contains all publicly available financial information and news on the Company.

Going Concern

The Directors, having made suitable enquiries and analysis of the accounts, consider that the Group has adequate resources to continue in business for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. In making this assessment, the Directors have considered the Group budgets, the cash flow forecasts and associated risks and the availability of bank and leasing facilities.

AIM Rule Compliance Report

iomart Group plc is quoted on AIM and as a result the Company has complied with AIM Rule 31 which requires the following:

- Have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules;
- Seek advice from its Nominated Advisor ("Nomad") regarding its compliance with the Rules whenever appropriate and take that advice into account;
- Provide the Company's Nomad with any information it reasonably requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Nominated Advisors, including any proposed changes to the Board and Provision of draft notifications in advance;
- Ensure that each of the Company's Directors accepts full responsibility, collectively and individually, for compliance with the AIM rules; and
- Ensure that each Director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the director or could with reasonable diligence be ascertained by the Director.

Quality of Personnel and Employee Involvement

The Group is committed to attracting and retaining the highest level of personnel. It strives to do this through, amongst other things, the application of high standards in recruitment. The Group is aware of the importance of good communication in relationships with its staff and also follows a policy of encouraging training.

A number of employees participate in the growth of the business through the ownership of share options with some employees also participating in the Group bonus scheme.

Business Ethics

The Board recognises that the Company is accountable to its shareholders and, at the same time, seeks to take into account the interests of all its stakeholders including customers, suppliers and subcontractors, employees, as well as the local community, and the environment in which it operates.

The Group maintains core values of Honesty, Integrity, Hard Work, Service and Quality and actively promotes these values in all activities undertaken on behalf of the Group.

Customers

The Group treats all of its customers with the utmost respect and seeks to be honest and fair in all relationships with them. The Group provides its customers with products of high quality.

Suppliers and Subcontractors

Relationships with suppliers and subcontractors are based on mutual respect, and the Group seeks to be honest and fair in its relationships with suppliers and subcontractors, and to honour the terms and conditions of its agreements in place with such suppliers and subcontractors.

The Group is aware that the giving or accepting of bribes is not acceptable business conduct.

Employees

The Group recognises the importance of its employees and that the success of the Group is due to their efforts. The Group respects the dignity and rights of all its employees. The Group provides clean, healthy and safe working conditions. An inclusive working environment and a culture of openness are maintained by the regular dissemination of information.

The Group endeavours to provide equal opportunities for all employees and facilitates the development of employees' skill sets. A fair remuneration policy is adopted throughout the Group.

The Group does not tolerate any sexual, physical or mental harassment of its employees. The Group operates an equal opportunities policy and specifically prohibits discrimination on grounds of colour, ethnic origin, gender, ages, religion, political or other opinion, disability, or sexual orientation.

Bruce Hall
Company secretary
27 May 2014

As the Company is listed on the Alternative Investment Market it is not required to comply with the provisions of the UK Corporate Governance Code 2012 ("Code") issued by the Financial Reporting Council. However, in framing its remuneration policy the committee has given consideration to the Code and other than details of Directors' remuneration which is required by AIM Rule 19 the other disclosures are voluntary as is the resolution to approve this report at the annual general meeting.

Remuneration committee

The remuneration committee determines, on behalf of the board, the Group's policy for executive remuneration and the individual remuneration packages for executive directors. In setting the Group's remuneration policy, the remuneration committee considers a number of factors, including the following:

- salaries and benefits available to executive directors of comparable companies;
- the need to attract and retain executives of an appropriate calibre; and
- the continued commitment of executives to the Group's success through appropriate incentive schemes.

The committee normally meets at least twice per year.

Remuneration of executive directors

The remuneration packages of the executive directors comprise the following elements:

- Base salary

The remuneration committee sets base salaries to reflect responsibilities and the skill, knowledge and experience of the individual. Base salaries are reviewed annually and the remuneration committee considers external expert advice when setting the level of reward packages. The executive directors do not receive directors' fees.

- Bonus scheme

The executive directors are eligible to receive a bonus on top of their basic salary dependent on individual and Group performance at the discretion of the remuneration committee. The level of executive directors' discretionary bonus payments is determined by a number of factors including the Group's financial performance and the individual's non-financial performance. For the executive directors, there may be an opportunity to sacrifice their potential bonus in exchange for a payment into a pension plan.

- Pensions

Pension contributions to individuals' personal pension arrangements are payable by the Group at the rate of twice the contribution made by the director subject to a maximum employer contribution of 10% of basic salary.

- Share options

The Group operates share option plans for executive directors and managers as a combined reward and incentive for those who have made a major contribution to the Group and will continue to play a key role in helping the Group achieve its objectives in the future. Whenever an award under a share option plan is made performance conditions are attached to the award consistent with the objectives of the Group. No share options awarded will vest any earlier than the third anniversary of the date of grant of the option.

- Other benefits

The executive directors are entitled to life insurance cover and to participate in the Group's Private Medical Insurance scheme.

All of the executive directors are engaged under service contracts which require a notice period of 6 or 12 months.

Remuneration of non-executive directors

The fees paid to the non-executive directors are determined by the board. They are not entitled to receive any bonus or other benefits.

Non-executive directors' letters of appointment are on a 6 month rolling basis.

Directors' remuneration (this information has been audited)
Details of individual directors' emoluments for the year are as follows:

Name of director	Salary or fees	Bonus	Benefits	Pension contributions	Year ended 31 March 2014 Total	Year ended 31 March 2013 Total
	£	£	£	£	£	£
Angus MacSween	267,000	262,000	3,129	26,700	558,829	514,603
Chris Batterham	30,000	-	-	-	30,000	30,000
Crawford Beveridge	25,000	-	-	-	25,000	25,000
Sarah Haran	160,000	155,000	846	16,000	331,846	315,525
Richard Logan	170,000	144,500	2,306	17,000	333,806	298,058
Ian Ritchie	50,000	-	-	-	50,000	50,000
	702,000	**561,500**	**6,281**	**59,700**	**1,329,481**	**1,233,186**

Directors' interests in shares
The interests of the directors in the shares of the company at 31 March 2014, together with their interests at 1 April 2013 were as follows:

	Number of ordinary shares	
	31 March 2014	At 1 April 2013
Name of director		
Angus MacSween	16,800,552	20,436,916
Chris Batterham	90,621	90,621
Crawford Beveridge	30,000	30,000
Sarah Haran	1,963,747	2,345,565
Richard Logan	981,393	1,254,120
Ian Ritchie	151,400	151,400

On 1 October 2013, Angus MacSween sold 3,636,364 shares at a price of 275p per share, Sarah Haran sold 381,818 shares at a price of 275p per share and Richard Logan sold 272,727 shares at a price of 275p per share.

Directors' interests in share options (this information has been audited)
The interests of the directors at 31 March 2014 in options over the ordinary shares of the Company were as follows:

Name of director	At 1 April 2013	Exercised	Granted	Lapsed	At 31 March 2014	Exercise price	Date of Grant	Date from which exerciseable	Expiry date
Angus MacSween	43,010	-	-	-	43,010	46.5p	06/10/2008	31/03/2009	06/10/2018
	113,334	-	-	-	113,334	1p	27/03/2013	31/05/2014	27/03/2023
	113,333	-	-	-	113,333	1p	27/03/2013	31/05/2015	27/03/2023
	113,333	-	-	-	113,333	1p	27/03/2013	31/05/2016	27/03/2023
	383,010	-	-	-	383,010				
Sarah Haran	58,115	-	-	-	58,115	50.5p	27/09/2007	27/09/2010	27/09/2017
	42,913	-	-	-	42,913	46.5p	06/10/2008	31/03/2009	06/10/2018
	80,000	-	-	-	80,000	1p	27/03/2013	31/05/2014	27/03/2023
	80,000	-	-	-	80,000	1p	27/03/2013	31/05/2015	27/03/2023
	80,000	-	-	-	80,000	1p	27/03/2013	31/05/2016	27/03/2023
	341,028	-	-	-	341,028				
Richard Logan	50,000	-	-	-	50,000	74.0p	24/08/2006	24/08/2009	24/08/2016
	28,495	-	-	-	28,495	46.5p	06/10/2008	31/03/2010	06/10/2018
	80,000	-	-	-	80,000	1p	27/03/2013	31/05/2014	27/03/2023
	80,000	-	-	-	80,000	1p	27/03/2013	31/05/2015	27/03/2023
	80,000	-	-	-	80,000	1p	27/03/2013	31/05/2016	27/03/2023
	318,495	-	-	-	318,495				

During the year no share options were awarded to or exercised by the Directors.

The market price of the company's shares at the end of the financial period was 246.75p and the range of prices during the period was between 226.0p and 319.0p.

By order of the board

Crawford Beveridge
Chairman, Remuneration committee
27 May 2014

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2014.

Financial instruments

The Group's financial instruments comprise cash and liquid resources, bank loans and finance leases together with various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations. On 27 September 2013 the Group agreed a new multi option revolving credit facility of £20m and a term loan facility of £15m with Bank of Scotland plc. This replaced the multi option revolving credit facility of £16m which had been in place previously of which £10m had already been drawn down, including £5m drawn down during the year to help finance the purchase of Redstation, and a term loan facility of £4m which had been drawn down in full. The new facilities have been made available in order to finance acquisitions and for the issue of guarantees, bonds and indemnities.

In September 2013, £15m was drawn down on the new term loan facility and £17.5m was drawn down on the new multi option revolving credit facility and the proceeds used to repay the £10m which had been draw down under the previous revolving credit facility and to repay the £4m draw down under the previous term loan facility and the remaining £18.5m was used to fund the purchase of BTL. In March 2014, a repayment of £2.5m was made against the multi option revolving credit facility.

The £20m multi option revolving credit facility may be used by the Group to finance acquisitions and for the issue of guarantees, bonds or indemnities. The facility is available until October 2017 at which point any advances made under the revolving credit facility will become immediately repayable. In addition, each draw down made under this facility can be for either 3 or 6 months and can either be repaid or continued at the end of the period. Interest is charged on this loan at an annual rate determined by the sum of the term loan margin, LIBOR and the lender's mandatory costs. The multi option revolving credit facility margin can fluctuate between 2.50% and 3.50% per annum depending on the relationship of net borrowings to reported profits. A one-off arrangement fee of £337,500 was paid when the facility was first drawn down and a non-utilisation fee of 45% of the multi option revolving credit facility margin is due on any undrawn portion of the facility. The effective interest rate for multi option revolving credit loans in the current year was 4.41% (2013: 6.69%).

The £15m term loan was drawn down in September 2013 for the purpose of acquiring BTL and is repayable in instalments until October 2017 with two instalments totalling £3m due to be repaid within one year. Interest is charged on this loan at an annual rate determined by the sum of the term loan margin, LIBOR and the lender's mandatory costs. The term loan margin can fluctuate between 2.50% and 3.50% per annum depending on the relationship of net borrowings to reported profits. There was no arrangement fee associated with the term loan when it was drawn down. The effective interest rate for the term loan in the current year was 4.40% (2013: 2.34%).

The Group has exposure to movements in interest rates on its borrowings. The Group has entered into an interest rate swap in respect of its term loan and as a consequence the interest rate on that loan is fixed at 2.03% from April 2015 until maturity. The Group has also entered interest rate swap arrangements in respect of £4m which has been drawn under the multi option credit facility which has been fixed at 1.02% until June 2015 and £5m drawn under the multi option credit facility which has been fixed at 1.26% from August 2014 for 12 months. The remaining £6m drawn under the multi option credit facility is not covered by interest rate swap arrangements. The Group's borrowings at 31 March 2014 comprise finance leases totalling £2.8m (2013: £3.0m) and bank loans totalling £30.0m (2013: £8.8m). The interest rates on the finance leases are fixed for the term of the lease at between 5.6% and 24.1% and the average interest rate was 8.4% (2013: 8.2%).

The Group has exposure to movements in the exchange rate of the US dollar as certain domain name purchases are transacted in this currency. To protect cash flows against the level of exchange rate risk, the Group entered into forward exchange contracts to hedge foreign exchange exposures arising on the forecast payments. The majority of transactions of the parent company and the UK subsidiaries are in UK sterling and, with the exception of forward foreign exchange contracts and interest rate swaps, the Group does not use derivative instruments. Additional information on financial instruments is included in Note 29.

Dividend

The directors have not declared an interim dividend for the year ended 31 March 2014 (2013: nil). The directors recommend a final dividend for the year ended 31 March 2014 of 1.75p per share (2013: 1.40p per share).

Research and development

The Group develops cloud computing products including private cloud platforms, hybrid cloud platforms, virtual platforms, online backup and storage solutions and email related products.

Directors and their interests

The present membership of the board is set out on page 85. In accordance with the company's Articles of Association, Sarah Haran and Crawford Beveridge will offer themselves for re-election at the forthcoming annual general meeting.

Details of directors' interests in the company's shares are set out in the Report of the Board to the Members on Directors' Remuneration on pages 29 to 31.

Substantial shareholdings

At 21 May 2014 the following interests in 3% or more of the issued ordinary share capital, excluding shares held by the iomart Group plc Employee Benefit Trust, had been notified to the Company:

Shareholder	Shares	Percentage held
Angus MacSween	16,800,552	15.75%
Liontrust Asset Management	11,747,861	11.01%
Old Mutual Global Investors (UK)	6,701,304	6.28%
Majedie Asset Management	6,359,856	5.96%
River & Mercantile Asset Management	3,687,513	3.46%

Transactions in own shares

During the year 40,250 (2013: nil) own shares held in treasury at a carrying value of 46.5p each were issued following the exercise of share options by employees for which a net total of £20,869 (2013: £nil) was received.

Employee involvement

The Group regularly communicates with all staff providing information on developments within the Group including updates on the Group's strategy and details of new products and services provided by the Group.

Staff are eligible to receive share options in the company under the Group's share incentive schemes and it is the board's policy to make specific awards as appropriate to attract and retain the best available people.

Employment of disabled persons

Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

Website disclaimer

The maintenance and integrity of the iomart Group plc website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Auditors

Grant Thornton UK LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

By order of the board

Bruce Hall
Company secretary
27 May 2014

The directors are responsible for preparing the Strategic Report and Directors' Report, the Report to the Members on Directors' Remuneration and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed for the Group financial statements and whether United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the Group and Parent Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Group and Parent Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

***GB basketball team co-captain Kieron Achara**, "This project by iomart and Wheatley Housing Group to give away free sports kit and equipment is a great initiative which will inspire more children get healthy and active."*

Independent auditor's report to the members of iomart Group plc

We have audited the Group financial statements of iomart Group Plc for the year ended 31 March 2014 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In addition to our audit of the financial statements, the directors have engaged us to audit the information, in the Report of the Board to the Members on Directors' Remuneration, required to be disclosed in the financial statements in accordance with Rule 19 of the AIM Rules for Companies.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 2 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Opinion on other matters prescribed by the terms of our engagement

In our opinion the information, in the Report of the Board to the Members on Directors' Remuneration, which we were engaged to audit has been prepared in accordance with Rule 19 of the AIM Rules for Companies.

