Annual Report and Accounts 2015

About Us

"We open up a whole world of cloud computing options, offering a range of cloud services, across a global network, owned, managed and supported by us 24×7."

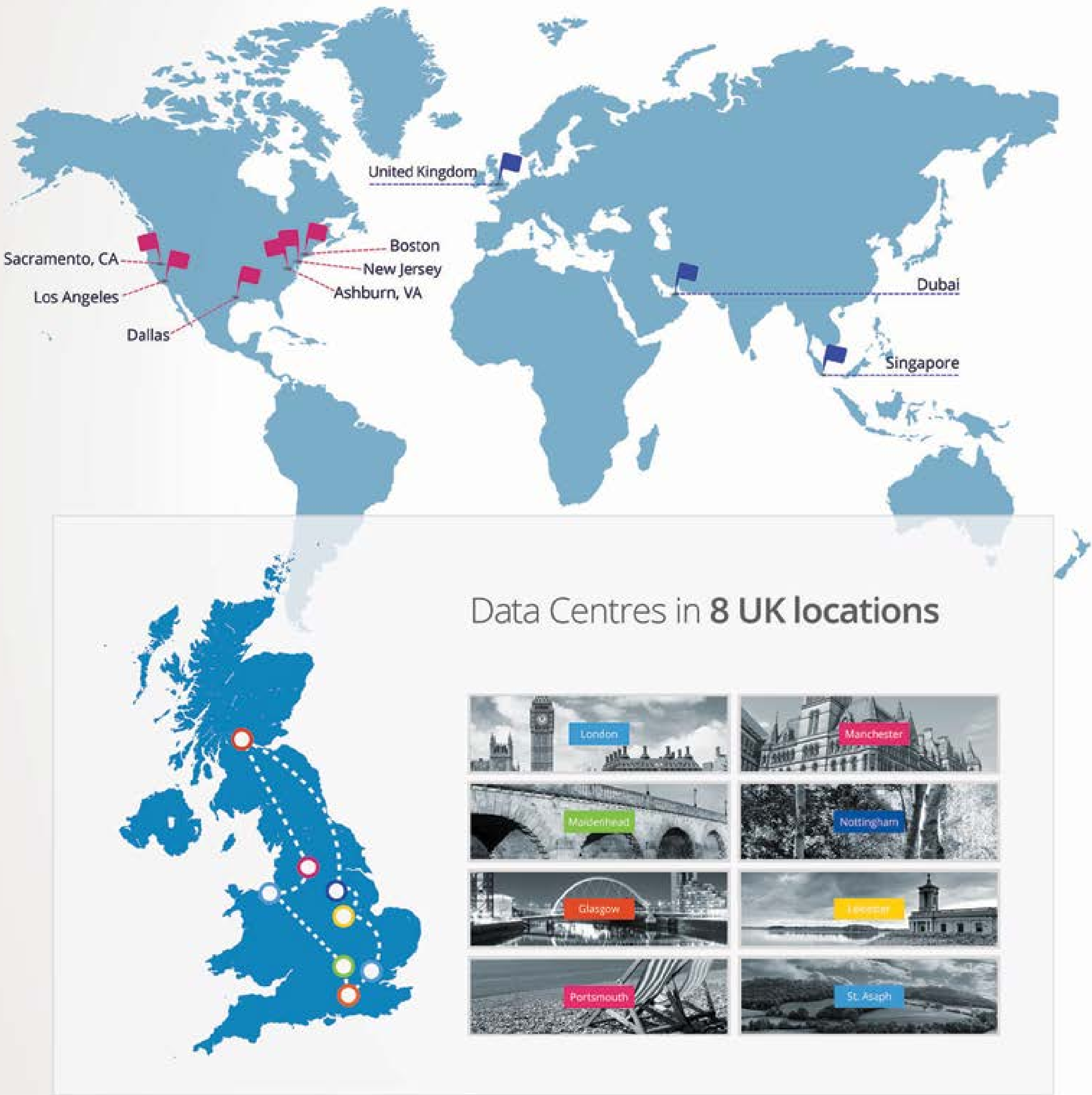
We are an award winning managed cloud company that enables businesses and organisations to operate their online data and IT environments safely and securely. Headquartered in Glasgow, Scotland, we partner with leading vendors such as VMware, Amazon Web Services, EMC, Microsoft, Asigra, Arbor and Dell to offer our customers a centrally managed, controlled and completely agnostic set of hybrid, private and public cloud platforms. By owning a global network and datacentre infrastructure, we can support any customer who wishes to move seamlessly between any and all of these platforms with a consultative level of knowledge and expertise, delivering cloud services to meet exact business needs.