Other matter

We have reported separately on the parent company financial statements of iomart Group plc for the year ended 31 March 2014.

Grant Thornton UK LLP

Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
27 May 2014

	Note	2014 £'000	2013 £'000
Revenue		55,618	43,059
Cost of sales	4	(17,794)	(14,131)
Gross profit		**37,824**	**28,928**
Administrative expenses	4	(26,767)	(19,768)
Operating profit		**11,057**	**9,160**
Analysed as:			
Earnings before interest, tax, depreciation, amortisation, acquisition costs and share based payments		**23,611**	**16,505**
Share based payments	26	(1,257)	(258)
Acquisition costs	6	(374)	(364)
Depreciation	4	(7,170)	(4,909)
Amortisation – acquired intangible assets	4	(3,093)	(1,302)
Amortisation – other intangible assets	4	(660)	(512)
Finance income	7	68	87
Finance costs	7	(1,410)	(549)
Profit before taxation		**9,715**	**8,698**
Taxation	9	(1,995)	(1,749)
Profit for the year from total operations		**7,720**	**6,949**
Other comprehensive income			
Amounts which may be reclassified to profit or loss			
Currency translation differences		3	9
Other comprehensive income for the year		**3**	**9**
Total comprehensive income for the year		**7,723**	**6,958**
Attributable to equity holders of the parent		**7,723**	**6,958**
Basic and diluted earnings per share			
Total operations			
Basic earnings per share	12	7.30 p	6.91 p
Diluted earnings per share	12	7.23 p	6.63 p

The following notes form part of the primary financial statements.

Consolidated statement of financial position. As at 31March 2014

	Note	2014 £'000	2013 £'000
ASSETS			
Non-current assets			
Intangible assets – goodwill	13	44,879	31,781
Intangible assets – other	13	19,488	8,028
Lease deposits	14	2,416	2,416
Property, plant and equipment	16	32,533	19,884
		99,316	**62,109**
Current assets			
Cash and cash equivalents	18	13,025	11,392
Trade and other receivables	17	7,696	5,761
		20,721	**17,153**
Total assets		**120,037**	**79,262**
LIABILITIES			
Non-current liabilities			
Non-current borrowings	21	(13,716)	(5,696)
Provisions	22	(1,566)	(1,097)
Deferred tax	10	(2,443)	(468)
		(17,725)	**(7,261)**
Current liabilities			
Contingent consideration due on acquisitions	20	(1,271)	(358)
Trade and other payables	19	(15,158)	(12,491)
Current income tax liabilities		(1,868)	(812)
Current borrowings	21	(19,128)	(6,124)
		(37,425)	**(19,785)**
Total liabilities		**(55,150)**	**(27,046)**
Net assets		**64,887**	**52,216**
EQUITY			
Share capital	24	1,078	1,058
Own shares	25	(556)	(576)
Capital redemption reserve		1,200	1,200
Share premium		21,067	20,936
Merger reserve		4,983	-
Foreign currency translation reserve		2	(1)
Retained earnings		37,113	29,599
Total equity		**64,887**	**52,216**

These financial statements were approved by the board of directors on 27 May 2014.

Signed on behalf of the board of directors

Angus MacSween
Director and chief executive officer
iomart Group plc – Company Number: SC204560

The following notes form part of the primary financial statements.

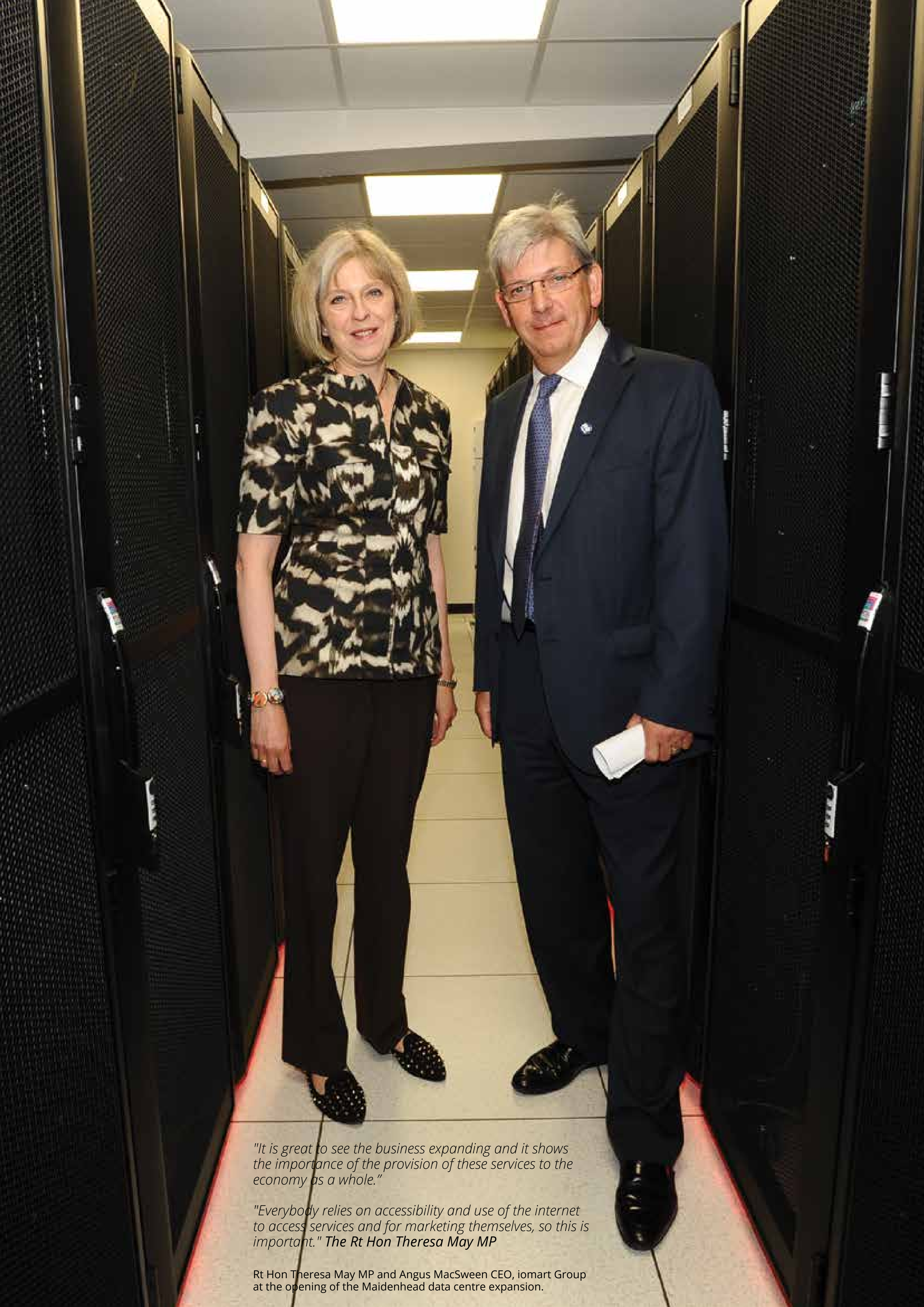
	Note	2014 £'000	2013 £'000
Profit before taxation		**9,715**	**8,698**
Finance costs – net	7	1,342	462
Depreciation	4	7,170	4,909
Amortisation	4	3,753	1,814
Share based payments	26	1,257	258
Exchange movements		-	9
Movement in trade receivables		250	(810)
Movement in trade payables		503	(550)
Cash flow from operations		**23,990**	**14,790**
Taxation paid		(2,277)	(1,200)
Net cash flow from operating activities		**21,713**	**13,590**
Cash flow from investing activities			
Purchase of property, plant and equipment	16	(11,651)	(4,093)
Capitalisation of development costs	13	(557)	(526)
Purchase of intangible assets – software	13	(24)	(20)
Proceeds on disposal of property, plant and equipment		22	-
Payments for current period acquisitions net of cash acquired		(19,016)	(8,796)
Contingent consideration paid on prior period acquisition		(125)	(246)
Deferred consideration paid on prior period acquisition		(201)	-
Finance income received		91	68
Net cash used in investing activities		**(31,461)**	**(13,613)**
Cash flow from financing activities			
Issue of shares		154	584
Draw down of bank loans	21	37,500	9,000
Repayment of finance leases		(1,384)	(1,427)
Repayment of bank loans	21	(16,503)	(4,000)
Repayment of borrowings on acquisition of business		(5,731)	(152)
Finance costs paid		(1,172)	(621)
Dividends paid	8	(1,483)	(904)
Net cash received from financing activities		**11,381**	**2,480**
Net increase in cash and cash equivalents		**1,633**	**2,457**
Cash and cash equivalents at the beginning of the year		11,392	8,935
Cash and cash equivalents at the end of the year	**18**	**13,025**	**11,392**

The following notes form part of the primary financial statements.

Consolidated statement of changes in equity. Year ended 31March 2014

Changes in equity	Note	Share capital £'000	Own shares JSOP £'000	Own shares EBT £'000	Own shares Treasury £'000	Foreign currency translation reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2012		**1,048**	**(2,351)**	**-**	**-**	**(10)**	**1,200**	**20,362**	**-**	**24,814**	**45,063**
Profit in the year		-	-	-	-	-	-	-	-	6,949	6,949
Currency translation differences		-	-	-	-	9	-	-	-	-	9
Total comprehensive income		**-**	**-**	**-**	**-**	**9**	**-**	**-**	**-**	**6,949**	**6,958**
Dividends – final (paid)	8	-	-	-	-	-	-	-	-	(904)	(904)
Share based payments	26	-	-	-	-	-	-	-	-	258	258
Deferred tax on share based payments		-	-	-	-	-	-	-	-	257	257
Issue of own shares from JSOP		-	2,351	(70)	(506)	-	-	-	-	(1,775)	-
Issue of new shares for option redemption	24	10	-	-	-	-	-	574	-	-	584
Total transactions with owners		**10**	**2,351**	**(70)**	**(506)**	**-**	**-**	**574**	**-**	**(2,164)**	**195**
Balance at 31 March 2013		**1,058**	**-**	**(70)**	**(506)**	**(1)**	**1,200**	**20,936**	**-**	**29,599**	**52,216**
Profit in the year		-	-	-	-	-	-	-	-	7,720	7,720
Currency translation differences		-	-	-	-	3	-	-	-	-	3
Total comprehensive income		**-**	**-**	**-**	**-**	**3**	**-**	**-**	**-**	**7,720**	**7,723**
Dividends – final (paid)	8	-	-	-	-	-	-	-	-	(1,483)	(1,483)
Share based payments	26	-	-	-	-	-	-	-	-	1,257	1,257
Deferred tax on share based payments		-	-	-	-	-	-	-	-	19	19
Issue of own shares for option redemption	25	-	-	-	20	-	-	-	-	1	21
Issue of new shares for option redemption	24	3	-	-	-	-	-	131	-	-	134
Issue of new shares for business acquisition	24	17	-	-	-	-	-	-	4,983	-	5,000
Total transactions with owners		**20**	**-**	**-**	**20**	**-**	**-**	**131**	**4,983**	**(206)**	**4,948**
Balance at 31 March 2014		**1,078**	**-**	**(70)**	**(486)**	**2**	**1,200**	**21,067**	**4,983**	**37,113**	**64,887**

The following notes form part of the primary financial statements.



"It is great to see the business expanding and it shows the importance of the provision of these services to the economy as a whole."

"Everybody relies on accessibility and use of the internet to access services and for marketing themselves, so this is important." ***The Rt Hon Theresa May MP***

Rt Hon Theresa May MP and Angus MacSween CEO, iomart Group at the opening of the Maidenhead data centre expansion.

1. GENERAL INFORMATION

iomart Group plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 85 of this report. The nature of the Group's operations and its principal activities are set out in the Strategic Report and Directors' Report.

The financial statements are presented in UK Pounds Sterling because that is the currency of the primary economic environment in which the Group operates.

2. ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the EU and issued by the International Accounting Standards Board (IASB) and in accordance with the Companies Act 2006. The measurement bases and principal accounting policies of the Group are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Standards, amendments, and interpretations effective in year

There were no additional standards, amendments and interpretations that had a material impact on the Group's financial statements during the year. The following standard, amendment and interpretation were effective in the year but had no material impact on the Group's financial statements:

- IFRS 10 (May 2011) Consolidated Financial Statements (effective 1 January 2013).
- IFRS 11 (May 2011) Joint Arrangements (effective 1 January 2013).
- IFRS 12 (May 2011, updated January 2012) Disclosures of Interests in Other Entities (effective 1 January 2013).
- IFRS 13 (May 2011) Fair Value Measurement (effective 1 January 2013).
- IAS 27 (May 2011) Separate Financial Statements (effective 1 January 2013).
- IAS 28 (May 2011) Investments in Associates and Joint Ventures (effective 1 January 2013).
- Amendments to IAS 1 (June 2011) Presentation of Items of Other Comprehensive Income (effective 1 July 2012).
- Amendments to IAS 19 (June 2011) Employee Benefits (effective 1 January 2013).
- Amendments to IFRS 1 (March 2012) Government Loans (effective 1 January 2013).
- Amendments to IFRS 7 (December 2011) Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013).
- Amendments to IFRSs 10, 11 & 12 (June 2012) Transitional Guidance (effective 1 January 2013).
- IFRIC 20 (October 2011) Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013).

New standards and interpretations of existing standards that are not yet effective and have not been adopted early by the Group

IFRS 9 Financial Instruments (effective 1 January 2015). IFRS 9 introduces new requirements for classifying and measuring financial assets and these new requirements will impact the disclosure and carrying values of financial assets. The impact of this on the financial statements of the Group has not yet been assessed.

In addition the following new amendments and interpretations of existing standards that are not yet effective and have not been adopted early by the Group are not expected to have any material impact on the Group's consolidated financial statements:

- Amendments to IAS 19 (November 2013) Defined Benefit Plans: Employee Contributions (effective 1 July 2014).
- Amendments to IAS 32 (December 2011) Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014).
- Amendments to IAS 36 (May 2013) Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014).
- Amendments to IAS 39 (June 2013) Novation of Derivatives and Continuation of Hedge Accounting (effective 1 January 2014).
- Amendments to IFRS 10,12 & 27 (October 2012) Investment Entities (effective 1 January 2014).
- IFRIC 21 (March 2013) Levies (effective 1 January 2014).

Summary of Accounting Policies

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 March 2014. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

Where the Group's assessment of the net fair value of a subsidiary's identifiable assets acquired and liabilities assumed is less than the fair value of the consideration including contingent consideration of the business combination then the excess is treated as goodwill. Where the Group's assessment of the net fair value of a subsidiary's net assets and liabilities exceeds the fair value of the consideration including contingent consideration of the business combination then the excess is recognised in the Statement of Comprehensive Income immediately.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow from the transaction and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on prior experience, taking into consideration the type of customer and the type of transaction.