Our Locations

We will not jeopardise our clients' mission critical systems by relying on middlemen to deliver core components of our service for us. When we say “our data centres” – we mean it.

iomart has invested millions of pounds in building, equipping and operating 10 UK data centres, six US data centres and two further international points of presence.

Each data centre is built using Tier 1 infrastructure, is N+ in design and is safe, secure and staffed 24 x 7.



Revenue growth

£65.8M

18%

2014 : £55.6m

Adjusted EBITDA growth

£29.1M

23%

2014 : £23.6m

Proposed dividend increase

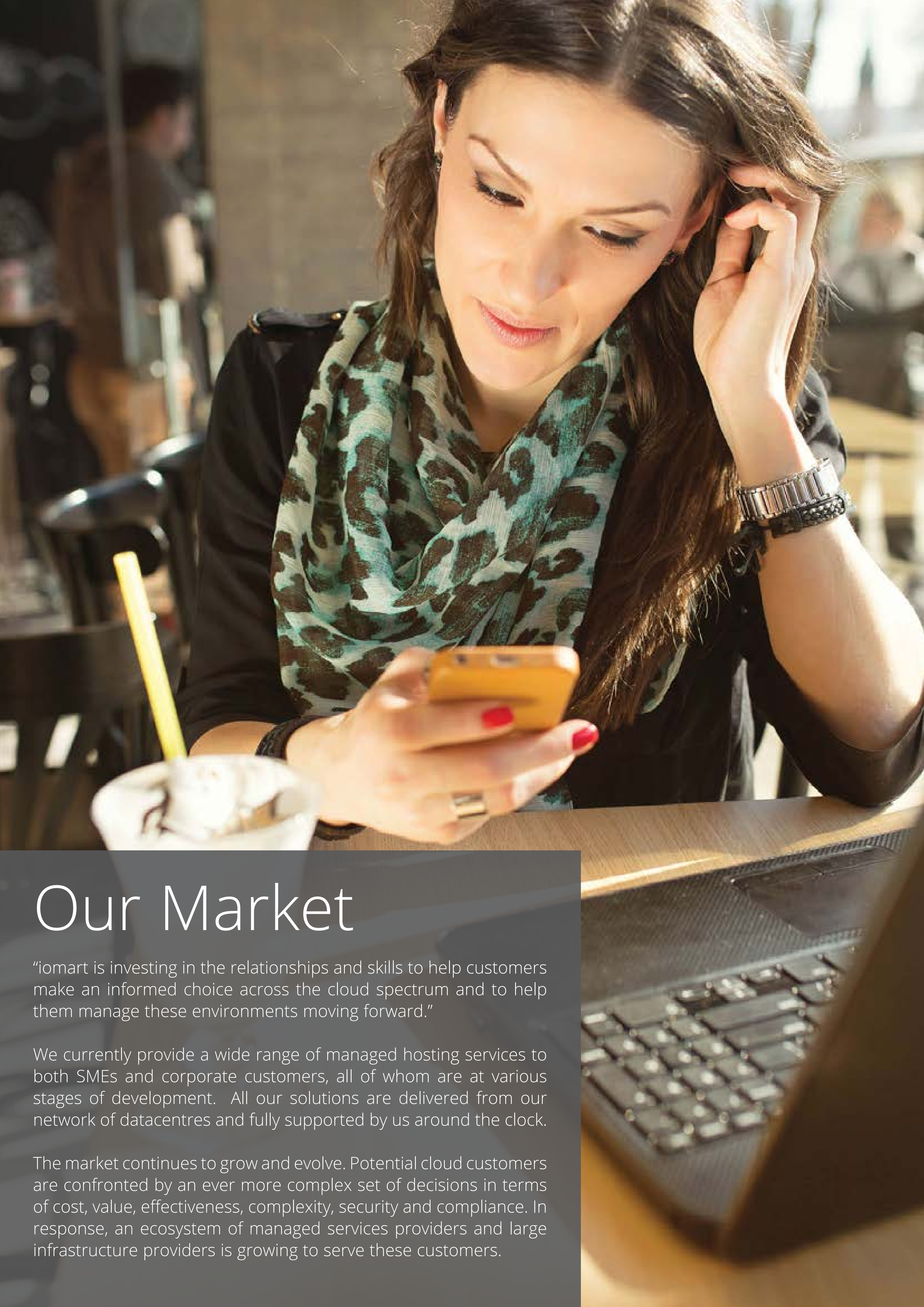
2.50p
per share

43%

2014 : 1.75p

Our Track Record

iomart Group plc has been on an upward curve. Our latest annual results show an 18% rise in revenue to £65.8m (2014: £55.6m), which marks an almost doubling of revenue for us over the past three years (2012: £33.5m) through business from existing customers, new business wins and aquisitions. This strategy in turn has been driven by investment in the physical infrastructure and technical skills and expertise to deliver the managed cloud and hosting services needed by modern business.

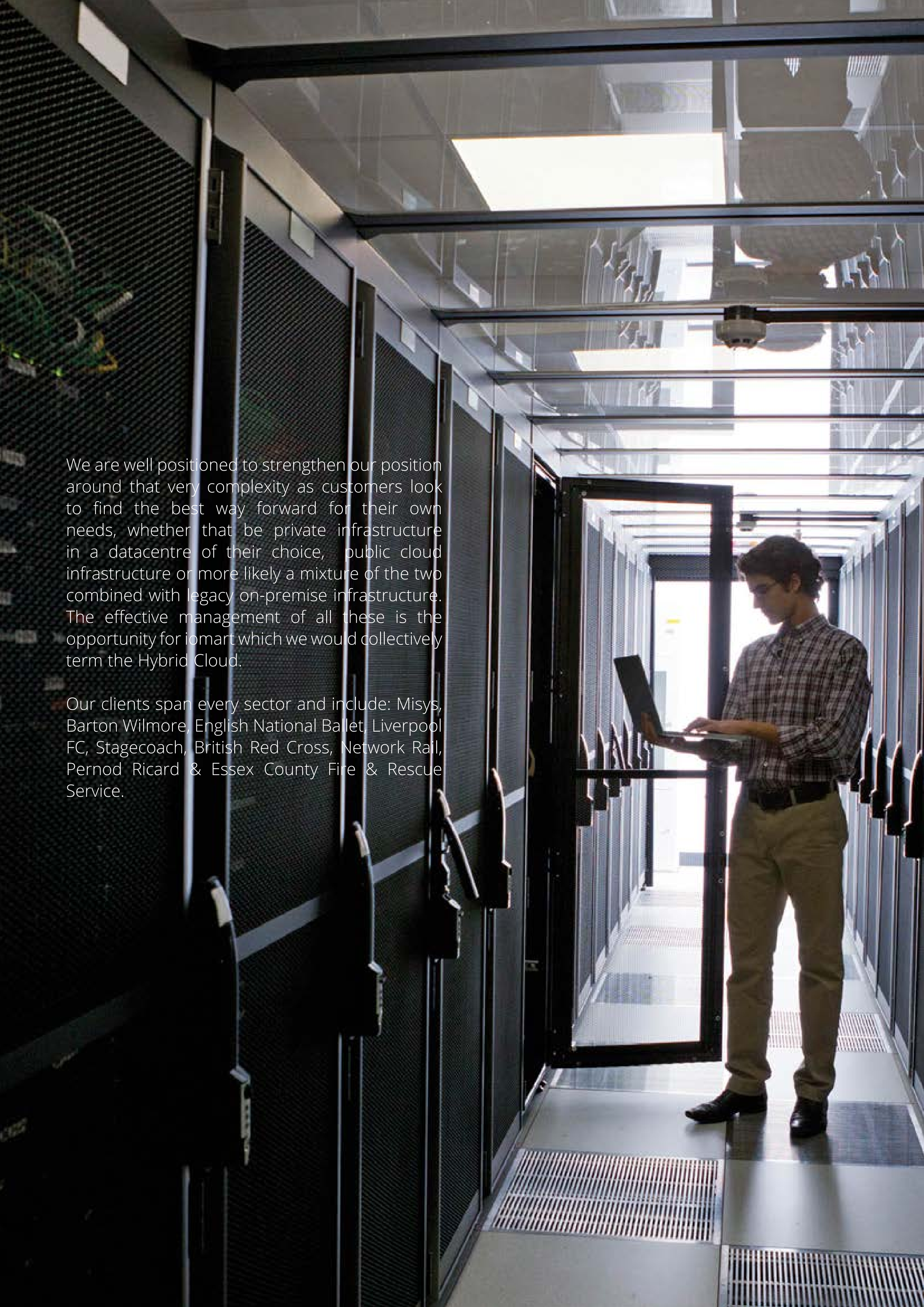


Our Market

"iomart is investing in the relationships and skills to help customers make an informed choice across the cloud spectrum and to help them manage these environments moving forward."

We currently provide a wide range of managed hosting services to both SMEs and corporate customers, all of whom are at various stages of development. All our solutions are delivered from our network of datacentres and fully supported by us around the clock.