Easyspace

This operating segment provides domain name registration and hosting services. Revenue from the provision of domain names is recognised at the point of sale when the title to the domain name passes to the customer. Revenue from the provision of hosting services is recognised evenly over the period of the service and only after the service has been established. Any unearned portion of revenue is included in payables as deferred revenue.

Hosting

This operating segment provides managed hosting facilities and services. Revenue from the sale of facilities and services is spread evenly over the period of the agreement and only after the service has been established. Any unearned portion of revenue is included in payables as deferred revenue.

Interest

Interest is recognised on an accruals basis using the effective interest method.

Intangible assets

Goodwill

Goodwill arising on consolidation is capitalised on the consolidated statement of financial position and, subject to an annual impairment test, has an infinite life. The carrying value of goodwill is cost less accumulated impairment losses and is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combination. Impairment reviews are carried out by the Board at least annually. Impairments to goodwill are charged to profit or loss in the period which they arise.

Customer relationships

Customer relationships are recognised only on acquisition. The fair value is derived based on discounted cash flows from estimated recurring revenue streams. The carrying value is stated at fair value at acquisition less accumulated amortisation and impairment losses. The useful economic life is assessed for each acquisition separately. Amortisation is charged over the useful life of the relationships in proportion to the estimated future cash flows, a period which is generally between five and eight years.

Research and development

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred. Development costs incurred are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale
- the Group intends to complete the intangible asset and use or sell it
- the Group has the ability to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred. The only development costs which are deemed to meet these criteria in the Group are in relation to developments by specific teams to develop products in the hosting asset management control system and internet security. Development costs capitalised are amortised on a straight-line basis over the estimated useful life of the asset. The estimated useful life is deemed to be three years for all developments capitalised. Amortisation charges are recognised in administration expenses in the consolidated statement of comprehensive income.

Software

Software is recognised at cost on purchase and amortised on a straight-line basis over its useful economic life, which does not generally exceed five years.

2. ACCOUNTING POLICIES (CONTINUED)

Acquisition costs
In accordance with IFRS 3 Business Combinations, costs incurred on professional fees during an acquisition are not included in the overall cost of the investment in the acquired business. Consequently, these acquisition costs are included as Administrative Expenses in the Consolidated Statement of Comprehensive Income. In addition, the costs associated with integrating the acquired businesses into the Group are also included in this category. The combination of both these types of expenses is also shown in the Consolidated Statement of Comprehensive Income as acquisition costs.

Contingent consideration
Where an acquisition involves a potential payment of contingent consideration the estimate of any such payment is based on its fair value. To estimate the fair value an assessment is made as to the amount of contingent consideration which is likely to be paid having regard to the criteria on which any sum due will be calculated and is probability based to reflect the likelihood of different amounts being paid. Where a change is made to the fair value of contingent consideration within the initial measurement period as a result of additional information obtained on facts and circumstances that existed at the acquisition date then this is accounted for as a change in goodwill. Where changes are made to the fair value of contingent consideration as a result of events that occurred after the acquisition date then the adjustment is accounted for as a charge or credit to profit or loss.

Property, plant and equipment
Property, plant and equipment is stated at cost net of depreciation and any provision for impairment. Leasehold property is included in property, plant and equipment only where it is held under a finance lease.

Disposal of assets
The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation
Depreciation is calculated to write down the cost of all property, plant and equipment to the expected residual value by equal annual instalments over their estimated useful economic lives. All items of plant and equipment have immaterial residual values. The rates generally applicable are:

Freehold property	Between 2.00% and 3.33% per annum
Leasehold improvements	Between 6% and 10% per annum
Computer equipment	Between 20% and 50% per annum
Office equipment	Between 10% and 25% per annum
Datacentre equipment	Between 6% and 10% per annum
Motor vehicles	25% per annum
Land	Not depreciated

Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Goodwill, other individual assets or cash-generating units that include goodwill, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Management estimate expected future cash flows from each cash generating unit and determines a suitable interest rate to determine the present value of the future cash flows. Discount factors are determined for each cash generating unit to reflect the underlying risks involved. The future cash flows used in the calculation are based on the Group's latest approved budget.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Details of the key assumptions and judgements are shown in note 13.

Leased assets
In accordance with IAS 17 Leases, the economic ownership of a leased asset is deemed to have been transferred to the Group (the lessee) if the Group bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance lease liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to profit or loss on a straight line basis over the lease term. Lease incentives are spread over the term of the lease. Where a lease is for land and buildings, these are considered separately as to whether there is a finance lease within the lease.

Lease deposits
Rental and re-instatement deposits for leasehold premises are included in the Consolidated Statement of Financial Position as either non-current assets or current assets depending on the length of time to maturity. Where lease deposits are interest earning the amount of deposit is not discounted and where they are not interest earning they are discounted at an appropriate rate.

Borrowings
Borrowings are initially stated at fair value after deduction of any issue costs. The carrying amount is increased by the finance costs in respect of the accounting period and reduced by payments made in the period. Borrowings are subsequently stated at amortised cost, any difference between the periods (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method. Where borrowings are repaid early and new loan facilities agreed the terms of each loan facility are compared. Where the terms of the new borrowings are significantly different from those of the previous borrowings, the previous borrowings are treated as extinguished rather than modified as prescribed under IAS 30.

Reinstatement costs
The Group has made alterations to properties which it occupies under lease arrangements. These lease arrangements contain provision for reinstatement of the property to its original condition at the Group's cost at the end of the lease should the landlord require that to happen. In respect of property leases which contain such a reinstatement provision the estimated cost of the reinstatement is provided in the financial statements. The discounted value of the expected cost of reinstatement is recorded as a leasehold improvement within property, plant and equipment and is then depreciated over the remaining term of the lease. A matching liability is recognised at the same time which is increased over the period of the lease by way of an interest charge such that the estimated cost of the reinstatement has been fully provided at the end of the lease period.

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Income taxes
The tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current tax is the tax currently payable based on taxable profit for the year. Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Statement of Comprehensive Income, except where they relate to items that are recognised directly in other comprehensive income or equity (such as share based remuneration) in which case the related deferred tax is also recognised in other comprehensive income or equity accordingly.

Financial assets
All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs on initial recognition. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through profit or loss.

All income and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within 'finance costs' or 'finance income' except for impairment of trade receivables which is presented within 'administration expenses'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Provision against trade and other receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows. An assessment for impairment is undertaken at least at each reporting date.

Financial derivatives such as forward foreign exchange contracts are carried at fair value through profit or loss.

2.ACCOUNTING POLICIES (CONTINUED)

Financial liabilities
Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in profit or loss. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are re-measured at each reporting date at fair value, with changes in fair value being recognised in the statement of comprehensive income. All other financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the statement of comprehensive income. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged, cancelled or when it expires. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the statement of comprehensive income on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Foreign currency transactions
Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. Any gains or losses arising on assets and liabilities between the date of recording and the date of settlement are treated as gains or losses in the statement of comprehensive income. Forward foreign exchange contracts used to hedge the Group's exposure to foreign currency transactions are fair valued at the balance date and the gain or loss is recognised in the statement of comprehensive income for the period.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity in the Foreign Currency Translation reserve.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Dividends
Dividend distributions payable to equity shareholders are included in the financial statements within 'other short term financial liabilities' when a final dividend is approved in a general meeting. Interim dividend distributions to equity shareholders approved by the Board are not included in the financial statements until paid.

Equity
Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Own shares Treasury" represents the amount of the Company's own equity shares, plus attributable transaction costs, that is held by the Company as treasury shares.
- "Own shares EBT" represents the amount of the Company's own equity shares, plus attributable transaction costs, that is held by the Company within the iomart Group plc Employee Benefit Trust.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Merger reserve" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue, when ordinary share capital is included in the consideration for business acquisitions.
- "Capital redemption reserve" represents set aside reserves in relation to previous redemption of own shares.
- "Foreign currency translation reserve" represents all exchange differences on the translation of the results and financial position of Group entities that have a functional currency different from the presentation currency.
- "Retained earnings" represents retained profits.

Employee benefits
The Group operates a stakeholder pension scheme and also contributes to a number of personal pension schemes on behalf of executive directors and some senior employees. The pension costs charged against operating profit are the contributions payable to the schemes in respect of the accounting period.

Share-based payment
The Group operates equity-settled share-based remuneration plans for its employees. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

Where existing share based incentives are replaced the fair value of the replacement share based incentives is calculated and compared to the current fair value of the replaced share based incentives. Where the fair value of the replaced share based incentives exceeds that of the replacement share based incentives then the share based payment charge to the statement of comprehensive income for the year continues to be based on the original share based incentives. Where the fair value of the replaced share based incentive is less than that of the replacement incentives then the incremental fair value is recognised over the remaining vesting period in addition to the original share based payment charge.

All share-based remuneration plans are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to 'retained earnings'.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share based incentives expected to vest differs from previous estimates. The two main vesting conditions that apply to share options relate to the achievement of annual objectives and continuous employment. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share based incentives ultimately exercised are different to that estimated on vesting.

Upon exercise of share based incentives the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Segmental reporting

The Group provides segmental reporting on a basis consistent with the provision of internal financial information used for decision making purposes by the Chief Operating Decision Maker. Internal reports are produced on a basis consistent with the accounting policies adopted in the Group's financial statements.

The Group calculates geographical information on the basis of the location of the customer.

Key judgements and sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group is required to make a judgment as to whether there is any impairment of goodwill. This requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and to select a suitable discount rate in order to calculate the present value. Full details of the assumptions used in the calculation are disclosed in note 13.

Valuation of intangible assets and fair value adjustments on acquisition

As the Group continues to implement its acquisition strategy there is a requirement to fair value the assets and liabilities of any business acquired during the year. The Group is required to make a judgment as to what intangible assets exist within the acquired business at the time of the acquisition. When reviewing the existence of intangible assets consideration has been given to potential intangible assets such as customer relationships and brand. The estimation of the valuation of customer relationships is based on the value in use calculation which requires estimates of the future cash flows expected to arise from the existing customer relationships over their useful life and to select a suitable discount rate in order to calculate the present value. Full details of the assumptions used in the calculation of intangible assets and fair value adjustments on the acquisitions that have occurred during the current year are disclosed in note 11.

Reinstatement provisions

At the inception of the leases and annually thereafter, the Directors assess the cost of restoring leasehold premises to their original condition at the end of the lease. These estimates are based on information provided by external advisors, the initial cost of the leasehold improvements and inflation rates and discount rates until the end of the lease. The reinstatement provision required at the end of the current year is shown in note 22.

Deferred tax

The Group has substantial tax losses available to offset future taxable profits. In assessing the amount of deferred tax to be recognised as an asset the Group has estimated future profitability of the relevant operating unit. The deferred tax asset in relation to tax losses is shown in note 10.

3. SEGMENTAL ANALYSIS

The chief operating decision-maker has been identified as the Chief Executive Officer ("CEO") of the Company. The Group has two operating segments and the CEO reviews the Group's internal reporting which recognises these two segments in order to assess performance and to allocate resources. The Group has determined its reportable segments which are also its operating segments based on these reports.

The Group currently has two operating and reportable segments.

- Easyspace – this segment provides a range of shared hosting and domain registration services to micro and SME companies. Open Minded was acquired during the year and has been reported as part of the Easyspace segment since acquisition.

- Hosting – this segment provides managed hosting facilities and services, through a network of owned datacentres, to the larger SME and corporate markets. The segment uses several routes to market and provides managed hosting services through iomart Hosting, RapidSwitch, Titan Internet, EQSN, Melbourne and iomart Cloud Services. Redstation and BTL were acquired during the year and have been reported as part of the Hosting segment since acquisition.

Information regarding the operation of the reportable segments is included below. The CEO assesses the performance of the operating segments based on revenue and a measure of Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) before any allocation of Group overheads, charges for share based payments or costs associated with acquisitions. This segment EBITDA is used to measure performance as the CEO believes that such information is the most relevant in evaluating the results of the segment.

The Group's EBITDA for the year has been calculated after deducting Group overheads from the EBITDA of the two segments as reported internally. Group overheads include the cost of the Board, all the costs of running the premises in Glasgow, the Group marketing, human resource, finance and design functions and legal and professional fees.

The segment information is prepared using accounting policies consistent with those of the Group as a whole.

The assets and liabilities of the Group are not reviewed by the chief operating decision-maker on a segment basis. Therefore none of the Group's assets and liabilities are segmental assets and liabilities and are all unallocated for segmental disclosure purposes. For that reason the Group has not disclosed details of segmental assets and liabilities.

All segments are continuing operations. No customer accounts for more than 10% of external revenues. Inter-segment transactions are accounted for using an arms-length commercial basis.

Operating Segments

Revenue by Operating Segment

	2014			2013		
	External £'000	**Internal £'000**	**Total £'000**	**External £'000**	**Internal £'000**	**Total £'000**
Easyspace	10,959	-	10,959	11,081	-	11,081
Hosting	44,659	932	45,591	31,978	1,052	33,030
	55,618	**932**	**56,550**	**43,059**	**1,052**	**44,111**

Geographical Information

In presenting the consolidated information on a geographical basis, revenue is based on the geographical location of customers. The United Kingdom is the place of domicile of the parent company, iomart Group plc. All of the Group's revenue originates from the United Kingdom.

Analysis of Revenue by Destination

	2014 £'000	**2013 £'000**
United Kingdom	48,005	39,190
Rest of the World	7,613	3,869
Revenue from operations	**55,618**	**43,059**

3.SEGMENTAL ANALYSIS (CONTINUED)

Profit by Operating Segment

	2014			2013		
	EBITDA before acquisition costs and share based payments £'000	Depreciation, amortisation, acquisition costs and share based payments £'000	Operating profit/(loss) £'000	EBITDA before acquisition costs and share based payments £'000	Depreciation, amortisation, acquisition costs and share based payments £'000	Operating profit/(loss) £'000
Easyspace	4,953	(605)	4,348	4,973	(550)	4,423
Hosting	21,700	(10,318)	11,382	14,289	(6,173)	8,116
Group overheads	(3,042)	-	(3,042)	(2,757)	-	(2,757)
Acquisition costs	-	(374)	(374)	-	(364)	(364)
Share based payments	-	(1,257)	(1,257)	-	(258)	(258)
Profit before tax and interest	23,611	(12,554)	11,057	16,505	(7,345)	9,160
Group interest and tax			(3,337)			(2,211)
Profit for the year	**23,611**	**(12,554)**	**7,720**	**16,505**	**(7,345)**	**6,949**

Group overheads, acquisition costs, share based payments, interest and tax are not allocated to segments.