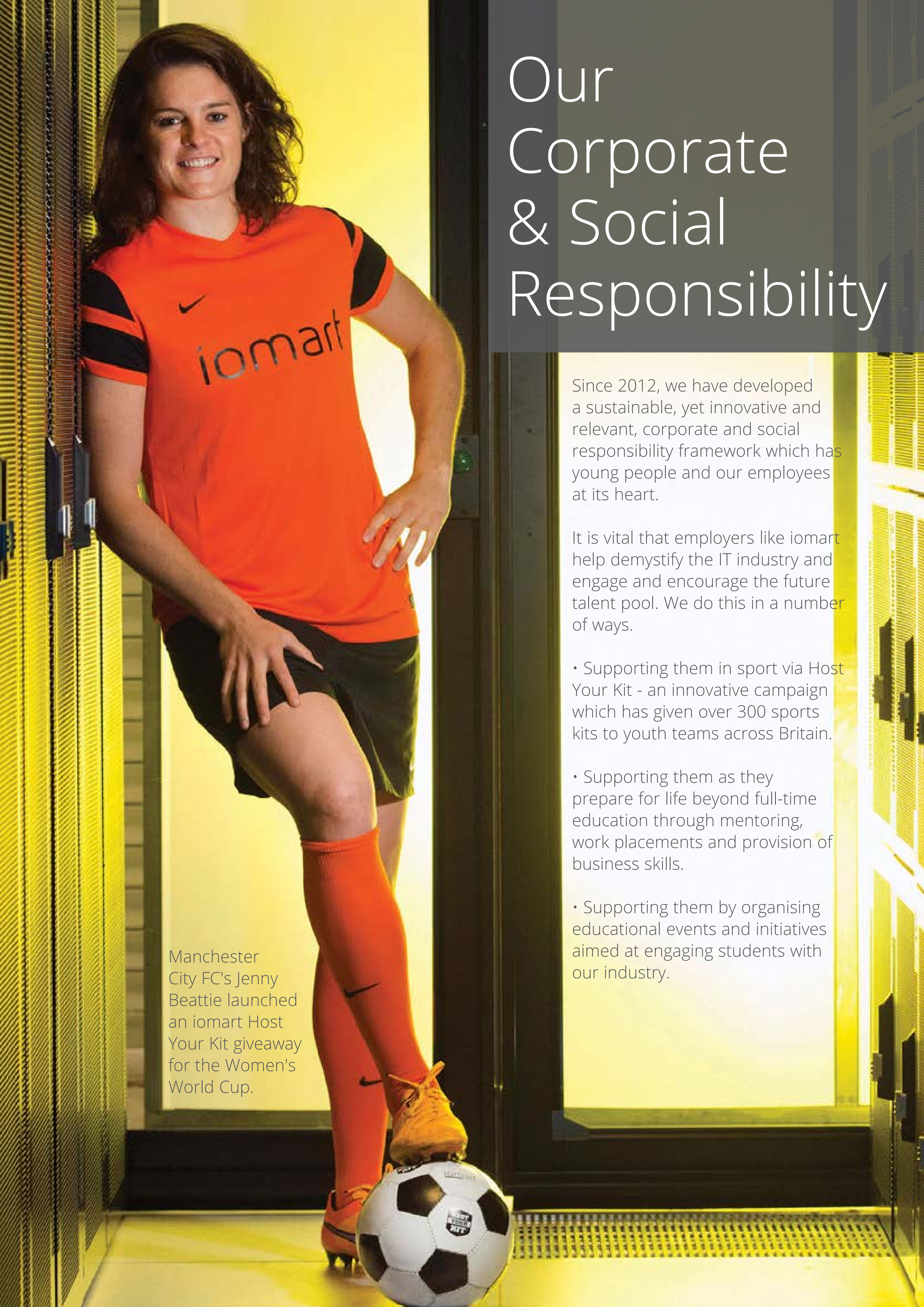
The market continues to grow and evolve. Potential cloud customers are confronted by an ever more complex set of decisions in terms of cost, value, effectiveness, complexity, security and compliance. In response, an ecosystem of managed services providers and large infrastructure providers is growing to serve these customers.



We are well positioned to strengthen our position around that very complexity as customers look to find the best way forward for their own needs, whether that be private infrastructure in a datacentre of their choice, public cloud infrastructure or more likely a mixture of the two combined with legacy on-premise infrastructure. The effective management of all these is the opportunity for iomart which we would collectively term the Hybrid Cloud.

Our clients span every sector and include: Misys, Barton Wilmore, English National Ballet, Liverpool FC, Stagecoach, British Red Cross, Network Rail, Pernod Ricard & Essex County Fire & Rescue Service.

Our Corporate & Social Responsibility



Since 2012, we have developed a sustainable, yet innovative and relevant, corporate and social responsibility framework which has young people and our employees at its heart.

It is vital that employers like iomart help demystify the IT industry and engage and encourage the future talent pool. We do this in a number of ways.

- Supporting them in sport via Host Your Kit - an innovative campaign which has given over 300 sports kits to youth teams across Britain.
- Supporting them as they prepare for life beyond full-time education through mentoring, work placements and provision of business skills.
- Supporting them by organising educational events and initiatives aimed at engaging students with our industry.

Manchester City FC's Jenny Beattie launched an iomart Host Your Kit giveaway for the Women's World Cup.

iomart hosted a Safer Internet Day conference for young people at Glasgow Caledonian University.

Our Employees

iomart is recognised and respected as one of the leading cloud computing companies and we have achieved this position through the professionalism, talent and sheer hard work of our incredible employees. At the heart of our success lies our simple desire to succeed.

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 they have a fantastic place to work.

We firmly believe that by maintaining a truly diverse pool of talent, our business will benefit from the differing backgrounds, cultures, experiences and personalities of our team, as we strive to become a truly world class cloud computing company.

We also encourage our employees to help make a difference in their local communities – so much so that we call them our Local Heroes.

We support them in any number of ways – from the provision of services, donations or equipment and we're delighted to do so.

iomart in Numbers

300

THE NUMBER OF COMPLETE TEAM KITS DISTRIBUTED TO YOUTH TEAMS ACROSS BRITAIN VIA HOST YOUR KIT

1000

IOMART HAS BEEN INCLUDED IN THE LONDON STOCK EXCHANGE'S '1000 COMPANIES TO INSPIRE BRITAIN'

6

THE NUMBER OF DIFFERENT ISO CERTIFICATIONS HELD BY THE GROUP

3

THE NUMBER OF MAJOR INDUSTRY AWARDS WON BY IOMART FOR ITS MAIDENHEAD SOFTWARE DEFINED DATA CENTRE PROJECT.

200

NUMBER OF TECHNICAL STAFF EMPLOYED BY THE GROUP

5

IOMART'S PLACE IN THE MSPMENTOR 501 LIST OF THE WORLD'S TOP MANAGED SERVICE PROVIDERS

13

NUMBER OF ACQUISITIONS SINCE 2009

Highlights

FINANCIAL HIGHLIGHTS

- Revenue growth of 18% to £65.8m (2014: £55.6m)
- Adjusted EBITDA[1] growth of 23% to £29.1m (2014: £23.6m)
- Adjusted profit before tax growth[2] of 14% to £16.6m (2014: £14.6m)
- Adjusted diluted earnings per share[3] from operations increased by 16% to 12.63p (2014: 10.85p)
- Cashflow from operations increased by 13% to £27.2m (2014: £24.0m)
- Adjusted EBITDA[1] margin increased to 44% (2014: 42%)
- Proposed final dividend increased by 43% to 2.50p per share (2014: 1.75p per share)