4.OPERATING PROFIT

The profit for the year from total operations is stated after charging the following operating costs:

	2014 £'000	2013 £'000
Staff costs excluding development costs capitalised and research and development costs written off the statement of comprehensive income	13,046	10,281
Depreciation of property plant and equipment		
- Owned assets	6,191	3,663
- Leased assets	979	1,246
Property, plant and equipment hire		
- Land and buildings	2,139	1,931
- Plant and machinery	366	208
Amortisation of intangible assets		
- Acquired intangible assets	3,093	1,302
- Other intangible assets	660	512
R&D expensed to statement of comprehensive income	132	125
Marketing and sales	597	613
Provision for doubtful debts	350	70
Premises and office	4,597	3,876

Included within other expenses are fees paid to the Group's auditors, an analysis of which is provided below:

Auditors' remuneration	2014 £'000	2013 £'000
Audit services:		
- Fees payable for the audit of the consolidation and the parent company accounts	38	32
- Fees payable for audit of subsidiaries, pursuant to legislation	67	58
Non-audit services:		
- Assurance service fees	-	3
- Tax compliance fees	25	23
- Corporate finance and advisory transactions	4	8
	134	**124**

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2014 £'000	2013 £'000
Directors' emoluments		
Aggregate emoluments	1,270	1,178
Pension contributions to personal money purchase schemes	60	55
Share based payments	1,035	9
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments	532	490
Pension contributions to personal money purchase schemes	27	24

During the year the Company made personal pension contributions to the personal pension schemes of 3 directors (2013: 3). The aggregate amount of gains realised by directors on the exercise of share options during the year was £nil (2013: £453,594).

The detailed numerical analysis of directors' remuneration and share options is included in the Report of the Board to the Members on Directors' Remuneration on pages 29 to 31.

	2014 No.	2013 No.
Average number of persons employed by the Group (including directors):		
Technical	136	108
Customer services	53	43
Sales and marketing	79	72
Administration	25	25
	293	**248**

	2014 £'000	2013 £'000
Staff costs of the Group during the year in respect of employees and directors were:		
Wages and salaries	11,178	9,568
Social security costs	1,182	970
Other pension costs	118	136
Share based payments	1,257	258
	13,735	**10,932**

The Group operates a stakeholder pension scheme and also contributes to a number of personal pension schemes on behalf of executive directors and some senior employees. In the case of executive directors, details of the pension arrangements are given within the Report of the Board to the Members on Directors' Remuneration on pages 29 to 31. In the case of senior employees, pension contributions to individuals' personal pension arrangements are payable by the Group at a rate equal to the contribution made by the senior employee subject to a maximum employer contribution of 5% of basic salary.

6. ACQUISITION COSTS

	2014 £'000	2013 £'000
Professional fees	374	220
Non-recurring integration costs	-	144
Total acquisition costs	**374**	**364**

During the year costs of £374,000 (2013: £220,000) were incurred in respect of professional fees on various acquisitions. In addition to these professional fees, one-off costs of £nil (2013: £144,000) directly related to the integration of acquisitions into the Group were also incurred.

7. NET FINANCE COST

	2014 £'000	2013 £'000
Finance income:		
Bank interest receivable	56	75
Other interest income	12	12
Finance income for the year	**68**	**87**
Finance expenses:		
Bank loan	(962)	(288)
Finance leases	(235)	(194)
Other interest charges	(40)	(21)
Mark to market interest adjustment	(20)	(46)
Accelerated write off of arrangement fees on early repayment of facilities	(153)	-
Finance expense for the year	**(1,410)**	**(549)**
Net finance cost	**(1,342)**	**(462)**

Included in other interest income is £12,000 (2013: £12,000) in respect of leasehold deposits.

8. DIVIDENDS ON SHARES CLASSED AS EQUITY

	2014 Pence per share	2014 £'000	2013 Pence per share	2013 £'000
Paid during the year:				
Final dividend				
Equity dividends on ordinary shares	1.40p	1,483	0.90p	904

The directors have recommended a final dividend for the year ended 31 March 2014 of 1.75p per share (2013: 1.40p per share). Subject to shareholder approval this proposed final dividend would be payable on 2 September 2014 to shareholders on the register as of 15 August 2014.

9. TAXATION

	2014 £'000	2013 £'000
Tax charge for the year	(3,002)	(1,423)
Adjustment relating to prior years	480	(121)
Total current taxation charge	**(2,522)**	**(1,544)**
Origination and reversal of temporary differences	486	(311)
Effect of changes in tax rates	41	106
Total deferred taxation credit/(charge)	**527**	**(205)**
Total taxation charge	**(1,995)**	**(1,749)**

The Group has a deferred tax asset which has been recognised in respect of tax losses within one subsidiary company, which has generated taxable profits and is expected to continue to do so.

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2014 £'000	2013 £'000
Profit before tax	9,715	8,698
Tax charge @ 23% (2013 – 24%)	2,234	2,088
Expenses disallowed for tax purposes	263	146
Non-taxable income	-	(18)
Adjustments in respect of prior years	(480)	121
Movement in deferred tax relating to changes in tax rates	(41)	(106)
Effect of research and development tax reliefs	(350)	(186)
Tax effect of share based remuneration	142	(299)
Movement in unprovided deferred tax related to fixed assets	103	7
Movement in deferred tax relating to prior periods	124	-
Increase in tax losses utilised and recognised	-	(4)
Taxation charge for the year	**1,995**	**1,749**

The weighted average applicable tax rate for the year ended 31 March 2014 was 23% (2013: 24%). The total current tax charge of £3,002,000 (2013: £1,423,000) on operations represents 30.9% (2013: 16.3%) of the Group profit before tax of £9,715,000 (2013: £8,698,000). A number of changes to the UK Corporation tax system were announced in the March 2013 Budget Statement with the main rate of corporation tax reduced from 23% to 21% from 1 April 2014 and further reductions to the main rate have been proposed to reduce the rate to 20% by 1 April 2015. These changes were substantively enacted at the balance sheet date and therefore are included in these financial statements.

10. DEFERRED TAX

The Group recognised deferred tax assets and liabilities as follows:

	2014		2013	
	Deferred tax Recognised £'000	Deferred tax Unrecognised £'000	Deferred tax Recognised £'000	Deferred tax Unrecognised £'000
Tax losses carried forward	831	-	1,167	-
Share based remuneration	600	-	681	-
Capital allowances timing differences	414	-	282	-
Deferred tax on acquired assets with no capital allowances	(765)	-	(949)	-
Deferred tax on customer relationships	(3,523)	-	(1,649)	-
Deferred tax liability	**(2,443)**	**-**	**(468)**	**-**

At the year end, the Group has unused tax losses of £4.0m (2013: £5.1m) available for offset against future profits. A deferred tax asset has been recognised in respect of £4.0m (2013: £5.1m) of such losses as these losses are expected to be used up by taxable profits by the end of the period covered by future projections.

The movement in the deferred tax account during the year was:

	Tax losses carried forward £'000	Share based remuneration £'000	Capital allowances timing differences £'000	Deferred tax on acquired assets with no capital allowances £'000	Customer relationships £'000	Total £'000
Balance at 1 April 2013	1,167	681	282	(949)	(1,649)	(468)
Acquired on acquisition of subsidiary	-	-	215	-	(2,736)	(2,521)
Credited to equity	-	19	-	-	-	19
(Charged)/credited to statement of comprehensive income	(222)	(41)	(64)	104	709	486
Effect of changes in tax rates	(114)	(59)	(19)	80	153	41
Balance at 31 March 2014	**831**	**600**	**414**	**(765)**	**(3,523)**	**(2,443)**

The deferred tax asset in relation to tax losses carried forward arises from unutilised tax losses in the Hosting operating segment. The deferred tax asset has been recognised in line with future projections over a three year period. The basis of these projections is:

- The consistent success of the sales teams in generating new business
- Expectations about the retention of customers
- Continued success in achieving a particular product mix and maintaining price yield

Based on the current profitability of certain companies within the operating segments, an assessment of projections and the expectations of sustainable profits in future years, a deferred tax asset in relation to the utilisation of these losses is recognised in line with IAS 12 'Income Taxes'.

The deferred tax asset in relation to share based remuneration arises from the anticipated future tax relief on the exercise of share options.

The deferred tax on capital allowances timing differences arises mainly from plant and equipment in the Hosting segment where the tax written down value varies from the net book value.

The deferred tax on acquired assets arises from datacentre equipment acquired through the acquisition of iomart Datacentres Limited on which depreciation is charged but on which there are no capital allowances available.

The deferred tax on customer relationships arises from timing differences on acquired intangible assets.

11. ACQUISITIONS

Redstation Limited
The Group acquired 100% of the issued share capital of Redstation Limited ("Redstation") on 4 September 2013.

Redstation is a Portsmouth based provider of dedicated servers to over 3,000 customers. Redstation owns and operates its own datacentres in Portsmouth, providing the Group with additional datacentre capacity. As well as the addition of datacentre facilities, this acquisition fills a geographical gap in the markets currently addressed by the Group. The acquisition is in line with the Group's strategy to grow its hosting operations both organically and by acquisition.

During the current period the Group incurred £126,000 of third party acquisition related costs in respect of this acquisition. These expenses are included in administrative expenses in the Group's consolidated statement of comprehensive income for the period ended 31 March 2014.

The following table summarises the consideration to acquire Redstation and the amounts of identified assets acquired and liabilities assumed at the acquisition date:

	£'000
Recognised amounts of net assets acquired and liabilities assumed:	
Cash and cash equivalents	456
Trade and other receivables	584
Property, plant and equipment	4,970
Intangible assets	2,896
Trade and other payables	(1,275)
Current income tax liabilities	(283)
Current borrowings	(83)
Non-current borrowings	(3,257)
Deferred tax liability	(292)
Identifiable net assets	**3,716**
Goodwill	1,184
Total consideration	**4,900**
Satisfied by:	
Cash – paid on acquisition	1,958
Shares issued	1,500
Contingent consideration - payable	1,200
Deferred consideration – paid	242
Total consideration transferred	**4,900**

The recognised amounts of all the net assets acquired and liabilities assumed are final.

An amount of £242,000 was due to the vendors in respect of the additional debt assumed, cash acquired and normalised working capital position of Redstation at completion and this amount was paid in December 2013.

The contingent consideration arrangement requires the Company to pay the former shareholders of Redstation an additional amount contingent on the level of profitability delivered by Redstation in the period to 31 March 2014. The potential undiscounted amount of the payment that the company could be required to make is between £nil and £1,500,000. The amount of contingent consideration payable which was recognised as of the acquisition date was £1,200,000. The fair value of the contingent consideration arrangement of £1,200,000 was estimated by applying the income approach to different scenarios based on historic performance and forecasts which had a range of outcomes of £1,040,000 to £1,297,000. A weighted average based on management estimates of the probability of the achievement of various levels of profitability was then calculated to give the fair value. The level of profitability of Redstation in the period ended 31 March 2014 has been determined since the year end and the revised estimation of the amount payable in respect of the contingent consideration arrangement is £1,239,000. The additional payment due of £39,000 is included in administrative expenses in the Group's consolidated statement of comprehensive income for the year ended 31 March 2014. Payment of the contingent consideration is expected to be paid during June 2014.

The total consideration transferred to the vendors of £4,900,000 together with the debt repaid at completion of £3,162,000 and the additional £39,000 of contingent consideration resulted in an estimated total cost of acquisition of £8,101,000 including an amount of £242,000 in respect of the cash, additional debt and normalised working capital position of Redstation at completion.

11. ACQUISITIONS (CONTINUED)

Redstation Limited (continued)
The goodwill arising on the acquisition of Redstation is attributable to the premium payable for a pre-existing, well positioned business and the specialised, industry specific knowledge of the management and staff, together with the benefits to the Group in merging the business with its existing infrastructure and the anticipated future operating synergies from the combination. The goodwill is not expected to be deductible for tax purposes.

The fair value of the financial assets acquired includes trade receivables with a fair value of £154,000. The gross amount due under contracts is £165,000 of which £11,000 is expected to be uncollectable.

The fair value included in respect of the acquired customer relationships intangible asset is £2,647,000.

To estimate the fair value of the customer relationships intangible asset, a discounted cash flow method, specifically the income approach, was used with reference to the directors' estimates of the level of revenue which will be generated from them. A post-tax discount rate of 10.8% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 8 years. Redstation earned revenue of £4,202,000 and generated profits before tax of £838,000 in the period since acquisition.

Backup Technology Holdings Limited
The Group acquired 100% of the issued share capital of Backup Technology Holdings Limited ("BTL") on 30 September 2013.

BTL is a Leeds based provider of cloud backup and disaster recovery services to over 200 customers. BTL provides the Group with a proven product, based on Asigra technology, for the cloud backup and recovery market and significantly enhances the Group's existing capability in that area. The acquisition is in line with the Group's strategy to grow its hosting operations both organically and by acquisition.

During the current period the Group incurred £248,000 of third party acquisition related costs in respect of this acquisition. These expenses are included in administrative expenses in the Group's consolidated statement of comprehensive income for the period ended 31 March 2014.

The following table summarises the consideration to acquire BTL and the amounts of identified assets acquired and liabilities assumed at the acquisition date:

	£'000
Recognised amounts of net assets acquired and liabilities assumed:	
Cash and cash equivalents	897
Trade and other receivables	1,633
Property, plant and equipment	1,831
Intangible assets	11,736
Trade and other payables	(868)
Current income tax liabilities	(515)
Current borrowings	(705)
Non-current borrowings	(2,022)
Deferred tax liability	(2,229)
Identifiable net assets	**9,758**
Goodwill	11,786
Total consideration	**21,544**
Satisfied by:	
Cash – paid on acquisition	16,044
Shares issued	3,500
Deferred consideration – paid	2,000
Total consideration transferred	**21,544**

The recognised amounts of all the net assets acquired and liabilities assumed are final.

The acquisition of BTL included deferred consideration arrangements that required an additional consideration of £2,000,000 to be paid by the Group to the vendors and this amount was paid on 31 January 2014.

11. ACQUISITIONS (CONTINUED)

Backup Technology Holdings Limited (continued)
The total consideration transferred to the vendors of £21,544,000 together with the debt repaid at completion of £2,569,000 resulted in a total cost of acquisition of £24,113,000, including an amount of £1,113,000 in respect of the cash, additional debt and normalised working capital position of BTL at completion.

The goodwill arising on the acquisition of BTL is attributable to the premium payable for a pre-existing, well positioned business and the specialised, industry specific knowledge of the management and staff, together with the benefits to the Group in merging the business with its existing infrastructure and the anticipated future operating synergies from the combination. The goodwill is not expected to be deductible for tax purposes.

The fair value of the financial assets acquired includes trade receivables with a fair value of £1,058,000. The gross amount due under contracts is £1,383,000 of which £325,000 is expected to be uncollectable.

The fair value included in respect of the acquired customer relationships intangible asset is £10,688,000.

To estimate the fair value of the customer relationships intangible asset, a discounted cash flow method, specifically the income approach, was used with reference to the directors' estimates of the level of revenue which will be generated from them. A post-tax discount rate of 10.8% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 8 years.

BTL earned revenue of £2,860,000 and generated profits before tax of £1,242,000 in the period since acquisition.

Open Minded Solutions Limited
The Group acquired 100% of the issued share capital of Open Minded Solutions Limited ("Open Minded") on 9 September 2013 for a total consideration of £128,432.

The acquisition of Open Minded has had no material effect on the results or the financial position of the Group.