OPERATIONAL HIGHLIGHTS

- Building relationships for Hybrid Cloud opportunities with major players
- Continued M&A activity with the acquisition of ServerSpace
- Acquisition of SystemsUp to address the Public Cloud opportunity

STATUTORY EQUIVALENTS

The above highlights are based on adjusted results. A full reconciliation between adjusted and statutory results is contained within these financial statements. The statutory equivalents of the above results are as follows:

- Profit before tax growth of 11% to £10.8m (2014: £9.7m)
- Basic earnings per share from operations increased by 14% to 8.34p (2014: 7.30p)

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, shared based payment charges, mark to mark adjustments in respect of interest rate swaps, acquisition costs and in the previous year the accelerated write off of arrangement fees on the bank borrowing facilities which were repaid early during that year.

3 Throughout these financial statements adjusted diluted earnings per share is earnings per share before amortisation charges on acquired intangible assets, shared based payment charges, mark to mark adjustments in respect of interest rate swaps, acquisition costs and in the previous year the accelerated write off of arrangement fees on the bank borrowing facilities which were repaid early during that year, including the taxation effect of these.

Revenue Growth
18%
to £65.8M

EBITDA Growth
23%
to £29.1M

Margin
Increased to
44%

Adjusted PBT
Growth
14%
to £16.6M

Cashflow Increased
13%
to £27.2M

Proposed Final Dividend
Increased by
43%
to 2.50p

iomart was chosen to host the Medical Appraisal and Revalidation System (MARS) for 6,300 doctors working in Wales after proving it could meet the UK Information Commissioner's requirements and could provide a responsive, scalable managed service backed by dedicated technical support.

"We realised we needed much stronger Service Level Agreements around the project because of its importance for the NHS in Wales."

Paul Kirk, Business Systems Support Unit Manager
for Wales Deanery

MARS Medical Appraisal Revalidation System

Wales Deanery
Deoniaeth Cymru

Strategic Report
Chairman's Statement

Once again it is extremely pleasing to report on another very good year for your Group. We continue to make excellent progress as we execute on our combined strategy of growing our business both organically and by acquisition. 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 by both organic and acquisitive growth. This year we have only made the one acquisition during the year, ServerSpace, in December 2014, and we have also benefited from a full year contribution of both Redstation and Backup Technology which were acquired last year.

After the year end we completed the acquisition of Systems Up Limited, a consultancy company with a particular focus on Public Cloud.

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.

The Group has pursued a progressive dividend policy for a number of years now. As a consequence of our continued strong performance we intend to adopt a dividend policy aimed at improving shareholder returns whilst maintaining a strong capital position for future acquisitions. Accordingly, our intention will be, over time, to increase the dividend pay-out to 25% of adjusted diluted earnings per share. This year the Board is proposing to pay a final dividend of 2.5p per share on 1 September 2015 to shareholders on the register on 14 August 2015, representing an increase of 43% over the dividend last year and equivalent to a pay-out ratio of 19.8% of adjusted diluted earnings per share. We 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.

We have started the 2015 financial year in a strong position and I look forward to another exciting year of growth with considerable confidence.

Ian Ritchie
Chairman
8 June 2015

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 solutions.

Our revenues in the year were £65.8m, an increase of 18% over the previous year and our adjusted EBITDA of £29.1m showed a 23% increase over the previous year and our profit before tax increased by 11% to £10.8m.

The opportunity remains to continue to grow both organically and through a disciplined acquisition strategy.

Market
The market continues to grow and evolve. The number of companies offering cloud services also continues to grow alongside an ever faster consolidation of companies to achieve scale and presence.

Potential cloud customers are confronted by an ever more complex set of decisions in terms of cost, value, effectiveness, complexity, security and compliance. In response, an ecosystem of managed services providers and large infrastructure providers is growing to serve these customers. Because the cloud has disrupted the traditional IT value chain, cloud service providers (CSPs) are now forming key alliances allowing them to excel at the delivery of one or more service whether it be the delivery of infrastructure as a service (IaaS), platform as a service (PaaS) or software as a service (SaaS).

Microsoft, Amazon (AWS) and Google (Public Cloud Providers) all have their own long term strategies to capture market share and all three of them have stated that we are at the very beginning of a long journey to full cloud adoption. All of these companies will require channel partners to go to market.

iomart is well placed to strengthen its position around that very complexity as customers look to find the best way forward for their own needs, whether that be private infrastructure in a datacentre of their choice, Public Cloud infrastructure or more likely a mixture of the two combined with legacy on-premise infrastructure. The effective management of all these is the opportunity for iomart which we would collectively term the Hybrid Cloud.

iomart is investing in the relationships and skills to help customers make an informed choice across the cloud spectrum and to help them manage these environments moving forward.

Acquisitions
We again augmented our organic growth through the acquisition of ServerSpace Limited ("ServerSpace") in December 2014. This has performed as expected over the period and integration is well underway.

We have just announced the acquisition of Systems Up Limited ("SystemsUp") on 5 June 2015. SystemsUp has gained a reputation in the cloud market for expertise across a wide range of cloud products and services, with an emphasis on Public Cloud consultancy. We believe the skills and experience we have acquired will accelerate our progress in becoming credible suppliers of Hybrid Cloud to ensure we can make the 'best fit' recommendation for our customers along with the subsequent deployment and management of their ever more complex cloud environments.

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 continued to perform well over the year, delivering an overall revenue growth rate of 23% and a satisfactory organic growth rate of 9% whilst increasing adjusted EBITDA margins from 48.6% to 50.0%.

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.

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. These solutions are provided to a wide range of customers, all of whom are at various stages of development and over the year we have seen some casualties amongst our base as customers experience funding difficulties, drop out of markets or become acquired and, as a result, are integrated elsewhere. All of which has resulted in some additional customer churn and some pricing pressure at contract renewal which, in turn, has adversely impacted our organic growth in the segment though we are still pleased with the level of growth achieved over the year. This area of our activity is the one which has the greatest opportunity arising out the Hybrid Cloud. However, the choice of direction to an adopter of Cloud is much more complex than before and thus we will require to become Hybrid Cloud Experts, especially in the consultation process an organisation will go through before making a final choice. We believe the acquisition of SystemsUp will provide us with a strong platform from which to attack the Hybrid Cloud opportunity.

We address the dedicated physical server market, or bare metal as it is becoming known, 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. Backup Technology provides enterprise class cloud backup and business continuity services. iomart Cloud Services provides a range of Cloud products, mainly through channel partners and this unit also provides Cloud services in the USA, following on from our investment in cloud infrastructure and backup assets in that region during the year. All these business units use common infrastructure and processes but there are different dynamics in each customer base.

Revenues in this segment have grown by 23% to £55.0m (2014: £44.7m) partly as a result of the continued organic growth and as a result of acquisitions.

Easyspace
The Easyspace segment has performed as expected 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.

As anticipated, revenues of £10.8m (2014: £11.0m) have remained around the same level as in the previous year, and with the benefit of 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 are working hard to ensure we remain at the leading edge in terms of the skill sets and experience to provide an ever more complex set of services to our customers and are confident of our abilities to do so, reinforced by the acquisition of SystemsUp in recent days.

We are well positioned for further significant growth.

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

Angus MacSween
Chief Executive Officer
8 June 2015

Strategic Report
Finance Director's Report

Trading Results

Revenue

Revenues for the year grew by 18% to £65.8m (2014: £55.6m) through the combination of continued organic growth and the impact of acquisitions.

Our Hosting segment grew revenues by 23% to £55.0m (2014: £44.7m). This growth was helped by a full year contribution from Redstation and Backup Technology both of which we acquired in September 2013 and ServerSpace which was acquired in December 2014. The growth in the Hosting segment revenues excluding the impact of acquisitions was 9%.

Revenues within the Easyspace segment of £10.8m (2014: £11.0m) were close to the level of the previous year showing a very modest 2% 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 £44.3m (2014: £37.8m) and this increased as a result of the additional revenues we generated. In percentage terms we maintained our margin at 67.4% (2014: 68.0%) with both operating segments maintaining their respective percentage margins.