Internet Engineering Limited
The fair values of acquired assets and liabilities, including goodwill, previously disclosed as provisional for Internet Engineering Limited have been finalised in the current period with no changes to the fair values disclosed in the Annual Report and Accounts 2013.

Pro-forma full year information
The following summary presents the Group as if the businesses acquired during the year had all been acquired on 1 April 2013. The amounts include the results of the acquired businesses, a charge for interest on the additional debt incurred to finance the acquisitions and depreciation and amortisation of the acquired fixed assets and intangible assets recognised on acquisition. The amounts do not include any possible synergies from the acquisitions. The information is provided for illustrative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of the future results of the combined companies.

	Pro-forma year ended 31 March 2014
	£'000
Revenue	61,227
Profit after tax for the year	7,492

12. EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, after deducting any own shares held by an Employee Benefit Trust in a Joint Share Ownership Plan ("JSOP"). Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the total of the weighted average number of ordinary shares in issue during the year, after deducting any own shares (JSOP), and adjusting for the dilutive potential ordinary shares relating to share options, including the dilutive effect of JSOP shares that have vested.

Total operations	**2014 £'000**	**2013 £'000**
Profit for the financial year and basic earnings attributed to ordinary shareholders	7,720	6,949
Weighted average number of ordinary shares:	**No 000**	**No 000**
Called up, allotted and fully paid at start of year	105,760	104,817
Own shares held in Treasury	(1,016)	(11)
Shares held by Employee Benefit Trust	(141)	(4,687)
New shares issued during year	1,101	468
Weighted average number of ordinary shares - basic	**105,704**	**100,587**
Dilutive impact of share options	1,005	1,018
Dilutive impact of JSOP shares	-	3,200
Weighted average number of ordinary shares - diluted	**106,709**	**104,805**
Basic earnings per share	7.30 p	6.91 p
Diluted earnings per share	7.23 p	6.63 p

Adjusted earnings per share	**2014 £'000**	**2013 £'000**
Profit for the financial year and basic earnings attributed to ordinary shareholders	7,720	6,949
- Amortisation of acquired intangible assets	3,093	1,302
- Acquisition costs	374	364
- Shared based payments	1,257	258
- Mark to market interest adjustment	20	46
- Accelerated write off of arrangement fees	153	-
- Tax impact of adjusted items	(1,039)	(409)
Adjusted profit for the financial year and adjusted earnings attributed to ordinary shareholders	**11,578**	**8,510**
Adjusted basic earnings per share	10.95 p	8.46 p
Adjusted diluted earnings per share	10.85 p	8.12 p

13. INTANGIBLE ASSETS

	Goodwill £'000	Development costs £'000	Customer relationships £'000	Software £'000	Beneficial contracts £'000	Domain names & IP addresses £'000	Total £'000
Cost							
At 1 April 2012	27,544	1,585	3,467	580	-	31	33,207
Additions	4,237	-	-	20	-	-	4,257
Acquired on acquisition of subsidiary	-	-	6,177	-	86	-	6,263
Development cost capitalised	-	526	-	-	-	-	526
At 1 April 2013	**31,781**	**2,111**	**9,644**	**600**	**86**	**31**	**44,253**
Additions	13,098	-	-	24	-	-	13,122
Disposals	-	-	-	(15)	-	-	(15)
Acquired on acquisition of subsidiary	-	-	13,335	1,048	-	249	14,632
Development cost capitalised	-	557	-	-	-	-	557
At 31 March 2014	**44,879**	**2,668**	**22,979**	**1,657**	**86**	**280**	**72,549**
Accumulated amortisation:							
At 1 April 2012	-	(988)	(1,181)	(432)	-	(29)	(2,630)
Charge for the year	-	(408)	(1,297)	(102)	(5)	(2)	(1,814)
At 1 April 2013	**-**	**(1,396)**	**(2,478)**	**(534)**	**(5)**	**(31)**	**(4,444)**
Disposal	-	-	-	15	-	-	15
Charge for the year	-	(473)	(3,086)	(156)	(7)	(31)	(3,753)
At 31 March 2014	**-**	**(1,869)**	**(5,564)**	**(675)**	**(12)**	**(62)**	**(8,182)**
Carrying amount:							
At 31 March 2014	**44,879**	**799**	**17,415**	**982**	**74**	**218**	**64,367**
At 31 March 2013	31,781	715	7,166	66	81	-	39,809

All amortisation and impairment charges are included in the depreciation, amortisation and impairment of non-financial assets classification, which is disclosed as administration expenses in the statement of comprehensive income.

During the year, goodwill was reviewed for impairment in accordance with IAS 36 "Impairment of Assets". No impairment charges (2013: nil) arose as a result of this review. For this review goodwill was allocated to individual Cash Generating Units (CGU) on the basis of the Group's operations. The goodwill acquired in the Open Minded Solutions acquisition in the current year has been allocated to the Easyspace CGU and the goodwill acquired in the Redstation and Backup Technology acquisitions have been allocated to the Hosting CGU, as these are the CGUs expected to benefit from the respective business combinations.

The carrying value of goodwill by each CGU is as follows:

Cash Generating Units (CGU)

	2014 £'000	2013 £'000
Easyspace	17,137	17,009
Hosting	27,742	14,772
	44,879	**31,781**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering a two-year period. These projections are the result of detailed planning and assume similar levels of organic growth as the Group has experienced in the previous year unless there is a reason to alter historic growth rates and also full year contributions from acquisitions.

13. INTANGIBLE ASSETS (CONTINUED)

The growth rates and margins used to extrapolate estimated future performance in the 3 years after the initial 2 year period continue to be based on past growth performance adjusted downwards to take into account the additional risk due to the passage of time. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The growth rates used to estimate future performance beyond the periods covered by the annual and strategic planning processes do not exceed the long-term average growth rates for similar products.

The assumptions used for the CGU included within the impairment reviews are as follows:

	Easyspace	Hosting
Discount rate	9%	10%
Average growth rate in years 3 to 5	2.25%	3.50%
Future perpetuity rate	2.25%	2.25%
Initial period for which cash flows are estimated (years)	2	2

Based on an analysis of the impairment calculation's sensitivities to changes in key parameters (growth rate, discount rate and pre-tax cash flow projections) there was no reasonably possible scenario where the CGU's recoverable amount would fall below its carrying amount.

14. LEASE DEPOSITS

The lease deposits of £2,416,000 (2013: £2,416,000) are made up of a rental deposit of £784,000 (2013: £784,000) and a reinstatement deposit of £1,632,000 (2013: £1,632,000). The rental and reinstatement deposits are due to be repaid at the end of the lease which at the earliest is July 2020.

The Group is due to receive interest on the lease deposit at the prevailing market rate and therefore has not been discounted.

15. PRINCIPAL SUBSIDIARIES

The following subsidiaries have been consolidated in the Group financial statements:

	Country of registration and operation	Activity	Ordinary share capital Owned by the company %	Ordinary share capital Owned by subsidiary undertakings %
iomart Limited	Scotland	Dormant	100	-
iomart Hosting Limited	Scotland	Managed hosting services	100	-
iomart Cloud Services Limited	Scotland	Managed hosting services	100	-
EQSN Limited	Scotland	Non-trading	100	-
iomart Virtual Servers Hosting Limited	Scotland	Dormant	100	-
Netintelligence Limited	Scotland	Dormant	100	-
iomart Development Limited	Scotland	Dormant	100	-
iomart Cloud Inc	USA	Managed hosting services	100	-
Easyspace Limited	England	Webservices	100	-
Open Minded Solutions Limited	England	Webservices	100	-
Backup Technology Holdings Limited	England	Non-trading	100	-
Backup Technology Limited	England	Non-trading	-	100
Switch Media Limited	England	Webservices	100	-
Internet Engineering Limited	England	Webservices	100	-
Redstation Limited	England	Webservices	100	-
My Documents Limited	England	Dormant	-	100
Switch Media (Ireland) Limited	England	Webservices	-	100
Global Gold Network Limited	England	Webservices	-	100
Global Gold Holdings Limited	England	Non-trading	100	-
Skymarket Limited	England	Non-trading	100	-
Rapidswitch Limited	England	Non-trading	100	-
Titan Internet Limited	England	Non-trading	100	-
Melbourne Server Hosting Limited	England	Managed hosting services	100	-
iomart Datacentres Limited	England	Non-trading	100	-
Internetters Limited	England	Dormant	-	100
NicNames Limited	England	Dormant	-	100
Web Genie Internet Limited	England	Non-trading	-	100

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £'000	Leasehold improve-ments £'000	Datacentre equipment £'000	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost:							
At 1 April 2012	837	3,624	9,732	11,447	826	38	26,504
Additions in the year	-	1,505	1,134	4,991	84	12	7,726
Acquisition of subsidiaries	-	51	349	700	341	-	1,441
Disposals in the year	-	-	-	-	-	(7)	(7)
At 31 March 2013	**837**	**5,180**	**11,215**	**17,138**	**1,251**	**43**	**35,664**
Additions in the year	-	1,195	5,305	6,290	249	-	13,039
Acquisition of subsidiaries	1,225	357	325	4,831	59	5	6,802
Disposals in the year	-	-	-	(192)	-	-	(192)
At 31 March 2014	**2,062**	**6,732**	**16,845**	**28,067**	**1,559**	**48**	**55,313**
Accumulated depreciation:							
At 1 April 2012	(59)	(821)	(2,831)	(6,594)	(554)	(19)	(10,878)
Charge for the year	(20)	(276)	(844)	(3,624)	(125)	(20)	(4,909)
Disposals in the year	-	-	-	-	-	7	7
At 31 March 2013	**(79)**	**(1,097)**	**(3,675)**	**(10,218)**	**(679)**	**(32)**	**(15,780)**
Charge for the year	(37)	(321)	(1,109)	(5,535)	(164)	(4)	(7,170)
Disposals in the year	-	-	-	170	-	-	170
At 31 March 2014	**(116)**	**(1,418)**	**(4,784)**	**(15,583)**	**(843)**	**(36)**	**(22,780)**
Carrying amount:							
At 31 March 2014	**1,946**	**5,314**	**12,061**	**12,484**	**716**	**12**	**32,533**
At 31 March 2013	758	4,083	7,540	6,920	572	11	19,884

The net book value of computer equipment held under finance lease at 31 March 2014 was £1,839,000 (2013: £1,554,000) and the net book value of datacentre equipment held under finance lease at 31 March 2014 was £690,000 (2013: £778,000). Of the total additions in the year of £13,039,000 (2013: £7,726,000), £894,000 (2013: £1,621,000) were funded by finance leases, £1,577,000 (2013: £1,512,000) was included in trade creditors as unpaid invoices at the year end resulting in a net £65,000 (2013: £1,041,000) movement in trade creditors and £429,000 (2013: £971,000) related to non-cash reinstatement provisions. Consequently, the consolidated statement of cash flows discloses a figure of £11,651,000 (2013: £4,093,000) as the cash outflow in respect of property, plant and equipment additions in the year.

17. TRADE AND OTHER RECEIVABLES

	2014 £'000	2013 £'000
Trade receivables	3,939	2,546
Less: Provision for impairment	(686)	(376)
Trade receivables (net)	**3,253**	**2,170**
Other receivables	442	421
Prepayments and accrued income	4,001	3,170
Trade and other receivables	**7,696**	**5,761**

The carrying amount of trade and other receivables approximates to their fair value, which has been calculated based on expectations of debt recovery from historic performances feeding into impairment provision calculations. Some of the higher value trade receivables in the Hosting segment are reviewed individually for impairment and judgment made as to any likely impairment based on historic trends and the latest communication with specific customers. The balance of trade receivables in the Group are individually small in terms of value, so are considered for impairment by business unit specific provision calculations and are not individually impaired.

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

To consider the total exposure to credit risks, the Group uses figures net of VAT. At 31 March 2014, £2,116,000 (2013: £1,720,000) of net trade receivables were fully performing. Net trade receivables of £1,137,000 (2013: £450,000) were past due, but not impaired. The credit quality of financial assets that are neither past due or impaired can be assessed by reference to the customer type. Trade receivables consist of a large number of customers in various industries and geographical areas. The Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The aging below shows that almost all are less than three months old and historic performance indicates a high probability of payment for debts in this aging. Those over three months relate to a small number of larger customers without history of default.

	2014 £'000	2013 £'000
Up to 3 months	1,037	403
Over 3 months but less than 6 months	89	45
Over 6 months but less than 1 year	11	2
Total unimpaired trade receivables which are past due	**1,137**	**450**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2014 £'000	2013 £'000
Balance at start of the year	376	371
Increase/(decrease) in provision for receivables impairment	192	(5)
Fair value of trade receivable provision acquired during the year	118	10
Balance at end of year	**686**	**376**

18. CASH AND CASH EQUIVALENTS

	2014 £'000	2013 £'000
Cash at bank and on hand	13,025	11,392
Cash and cash equivalents	**13,025**	**11,392**

The credit risk on cash and cash equivalents is considered to be negligible because the counter parties are UK banking institutions. The effective interest rate earned on short term deposits was 0.50% (2013: 0.85%).

19. TRADE AND OTHER PAYABLES

	2014 £'000	2013 £'000
Trade payables	(3,733)	(3,580)
Other taxation and social security	(1,360)	(995)
Accruals	(4,334)	(3,539)
Deferred income	(5,677)	(4,372)
Other creditors	(54)	(5)
Trade and other payables	**(15,158)**	**(12,491)**

The carrying amount of trade and other payables approximates to their fair value. Trade payables and accruals are non-interest bearing and generally mature within three months.

20. CONTINGENT CONSIDERATION

	2014 £'000	2013 £'000
Contingent consideration due on acquisitions:		
- Skymarket Limited	(32)	(232)
- Internet Engineering Limited	-	(126)
- Redstation Limited	(1,239)	-
Total contingent consideration due on acquisitions	**(1,271)**	**(358)**

21. BORROWINGS

	2014 £'000	2013 £'000
Current:		
Obligations under finance leases	(1,038)	(1,252)
Bank loans	(18,090)	(4,872)
Current borrowings	**(19,128)**	**(6,124)**
Non-current:		
Obligations under finance leases	(1,780)	(1,720)
Bank loans	(11,936)	(3,976)
Total non-current borrowings	**(13,716)**	**(5,696)**
Total borrowings	**(32,844)**	**(11,820)**

The carrying amount of borrowings approximates to their fair value.

The obligations under finance leases are secured by the related assets and are repayable as follows:

	2014			2013		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	1,038	183	1,221	1,252	186	1,438
Due between two and five years	1,277	348	1,625	1,106	391	1,497
Due after more than five years	503	110	613	614	173	787
	2,818	**641**	**3,459**	**2,972**	**750**	**3,722**

The Group in its ordinary course of business enters into hire purchase and finance lease agreements to fund or re-finance the purchase of computer equipment and software. The lease agreements are typically for periods of 2 to 3 years and do not have contingent rent or escalation clauses. The agreements have industry standard terms and do not contain any restrictions on dividends, additional debt or further leasing.

The finance lease liability has an effective interest rate of 8.4% (2013: 8.2%). Lease payments are made on a monthly and quarterly basis. The future lease obligation of £3,459,000 (2013: £3,722,000) has a present value of £2,710,000 (2013: £2,913,000).

21. BORROWINGS (CONTINUED)

On 4 September 2013, the Group drew down £5m from its existing bank facilities to help fund the purchase of Redstation.

On 27 September 2013 the Group agreed new bank facilities with Lloyds Banking Group totalling £35m with a multi option revolving credit facility of £20m and a term loan facility of £15m. This replaced a multi option revolving credit facility of £16m and a term loan of £4m which had previously been in place.

On 30 September 2013 the new term loan was drawn down in full and £17.5m was drawn on the new multi option revolving credit facility resulting in a total drawn down of £32.5m. From this the amount outstanding on the previous multi option revolving credit facility of £10m and the amount outstanding on the previous term loan of £4m were repaid. The remaining £18.5m was used to finance the purchase of BTL.

In March 2014, a repayment of £2.5m was made against the new multi option revolving credit facility.

The £20m multi option revolving credit facility may be used by the Group to finance acquisitions and for the issue of guarantees, bonds or indemnities. The facility is available until October 2017 at which point any advances made under the revolving credit facility will become immediately repayable. In addition, each draw down made under this facility can be for either 3 or 6 months and can either be repaid or continued at the end of the period. Interest is charged on this loan at an annual rate determined by the sum of the term loan margin, LIBOR and the lender's mandatory costs. The multi option credit facility margin can fluctuate between 2.50% and 3.50% per annum depending on the relationship of net borrowings to reported profits. A one-off arrangement fee of £337,500 was paid when the facility was first drawn down and a non-utilisation fee of 45% of the multi option revolving credit facility margin is due on any undrawn portion of the facility. The effective interest rate for multi option revolving credit loans in the current year was 4.41% (2013: 6.69%).

The £15m term loan was drawn down in September 2013 for the purpose of acquiring BTL and is repayable in instalments until October 2017 with two instalments totalling £3m due to be repaid within one year. Interest is charged on this loan at an annual rate determined by the sum of the term loan margin, LIBOR and the lender's mandatory costs. The term loan margin can fluctuate between 2.50% and 3.50% per annum depending on the relationship of net borrowings to reported profits. There was no arrangement fee associated with the term loan when it was drawn down. The effective interest rate for the term loan in the current year was 4.40% (2013: 2.34%).

The future loan obligations of £32,865,000 (2013: £9,657,000) equate to a present value of £23,630,000 (2013: £7,720,000). The capital element of the bank loans is £30,026,000 (2013: £8,848,000) and this differs from the net amount drawn down of £30,000,000 (2013: £9,000,000) due to an effective interest rate adjustment.

The obligations under the multi option revolving credit facility and term loan facility are repayable as follows:

	2014			2013		
	Capital £'000	**Interest £'000**	**Total £'000**	**Capital £'000**	**Interest £'000**	**Total £'000**
Due within one year	18,090	1,104	19,194	4,872	344	5,216
Due between two and five years	11,936	1,735	13,671	3,976	465	4,441
	30,026	**2,839**	**32,865**	**8,848**	**809**	**9,657**

22. PROVISIONS

The Group has made provision for the reinstatement of certain leasehold properties and after initial measurement, any subsequent adjustments to reinstatement provisions will be recorded against the original amount included in leasehold improvements with a corresponding adjustment to future depreciation charges.

The directors consider the carrying values of the provisions to approximate to their fair values as they have been discounted.

The movement in the reinstatement provision during the year was as follows:

	2014 £'000	**2013 £'000**
Balance at start of the year	(1,097)	-
Initial recognition on acquisition of subsidiary	-	(105)
Increase in provision	(429)	(971)
Unwinding of discount	(40)	(21)
Balance at end of year	**(1,566)**	**(1,097)**

23. OPERATING LEASES

The Group has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014		2013	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	2,012	288	1,783	210
Between two to five years	6,884	890	6,610	894
After five years	3,233	1,281	5,144	1,504
	12,129	**2,459**	**13,537**	**2,608**

Lease terms for land and buildings
Operating leases do not contain any contingent rent clauses. None of the operating leases contain renewal of purchase options or escalation clauses or any restrictions regarding further leasing or additional debt. At 31 March 2014, the total future minimum sub-lease payments expected to be received under non-cancellable sub-leases were £664,000 (2013: £781,000).

24. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
Authorised		
At 31 March 2012, 2013, and 2014	**200,000,000**	**2,000**
Called up, allotted and fully paid		
At 31 March 2012	104,817,404	1,048
Exercise of options	942,472	10
At 31 March 2013	**105,759,876**	**1,058**
Exercise of options	321,809	3
Issue of new shares for business acquisition	1,721,321	17
At 31 March 2014	**107,803,006**	**1,078**

During the year the Company issued 321,809 (2013: 942,472) ordinary shares of 1p each in respect of the exercise of share options by employees for which a net total of £134,583 (2013: £583,587) was received.

On 4 September 2013, 515,464 ordinary shares of 1p each were issued for £2.91 each in order to acquire Redstation and on 30 September 2013, 1,205,857 ordinary shares of 1p each were issued for £2.90 each in order to acquire BTL, resulting in a merger reserve of £4,982,787.

At 31 March 2014 the Company held 983,203 shares (2013: 1,023,453) as own shares in treasury which were accounted for in the Own Shares Treasury reserve and had a nominal value of £9,832 (2013: £10,235) and a market value of £2,426,053 (2013: £2,369,294). This represents 0.9% (2013: 1.0%) of the issued share capital as at 31 March 2014 excluding own shares.

At 31 March 2014 the Company held 140,773 shares (2013: 140,773) as own shares in the iomart Group plc Employee Benefit Trust ("EBT") which were accounted for in the Own Shares EBT reserve and had a nominal value of £1,408 (2013: £1,408) and a market value of £347,357 (2013: £325,889). This represents 0.1% (2013: 0.1%) of the issued share capital as at 31 March 2014 excluding own shares.

The share capital of iomart Group plc consists of ordinary shares with a par value of 1p. All shares, excluding the shares held by the Company in treasury and the shares held by the EBT, are equally eligible to receive dividends and represent one vote at the shareholders' meetings of iomart Group plc. All shares issued at 31 March 2014 are fully paid.

25. OWN SHARES RESERVES

	Own shares EBT £'000	Own shares Treasury £'000	Own shares Total £'000
Opening balance at 1 April 2013	(70)	(506)	(576)
Issue of own shares from Treasury for option redemption	-	20	20
Closing balance at 31 March 2014	**(70)**	**(486)**	**(556)**

During the year 40,250 (2013: nil) own shares held in treasury at the carrying value of 46.5p each were issued following the exercise of share options by employees for which a net total of £20,869 (2013: £nil) was received. As a consequence, at 31 March 2014 the Company held 983,203 shares (2013: 1,023,453) in treasury with a carrying value of £486,685 (2013: £506,609) which were accounted for in Own Shares treasury reserve; and 140,773 shares (2013: 140,773) in the EBT with a carrying value of £69,982 (2013: £69,982) which were accounted for in the Own Shares EBT reserve.

26. SHARE BASED PAYMENTS

The Group operated the following share based payment employee share option schemes during the year; Enterprise Management Incentive scheme, a SAYE sharesave scheme and a number of unapproved schemes. All schemes are settled in equity only and are summarised below.

	Vesting period	Maximum term	Performance criteria	Required to remain in employment
Enterprise Management Incentive scheme	Up to 3 years from grant	10 years after date of grant	As set by Remuneration Committee	Yes
Unapproved schemes	Up to 3 years from grant	10 years after date of grant	As set by Remuneration Committee	Yes
Sharesave scheme	3 years from grant	6 months after vesting period	No	Yes

The performance criteria as set by the Remuneration Committee are based on the achievement of annual objectives and continuous employment.

During the year, options over 362,059 ordinary shares (2013: 942,472) were exercised and the average market price at the exercise dates was 269.3p (2013: 187.5p). Options over 120,000 ordinary shares (2013: 1,570,000) were granted under the unapproved share option scheme with an average exercise price of 1.0p (2013: 70.3p) and options over 274,435 ordinary shares (2013: nil) were granted under the sharesave scheme with an exercise price of 191.4p.

As disclosed in note 5, a share based payment charge of £1,257,000 (2013: £258,000) has been recognised in the statement of comprehensive income during the year in relation to the above schemes. The fair value of the employee services received is valued indirectly by valuing the options granted using the Black-Scholes option pricing model, which worked on the following assumptions for the options granted in the year:

Grant date	**01-Oct-13**	**01-Oct-13**	**01-Oct-13**	**08-Jan-14**
Vesting date	**31-Mar-15**	**31-Mar-16**	**31-Mar-17**	**08-Jan-17**
Variables used				
Share price at grant date	276.0p	276.0p	276.0p	260.0p
Volatility	57%	57%	57%	57%
Dividend yield	0.5%	0.5%	0.5%	0.5%
Number of employees holding options/units	1	1	1	100
Option/award life (years)	10	10	10	3.5
Expected life (years)	3.75	3.75	3.75	3.25
Risk free rate	1.69%	1.69%	1.69%	1.82%
Expectations of meeting performance criteria	50%	50%	50%	100%
Fair value	**269.9p**	**269.9p**	**269.9p**	**127.5p**
Exercise price per share	1p	1p	1p	191.4p

i) Expected volatility was determined at the date of grant from historic volatility, adjusted for events that were not considered to be reflective of the volatility of the share price going forward; and
ii) Risk free rate was calculated based on the average Bank of England zero coupon yields.

26. SHARE BASED PAYMENTS (CONTINUED)

The movement in options during the year in respect of the Company's ordinary shares of 1p each under the various share option schemes are as follows:

	2014		2013	
	Weighted average exercise price per share (p)	**Number of share options**	**Weighted average exercise price per share (p)**	**Number of share options**
Outstanding at start of year	64.60	2,692,679	59.03	2,065,151
Granted	133.47	394,435	70.32	1,570,000
Forfeited	146.10	(50,000)	-	-
Expired	-	-	-	-
Exercised	42.94	(362,059)	61.92	(942,472)
Outstanding at end of year	**76.16**	**2,675,055**	**64.60**	**2,692,679**
Exercisable at end of year	**51.27**	**1,083,954**	**52.67**	**996,013**

The movement in options during the year in respect of the Company's ordinary shares of 1p each, under the JSOP scheme are as follows:

	2014		2013	
	Weighted average exercise price per share (p)	**Number of share options**	**Weighted average exercise price per share (p)**	**Number of share options**
Outstanding at start of year	-	-	55.45	4,750,079
Exercised	-	-	-	-
Exercised (swap arrangement)	-	-	56.74	(4,750,079)
Outstanding at end of year	**-**	**-**	**-**	**-**
Exercisable at end of year	**-**	**-**	**-**	**-**

Summary of share options that were outstanding at the year end:

		Share options – outstanding			Share options – exercisable		
	Range of exercise price per share (p)	**Outstanding shares**	**Weighted average exercise price per share (p)**	**Weighted average remaining contractual life (years)**	**Outstanding shares**	**Weighted average exercise price per share (p)**	**Weighted average remaining contractual life (years)**
Enterprise management incentive scheme	26.5 – 87.5	446,677	66.06	5.0	446,677	66.06	5.0
Unapproved schemes	1.0 – 146.1	1,953,943	62.28	8.2	637,277	40.90	7.0
Sharesave scheme	191.4	274,435	191.4	3.3	-	-	-
As at end of year		**2,675,055**	**76.16**	**7.1**	**1,083,954**	**51.27**	**6.2**

27. RELATED PARTY TRANSACTIONS

Dividends paid to key management (only directors are deemed to fall into this category) were as follows:

	2014 £'000	2013 £'000
Angus MacSween	286	174
Chris Batterham	1	1
Sarah Haran	33	9
Richard Logan	18	1
Ian Ritchie	2	1
Crawford Beveridge	-	-
Total dividends paid to directors	**340**	**186**

The only other related party transactions in the year were the salary payments to key management as disclosed in note 5 and the Report of the Board to the Members on Directors' Remuneration on pages 29 to 31.

28. CONTINGENCIES AND COMMITMENTS

(a) Contingencies
There were no contingent assets or liabilities as at 31 March 2014 (2013: nil).

(b) Commitments
Capital expenditure on property, plant and equipment committed by the Group at 31 March 2014 was £482,000 (2013: £5,189,000) which relates mainly to network equipment.

29. RISK MANAGEMENT

The Group finances its operations by raising finance through equity, bank borrowings and finance leases. No speculative treasury transactions are undertaken however the Group does from time to time enter into forward foreign exchange contracts to hedge known currency exposures. Financial assets and liabilities include those assets and liabilities of a financial nature, namely cash, investments, short term receivables/payables and borrowings.

The carrying amounts of financial assets presented in the statement of financial position relate to the following measurement categories as defined in IAS 39:

	Loans and receivables £'000
2014	
Non-current:	
Lease deposit	2,416
Current:	
Trade receivables	3,253
Cash and cash equivalents	13,025
Other receivables	442
Total for category	**19,136**
2013	
Non-current:	
Lease deposit	2,416
Current:	
Trade receivables	2,170
Cash and cash equivalents	11,392
Other receivables	421
Total for category	**16,399**

29. RISK MANAGEMENT (CONTINUED)

The carrying amounts of financial liabilities presented in the statement of financial position relate to the following measurement categories as defined in IAS 39:

	At fair value through profit or loss £'000	Financial liabilities measured at amortised cost £'000	Other (non-IAS 39) £'000	Total £'000
2014				
Non-current:				
Finance leasing capital obligations	-	-	(1,780)	(1,780)
Bank loan	-	(11,936)	-	(11,936)
Current:				
Trade payables	-	(3,733)	-	(3,733)
Accruals	-	(4,268)	-	(4,268)
Bank loan	-	(18,090)	-	(18,090)
Contingent consideration due on acquisitions	(1,271)	-	-	(1,271)
Finance leasing capital obligations	-	-	(1,038)	(1,038)
Interest rate swap contract	(66)	-	-	(66)
Total for category	**(1,337)**	**(38,027)**	**(2,818)**	**(42,182)**
2013				
Non-current:				
Finance leasing capital obligations	-	-	(1,720)	(1,720)
Bank loan	-	(3,976)	-	(3,976)
Current:				
Trade payables	-	(3,580)	-	(3,580)
Accruals	-	(3,486)	-	(3,486)
Bank loan	-	(4,872)	-	(4,872)
Contingent consideration due on acquisition	(358)	-	-	(358)
Finance leasing capital obligations	-	-	(1,252)	(1,252)
Interest rate swap contract	(46)	-	-	(46)
Forward foreign exchange contracts	(7)	-	-	(7)
Total for category	**(411)**	**(15,914)**	**(2,972)**	**(19,297)**

29. RISK MANAGEMENT (CONTINUED)

The Group's financial liabilities per the fair value hierarchy classifications under IFRS 13 'Financial Instruments: Disclosures' are described below:

Category of financial liability	Fair value at 31 March 2014 £'000	Level in hierarchy	Description of valuation technique	Inputs used for valuation model	Total gains and (losses) recognised in profit or loss £'000
Contingent consideration due on acquisition	(32)	3	Based on probability that vendor will comply with obligations under sale and purchase agreement.	Management estimate on probability and time scale of vendor complying with obligations.	-
Contingent consideration due on acquisition	(1,239)	3	Using formula specified in the purchase agreement together with the relevant information in the financial statements.	Information from the draft financial statements.	(39)
Interest rate swap contracts	(66)	2	Interest rate swap contracts are not traded in active markets. Fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contracts.	Observable forward exchange rates and interest rates corresponding to the maturity of the contracts. Effects of non-observable inputs are not significant for interest rate swaps.	(20)
Forward foreign exchange contracts	-	2	Forward foreign exchange contracts are not traded in active markets. Fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contracts.	Observable forward exchange rates and interest rates corresponding to the maturity of the contracts. Effects of non-observable inputs are not significant for forward foreign exchange contracts.	7
Total fair value	**(1,337)**			**Total net losses**	**(52)**

There have been no changes to valuation techniques or any amounts recognised through 'Other Comprehensive Income'. The £20,000 loss recognised in profit or loss on interest rate swap contracts is included in finance costs and the £7,000 gain recognised in profit or loss on forward foreign exchange contracts is included in administrative expenses in the Consolidated Statement of Comprehensive Income. As described in Note 11, the contingent consideration in relation to the Redstation acquisition has changed from £1,200,000 when it was originally estimated to £1,239,000 when the draft financial statements became available. The effects of changing non-observable inputs on the contingent consideration is described in note 11.

29. RISK MANAGEMENT (CONTINUED)

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

Contingent consideration	**2014** **£'000**	**2013** **£'000**
Balance at start of the year	(358)	(246)
Acquired through business combination	(1,200)	(358)
Settled in cash during the year	326	246
Loss recognised in profit of loss under:		
- Administrative expenses	(39)	-
Balance at end of year	**(1,271)**	**(358)**
Total amount included in profit or loss on Level 3 instruments under administrative expenses	(39)	-

Liquidity risk

The Group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. The Group reviews its cash flow requirements on a monthly basis.

Interest rates

The interest rate on the Group's cash at bank is determined by reference to the base rate and the interest rate on the Group's revolving credit and term loan facilities is based on LIBOR plus a margin. An interest rate swap has been put in place in respect of the term loan facility. This has the effect of fixing the LIBOR interest rate for the period of the term loan April 2015 to maturity at 2.03%. The Group has also entered interest rate swap arrangements in respect of £4m which has been drawn under the multi option credit facility which has been fixed at 1.02% until June 2015 and £5m drawn under the multi option credit facility which has been fixed at 1.26% from August 2014 for 12 months. The remaining £6m drawn under the multi option credit facility is not covered by interest rate swap arrangements. The fair value of the interest rate swap contracts is estimated to be a loss of £20,000 (2013: £46,000) which has been recognised in profit or loss for the year.

Currency risk

During the year the Group made payments totalling US$4.1m (2013: US$2.1m) and EUR€0.1m (2013: EUR€0.2m) to acquire domain names for its Easyspace division and licences for its Hosting division. During the year, the Group entered into forward exchange contracts to hedge its exposure to the US Dollar arising on these purchases but at the year end the Group had no outstanding forward contracts in place (2013: $600,000 for a total of £402,000 at an average exchange rate of US$:GBP£ of 1.49:1 over the period to March 2014). Consequently, the fair value of currency contracts at the year end was £nil (2013: loss £7,000). The Group has no non-monetary assets or liabilities denominated in foreign currencies and the level of monetary assets and liabilities denominated in foreign currencies is minimal.

Capital risk

The Group currently has net debt, due to its acquisition activities. The Group's policy on capital structure is to maintain a level of gross cash which the Board considers to be adequate for the size of the Group's operations which at the moment is no less than £10m. Consequently, the Group makes use of both banking facilities and finance lease arrangements to help fund the acquisition of companies and capital expenditure in order to maintain that level of gross cash. The Group is committed to paying annual dividends depending on the underlying profitability and cash generation of the business. The Group was in compliance with all covenants under its banking facility arrangements throughout the reporting period.

Credit risk

The Group provides standard credit terms (normally 30 days) to some of its customers which has resulted in trade receivables of £3,363,000 (2013: £2,170,000) which are stated net of applicable provisions and which represent the total amount exposed to credit risk. The lease deposits of £2,416,000 (2013: £2,416,000) are held in escrow accounts with the landlord's main UK bankers and the landlord is a major UK plc. The Group's cash at bank £13,025,000 (2013: £11,392,000) is held within the UK clearing banks.

In respect of trade receivables, lease deposits and cash in bank the directors consider the risk of exposure to credit is minimal due to the reasons given above.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IOMART GROUP PLC

We have audited the parent company financial statements of iomart Group plc for the year ended 31 March 2014 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of iomart Group plc for the year ended 31 March 2014.

Grant Thornton UK LLP

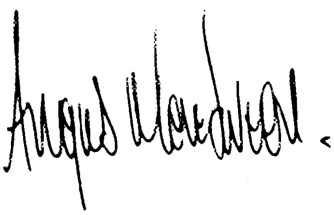
Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
27 May 2014

BALANCE SHEET

	Note	2014 £'000	2013 £'000
FIXED ASSETS			
Investments	3	72,797	45,639
		72,797	**45,639**
CURRENT ASSETS			
Debtors	4	25,036	15,649
Cash at bank and in hand		11,850	10,202
		36,886	**25,851**
CREDITORS: amounts falling due within one year	6	(49,968)	(27,175)
NET CURRENT LIABILITIES		**(13,082)**	**(1,324)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**59,715**	**44,315**
CREDITORS: amounts falling after more than one year	7	(12,000)	(4,000)
NET ASSETS		**47,715**	**40,315**
CAPITAL AND RESERVES			
Called up share capital	8	1,078	1,058
Own shares	9	(556)	(576)
Capital redemption reserve	9	1,200	1,200
Share premium account	9	21,067	20,936
Merger reserve	9	4,983	-
Profit and loss account	9	19,943	17,697
TOTAL EQUITY SHAREHOLDERS' FUNDS		**47,715**	**40,315**

These financial statements were approved by the board of directors on 27 May 2014.

Signed on behalf of the board of directors



Angus MacSween
Director and chief executive officer
iomart Group plc – Company Number: SC204560

The following notes form part of the primary financial statements.

“Melbourne have been busy working behind the scenes to help TechHub Manchester grow over the past six months as part of working towards my vision of Manchester one day becoming a top 5 European start-up destination. Now they’re front of house and giving the tech start-up stars of Manchester a great chance to learn from their proven expertise and their own business success.”

Doug Ward, Co-Founder & CEO of TechHub Manchester

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value. As part of the acquisition strategy of the Company, the trade and net assets of subsidiary undertakings at or shortly after acquisition may be transferred at book value to fellow subsidiaries. Where a trade is hived across to a fellow subsidiary undertaking, the cost of the investment in the original subsidiary, which then becomes a non-trading subsidiary, is added to the cost of the investment in the entity to which the trade has been hived. In order to accurately assess any potential impairment of investments, the carrying value of the investment in all companies transferred is considered together against the future cash flows and net asset position of those companies which received the trade and net assets.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Assets obtained under finance leases, which transfer substantially all the risks and rewards of ownership, are capitalised at their fair value on acquisition and depreciated over their estimated useful economic lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Financial instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate.

Income and expenditure on financial instruments is recognised on the accruals basis and credited or charged to the profit and loss account in the financial period to which it relates.

Pension scheme arrangements

The Group operates a stakeholder pension scheme and contributes to a number of personal pension schemes on behalf of executive directors and some senior employees. No other post retirement benefits are provided to employees. Pension costs are charged to the profit and loss account in the period to which they relate.

Share-based payment

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2005 are recognised in the financial statements. All share-based payment arrangements in the company are equity settled. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to "Profit and loss reserve".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

2. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial period after taxation was £2,452,000 (2013: £358,000).

3. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2013	47,394
Additions	26,986
Share based payment (note 10)	193
Cost at 31 March 2014	**74,573**
Impairment	
At 1 April 2013	(1,755)
Charge for the year	(21)
Impairment at 31 March 2014	**(1,776)**
Net book value of Investments at 31 March 2014	**72,797**
Net book value of Investments at 31 March 2013	45,639

All of the above investments are unlisted.

The following subsidiaries are included in the Company financial statements:

			Ordinary share capital	
	Country of registration and operation	Activity	Owned by the company %	Owned by subsidiary undertakings %
iomart Limited	Scotland	Dormant	100	-
iomart Hosting Limited	Scotland	Managed hosting services	100	-
iomart Cloud Services Limited	Scotland	Managed hosting services	100	-
EQSN Limited	Scotland	Non-trading	100	-
iomart Virtual Servers Hosting Limited	Scotland	Dormant	100	-
Netintelligence Limited	Scotland	Dormant	100	-
iomart Development Limited	Scotland	Dormant	100	-
iomart Cloud Inc	USA	Managed hosting services	100	-
Easyspace Limited	England	Webservices	100	-
Open Minded Solutions Limited	England	Webservices	100	-
Backup Technology Holdings Limited	England	Non-trading	100	-
Backup Technology Limited	England	Non-trading	-	100
Switch Media Limited	England	Webservices	100	-
Internet Engineering Limited	England	Webservices	100	-
Redstation Limited	England	Webservices	100	-
My Documents Limited	England	Dormant	-	100
Switch Media (Ireland) Limited	England	Webservices	-	100
Global Gold Network Limited	England	Webservices	-	100
Global Gold Holdings Limited	England	Non-trading	100	-
Skymarket Limited	England	Non-trading	100	-
Rapidswitch Limited	England	Non-trading	100	-
Titan Internet Limited	England	Non-trading	100	-
Melbourne Server Hosting Limited	England	Managed hosting services	100	-
iomart Datacentres Limited	England	Non-trading	100	-
Internetters Limited	England	Dormant	-	100
NicNames Limited	England	Dormant	-	100
Web Genie Internet Limited	England	Non-trading	-	100

4. DEBTORS

	2014 £'000	2013 £'000
Prepayments and accrued income	495	347
Other debtors	-	6
Other taxation and social security	344	314
Deferred taxation (note 5)	600	682
Amounts owed by subsidiary undertakings	23,597	14,300
	25,036	**15,649**

5. DEFERRED TAXATION

The Company had recognised deferred tax assets and potential unrecognised deferred tax assets as follows:

	2014		2013	
	Recognised £'000	Unrecognised £'000	Recognised £'000	Unrecognised £'000
Share based remuneration	600	-	682	-

The movement in the deferred tax account during the year was:

	2014 £'000	2013 £'000
Balance brought forward	682	381
Profit and loss account movement arising during the year	(101)	44
Profit and loss account reserve movement during the year	19	257
Balance carried forward	**600**	**682**

The deferred tax asset in relation to share based remuneration arises from the anticipated future tax relief on the exercise of share options.

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Trade creditors	137	172
Other taxation and social security	55	49
Accruals and deferred income	1,108	654
Contingent consideration	1,271	358
Bank loan	18,000	5,000
Amounts owed to subsidiary undertakings	29,397	20,942
	49,968	**27,175**

7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2014 £'000	2013 £'000
Bank loan	12,000	4,000
	12,000	**4,000**

8. SHARE CAPITAL

	Ordinary shares of 1p each Number of shares	£'000
Authorised		
At 31 March 2012, 2013, and 2014	**200,000,000**	**2,000**
Called up, allotted and fully paid		
At 31 March 2012	104,817,404	1,048
Exercise of options	942,472	10
At 31 March 2013	**105,759,876**	**1,058**
Exercise of options	321,809	3
Issue of new shares for business acquisition	1,721,321	17
At 31 March 2014	**107,803,006**	**1,078**

During the year the Company issued 321,809 (2013: 942,472) ordinary shares of 1p each in respect of the exercise of share options by employees for which a net total of £134,583 (2013: £583,587) was received.

On 4 September 2013, 515,464 ordinary shares of 1p each were issued for £2.91 each in order to acquire Redstation and on 30 September 2013, 1,205,857 ordinary shares of 1p each were issued for £2.90 each in order to acquire BTL, resulting in a merger reserve of £4,982,787.

At 31 March 2014 the Company held 983,203 shares (2013: 1,023,453) as own shares in treasury which were accounted for in the Own Shares Treasury reserve and had a nominal value of £9,832 (2013: £10,235) and a market value of £2,426,053 (2013: £2,369,294). This represents 0.9% (2013: 1.0%) of the issued share capital as at 31 March 2014 excluding own shares.

At 31 March 2014 the Company held 140,773 shares (2013: 140,773) as own shares in the iomart Group plc Employee Benefit Trust ("EBT") which were accounted for in the Own Shares EBT reserve and had a nominal value of £1,408 (2013: £1,408) and a market value of £347,357 (2013: £325,889). This represents 0.1% (2013: 0.1%) of the issued share capital as at 31 March 2014 excluding own shares.

The share capital of iomart Group plc consists of ordinary shares with a par value of 1p. All shares, excluding the shares held by the Company in treasury and the shares held by the EBT, are equally eligible to receive dividends and represent one vote at the shareholders' meetings of iomart Group plc. All shares issued at 31 March 2014 are fully paid.

9. STATEMENT OF MOVEMENT IN RESERVES

	Own shares EBT £'000	Own shares Treasury £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
Profit for the financial period	-	-	-	-	-	2,452
Dividends	-	-	-	-	-	(1,483)
Share based payments	-	-	-	-	-	1,257
Deferred tax on share based remuneration	-	-	-	-	-	19
Issue of own shares from Treasury	-	20	-	-	-	1
Issue of new shares for business acquisition	-	-	-	-	4,983	-
Issue of new shares for option redemption	-	-	-	131	-	-
	-	20	-	131	4,983	2,246
Opening balance	(70)	(506)	1,200	20,936	-	17,697
Closing balance	**(70)**	**(486)**	**1,200**	**21,067**	**4,983**	**19,943**

During the year 40,250 (2013: nil) own shares held in treasury at the carrying value of 46.5p each were issued following the exercise of share options by employees for which a net total of £20,869 (2013: £nil) was received. As a consequence, at 31 March 2014 the Company held 983,203 shares (2013: 1,023,453) in treasury with a carrying value of £486,685 (2013: £506,609) which were accounted for in Own Shares treasury reserve; and 140,773 shares (2013: 140,773) in the EBT with a carrying value of £69,982 (2013: £69,982) which were accounted for in the Own Shares EBT reserve.

10. SHARE BASED PAYMENTS

For details of share based payment awards and fair values see note 26 to the Group financial statements. The Company accounts recognise the charge for share based payments for the year of £1,257,000 (2013: £258,000) by;

1) taking the charge in relation to employees of the parent company through the parent company statement of comprehensive income £1,064,000 (2013: £53,000),

2) recording an increase to its investment in subsidiaries for the amounts attributable to employees of subsidiaries and recording a corresponding entry to the profit and loss account reserve £193,000 (2013: £205,000).

11. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related Party Transactions" not to disclose transactions with wholly owned subsidiaries. Dividends paid to key management (only directors are deemed to fall into this category) of the Company have been disclosed in note 27 of the Group financial statements and the only other related party transactions in the year were salary payments to directors as disclosed in note 5 of the Group financial statements.

12. CONTINGENCIES AND COMMITMENTS

(a) Contingencies
There were no contingent assets or liabilities as at 31 March 2014 (2013: nil).

(b) Commitments
There are no commitments present as at 31 March 2014 (2013: nil).

13. ULITIMATE CONTROLLING PARTY

The Directors' have assessed that there is no ultimate controlling party.

NOTICE IS HEREBY GIVEN that the 2014 annual general meeting of the Company will be held at Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow G20 0SP on 27 August 2014 at 2.30 pm for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 8 (inclusive) will be proposed as ordinary resolutions and resolutions 9 to 10 (inclusive) will be proposed as special resolutions:-

1 To receive and adopt the financial statements of the Company and the directors' and auditors' reports thereon for the year ended 31 March 2014.

2 To approve the report of the board to the members on directors' remuneration for the year ended 31 March 2014.

3 To reappoint Sarah Haran (who retires by rotation and, being eligible, offers herself for re-election) as a director of the Company.

4 To reappoint Crawford Beveridge (who retires by rotation and, being eligible, offers himself for re-election) as a director of the Company.

5 To declare a final dividend for the year ended 31 March 2014 of 1.75p per share payable on 2 September 2014 to shareholders registered at the close of business on 15 August 2014.

6 To reappoint Grant Thornton UK LLP, Chartered Accountants, as auditors of the Company and to authorise the directors to fix their remuneration.

7 That, in accordance with section 551 of the Companies Act 2006 (the "Act"), the directors of the Company ("Directors") are generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company (the "Rights") provided that:

(a) the maximum aggregate nominal amount of shares to be allotted in pursuance of such authority is an aggregate nominal amount equal to £356,066.01; and

(b) this authority shall expire, unless sooner revoked or varied by the Company in general meeting, at the conclusion of the Company's annual general meeting to be held in 2015 save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the Act.

8 That for the purposes of section 551 of the Act, the Directors are generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Act) in connection with a rights issue in favour of the holders of ordinary shares in the capital of the Company (the "Ordinary Shareholders") where the equity securities respectively attributable to the Ordinary Shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them up to a maximum nominal amount of £356,066.01 provided that this authority shall expire, unless sooner revoked or varied by the Company in general meeting, at the conclusion of the Company's annual general meeting to be held in 2015 save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

9 That, subject to the passing of resolutions 7 and 8, and in accordance with section 570 of the Act, and in place of all existing powers, the Directors are generally empowered to allot equity securities of the Company (as defined in section 560 of the Act) for cash pursuant to the authority conferred by resolutions 7 and 8 as if section 561 of the Act did not apply to such allotment provided that this power shall be limited to:

(a) the allotment of equity securities in connection with an issue in favour of holders of ordinary shares of 1 penny each in the capital of the Company (the "Ordinary Shares") where the equity securities are offered to such holders in proportion (as nearly as may be) to the respective number of Ordinary Shares held, or deemed to be held, by that shareholder but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory;

(b) the allotment of equity securities pursuant to any authority conferred upon the Directors in accordance with and pursuant to article 41 of the articles of association of the Company; and

(c) the allotment (otherwise than pursuant to (a) and (b) above) of equity securities up to an aggregate nominal amount of £106,819.80, provided that this authority will expire, unless sooner revoked or varied by the Company in general meeting, at the conclusion of the Company's annual general meeting to be held in 2015, save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the power conferred by this resolution has expired.

10 That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) on a recognised investment exchange (as defined in section 693(5) of the Act) of Ordinary Shares provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 10,681,980, representing 10% of the Company's issued ordinary share capital (excluding for these purposes the 983,203 shares held by the Company in treasury) at the date of the notice of this annual general meeting);

(b) the minimum price, exclusive of any expenses, which may be paid for any such Ordinary Share is 1p;

(c) the maximum price, exclusive of any expenses, which may be paid for any such Ordinary Share shall be not more than 5% above the average of the middle market quotations for an Ordinary Share on the relevant investment exchange on which the Ordinary Shares are traded for the five business days immediately preceding the date on which such Ordinary Share is contracted to be purchased;

(d) unless previously revoked or varied, the authority hereby conferred shall expire on the conclusion of the next annual general meeting of the Company; and

(e) the Company may make a contract or contracts for the purchase of Ordinary Shares under this authority before the expiry of this authority which would or might be executed wholly or partly after the expiry of such authority, and may make purchases of Ordinary Shares in pursuance of such a contract or contracts, as if such authority had not expired.

By order of the board

Bruce Hall
Lister Pavilion, Kelvin Campus,
Company Secretary
West of Scotland Science Park,
25 June 2014
Glasgow G20 0SP

NOTES:
Appointment of Proxy

1 As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a meeting of the Company. You should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in the notes to the proxy form. A proxy need not be a member of the Company.

2 To be effective, the proxy form, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be deposited at the office of the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not less than 48 hours (excluding weekends and bank holidays) before the time for holding the meeting (i.e. by 2.30pm on Friday 22 August 2014) and if not so deposited shall be invalid.

Entitlement to attend and vote

3 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered in the Company's register of members at:

• 6.00pm on 22 August 2014; or

• if this meeting is adjourned, at 6.00pm on the day two days prior to the adjourned meeting,

shall be entitled to attend and vote at the meeting.

Documents on Display

4 Copies of the service contracts and letters of appointment of the directors of the Company will be available:

• for at least 15 minutes prior to the meeting; and

• during the meeting.

Communication

5 Except as provided above, members who wish to communicate with the Company in relation to the meeting should do so by post to the Company's registered office, details of which are below. No other methods of communication will be accepted.

Address: The Company Secretary, iomart Group plc
Lister Pavilion, Kelvin Campus, West of Scotland Science Park
Glasgow G20 0SP

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING IOMART GROUP PLC

Ordinary Resolutions

Resolutions 1 to 8 are all to be proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

Resolution 1 – To receive and adopt the financial statements for the year ended 31 March 2014 and the directors' and auditors' reports thereon

For each financial year the directors of the Company must present the audited financial statements, the directors' report and the auditors' report on the financial statements to the shareholders at an annual general meeting.

Resolution 2 – To approve the directors' remuneration report

Shareholders are asked to approve the directors' remuneration report which may be found in the annual report on pages 29 to 31. This resolution is an advisory one and no entitlement to remuneration is conditional on the resolution being passed.

Resolution 3 and 4 – Re-election of directors

Under article 24 of the Company's articles of association one third of the directors are required to retire by rotation at each annual general meeting. Pursuant to those articles, Mrs Sarah Haran and Mr Crawford Beveridge are required to retire by rotation at this annual general meeting and, being eligible, offer themselves for reappointment. The Board is satisfied that the performance of Mrs Sarah Haran and Mr Crawford Beveridge continues to be effective and demonstrates commitment to their roles with the Company including commitment of time for Board meetings and other duties required of them. Accordingly, resolutions 3 and 4 propose the reappointment of Mrs Sarah Haran and Mr Crawford Beveridge.

Brief biographical details of Mrs Sarah Haran and Mr Crawford Beveridge are given below.

Sarah Haran 48, appointed 2000; Sarah has spent her career implementing and managing operations centres for large corporations such as Microsoft Inc, Compaq Inc, Scottish Power plc and Prestel Limited. She joined iomart in 1998, from Scottish Telecom plc and has been responsible for developing the day-to-day business processes and technical operations to support the Group's customer base.

Crawford Beveridge, 68, appointed 2011; has over 40 years experience in the technology industry, including 16 years at Sun Microsystems ("Sun"), most recently as Executive Vice President and Chairman, EMEA, APAC and the Americas until retiring in January 2010. His business background also includes roles with Hewlett-Packard, Digital Equipment Corp., Analog Devices, non-executive director of Hitachi Global Storage Technologies, a subsidiary of Hitachi Ltd and Chief Executive of Scottish Enterprise. Current board roles include Chairman of the investment advisory board at Scottish Equity Partners and Non Executive Chairman of NASDAQ listed Autodesk.

Resolution 5 – To declare a dividend 1.75p per Ordinary Share

Subject to the provisions of the Companies Acts, the Company may by ordinary resolution declare dividends, but no dividend shall exceed the amount recommended by the Board. The Board recommends the payment of a final dividend of 1.75p per Ordinary Share, to be payable to shareholders registered at close of business on 15 August 2014.

Resolution 6 – Re-appointment and remuneration of auditors

The Company is required at each general meeting at which financial statements are presented to shareholders to appoint auditors who will remain in office until the next such meeting. Grant Thornton UK LLP have expressed their willingness to continue in office for a further year. In accordance with company law and corporate governance best practice, shareholders are also asked to authorise the directors to determine the auditors' remuneration.

Resolutions 7 and 8 – Grant of authority to the directors to allot shares

Section 551 of the Companies Act 2006 (the "Act") requires that the authority of the directors to allot shares shall be subject to the approval of the shareholders in general meeting. These resolutions, if passed, would give the directors general authority to allot shares in the capital of the Company.

Resolution 7 would give the directors the authority to allot shares up to an aggregate nominal amount of £356,066.01, being approximately one-third of the issued ordinary share capital of the Company (excluding for these purposes the 983,203 shares held by the Company in treasury) as at the date of the notice of this meeting.

In line with guidance issued by the Association of British Insurers, resolution 8 would give directors the authority to allot shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £356,066.01 (representing 35,606,601 Ordinary Shares). This amount represents approximately a further one third of the issued ordinary share capital of the Company (excluding for these purposes the 983,203 shares held by the Company in treasury) as at the date of the notice of this meeting.

There is no present intention to exercise either of the authorities sought under these resolutions, which will expire at the conclusion of the Company's annual general meeting to be held in 2015.

Special Resolutions

Resolutions 9 and 10 will be proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 9 - Disapplication of statutory pre-emption rights

Resolution 9 gives authority to the directors of the Company to disapply the provisions of section 561 of the Act. Under that section, if the directors wish to allot any of the unissued shares for cash the directors must in the first instance offer those shares to existing shareholders in proportion to the number of shares held by such shareholders. An offer of this type is called a "rights issue" and the entitlement to be offered a new share is known as a "pre-emption right".

There may be circumstances, however, where it is in the interests of the Company for the directors to allot some of the new shares for cash other than by way of a rights issue. This cannot be done under the Act unless the shareholders first waive their pre-emption rights. There are legal, regulatory and practical reasons why it may not always be possible to issue new shares under a rights issue to some shareholders, particularly those resident overseas. To cater for this, resolution 9 (at paragraph (a)), in authorising the directors to allot new shares by way of a rights issue, also permits the directors to make appropriate exclusions or arrangements to deal with such difficulties.

Under the Company's articles of association the Board may, with the sanction of an ordinary resolution, offer the holders of shares the right to receive shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Board) of such dividend or dividends as are specified by such resolution. Paragraph (b) of resolution 9 asks shareholders to waive their pre-emption rights in respect of any such issue of shares.

Resolution 9 (at paragraph (c)) asks shareholders to waive their pre-emption rights, but only for new shares equal to 10 per cent. of the Company's issued ordinary share capital (excluding for these purposes the 983,203 shares held by the Company in treasury) as at the date of the notice of this meeting. The directors will be able to use this power without obtaining further authority from shareholders before they allot new shares covered by it. However, by setting the limit of 10 per cent., the interests of existing shareholders are protected, as their proportionate interest in the Company cannot, without their agreement, be reduced by more than 10 per cent. by the issue of new shares for cash to new shareholders. If the directors wish, other than by rights issue, to allot for cash new shares which would exceed this limit, they would first have to ask the Company's shareholders to waive their pre-emption rights in respect of that proportion of new shares which exceeds the 10 per cent. ceiling.

The power given by resolution 9 will, unless sooner revoked or renewed by the Company in general meeting, last until the conclusion of the next annual general meeting of the Company to be held in 2015.

Resolution 10 – Authority to purchase the Company's own shares

This resolution grants authority to the Company to make purchases of up to a maximum of 10% of the issued ordinary share capital of the Company (excluding for these purposes the 983,203 shares held by the Company in treasury) as at the date of the notice of this meeting.

In certain circumstances it may be advantageous for the Company to purchase its Ordinary Shares. The directors would use the share purchase authority with discretion and purchases would only made from funds not required for other purposes and in light of market conditions prevailing at the time. In reaching a decision to purchase Ordinary Shares, your directors would take account of the Company's cash resources and capital, the effect of such purchases on the Company's business and on earning per Ordinary Share.

The directors have no present intention of using the authority. However, the directors consider that it is in the best interests of the Company and its shareholders as a whole that the Company should have flexibility to buy back its own shares should the directors in the future consider that it is appropriate to do so.

In relation to any buy back, the maximum price per Ordinary Share at which the Company is authorised in terms of resolution 10 to effect that buy back is 5% above the average middle market price of an Ordinary Share for the five business days immediately preceding the date on which the buy back is effected.

The statutory provisions governing buy backs of own shares are currently contained in, inter alios, sections 693 and 701 of the Companies Act 2006.

Officers and Professional Advisers

Directors

Ian Ritchie CBE, FREng, FRSE, FBCS, CEng, BSc	Non executive chairman
Angus MacSween	Chief executive officer
Chris Batterham MA, FCA	Non executive director
Crawford Beveridge CBE	Non executive director
Sarah Haran	Director
Richard Logan BA, CA	Director

Secretary
Bruce Hall BAcc(Hons), CA

Registered office
Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow G20 0SP

Nominated adviser and broker
Peel Hunt LLP, Moor House, 120 London Wall, London EC2Y 5ET

Principal bankers
Lloyds Banking Group, Bank of Scotland plc, 235 Sauchiehall Street, Glasgow G2 3EY

Solicitors
Shepherd & Wedderburn, 5th Floor, 1 Exchange Crescent, Conference Square, Edinburgh EH3 8UL
Pinsent Masons LLP, 141 Bothwell Street, Glasgow G2 7EQ

Independent auditors
Grant Thornton UK LLP, 95 Bothwell Street, Glasgow G2 7JZ

Registrars
Capita Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Company registration number
SC204560

Group Contact Information

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Redstation

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"Customers trust us to store thousands of important documents such as contracts, invoices and purchase orders. Having our new software securely hosted on a private cloud in an iomart UK data centre means those customers can relax, knowing that we control and support the software for them twenty four hours a day."
Graham Light, Director of Documents Online

"Our target is to grow our customer base in the UK, particularly among makers of independent games, so we need a reliable and flexible hosting partner who can set up new and powerful infrastructure on demand. That's why we chose RapidSwitch because it has the technical and management expertise to provision the hardware needed to support maximum online gaming experience in the most cost efficient way."
Will Lowther, Head of Online at Multiplay

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