Adjusted EBITDA

The adjusted EBITDA for the year was £29.1m (2014: £23.6m) an increase of 23%. Our percentage adjusted EBITDA margin has also significantly improved to 44.2% (2014: 42.5%). 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 £27.5m (2014: £21.7m), an increase of 26.7%. In percentage terms the adjusted EBITDA margin has improved to 50.0% (2014: 48.6%). 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 acquisition made in the period and the full impact of the acquisitions made in the previous period. The inclusion of Redstation and Backup Technology for the full year has contributed to the improvement in the adjusted EBITDA in both absolute terms and percentage terms. The contribution from ServerSpace since its acquisition in December has contributed to the level of absolute margin improvement.

The Easyspace segment's adjusted EBITDA was £4.9m (2014: £5.0m) which was slightly less than in the previous year. In percentage terms the adjusted EBITDA margin has improved slightly to 45.5% (2014: 45.2%) due to careful control of costs.

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 £3.3m (2014: £3.0m) mainly due to increased payroll and staff related costs.

Adjusted profit before tax

Depreciation charges of £10.1m (2014: £7.2m) have increased largely as a consequence of the full year effect of acquisitions made in the previous year, the impact of the acquisition of ServerSpace in this financial year, as a result of charges for the equipment bought to provide services to the additional Hosting segment customers and charges in respect of the fit out of our Maidenhead datacentre which was completed at the start of this financial year.

The charge for amortisation of intangibles, excluding amortisation of intangible assets resulting from acquisitions ("amortisation of acquired intangible assets") of £1.0m (2014: £0.7m) has increased over the year as a consequence of the full year impact of the acquisition of Backup Technology which was acquired during the previous financial year and also due to the charge resulting from an increase in the level of capitalised development costs.

Finance income in the period was £nil (2014: £0.1m). Finance costs of £1.3m (2014: £1.2m), excluding the mark to market adjustment in respect of interest swaps on the Company's loans and in the previous year the accelerated write off of arrangement fees on the early repayment of bank facilities, remained static over the period as our level of net borrowings remained at a similar level over the period.

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 in the previous year 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 £16.6m (2014: £14.6m) an increase of 14%.

The adjusted profit before tax margin for the year was 25% (2014: 26%). This modest reduction is largely due to the improvement of 1.7% in the adjusted EBITDA margin over the year offset by the increase in depreciation charges as a percentage of revenue of 2.5%. That relative increase in the depreciation charge is mainly a consequence of the mix of sales revenue within our Hosting segment over the year, including the impact of a full year contribution from both Redstation and Backup Technology, and the commencement of depreciation charges on the Maidenhead datacentre which was completed early in this financial year.

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	**2015 £'000**	**2014 £'000**
Adjusted profit before tax	16,613	14,612
Less: Amortisation of acquired intangible assets	(4,368)	(3,093)
Less: Acquisition costs	(526)	(374)
Less: Share based payments	(809)	(1,257)
Less: Mark to market adjustment on interest rate swaps	(125)	(20)
Less: Accelerated write off of arrangement fees on early repayment of bank facilities	-	(153)
Profit before tax	**10,785**	**9,715**

The adjusting items are: charges for the amortisation of acquired intangible assets of £4.4m (2014: £3.1m) which have increased substantially as a result of the acquisition made in the year and the full year effect of acquisitions made in previous years; costs of £0.5m (2014: £0.4m) as a result of acquisition costs; share based payment charges in the period of £0.8m (2014: £1.3m) which have decreased substantially as the charge in respect of share options granted in previous periods comes to an end; a mark to market adjustment in respect of interest rate swaps on the Company's loans of £0.12m (2014: £0.02m) and the accelerated write off of arrangement fees on the early repayment of bank facilities during the year of £nil (2014: £0.15m).

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 in the previous year 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 £10.8m (2014: £9.7m) an increase of 11%. In percentage terms the profit before tax margin was 16% (2014: 17%) with the reduction due to the same reasons as the adjusted profit before tax percentage margin reduction together with increased amortisation of acquired intangible assets charges offset by reduced shared based payment charges.

Taxation

There is a tax charge for the year of £1.9m (2014: £2.0m). The tax charge for the year is made up of a corporation tax charge of £2.7m (2014: £2.5m) with a deferred tax credit of £0.8m (2014: credit £0.5m). At the year end, the Group has unused tax losses of £1.2m (2014: £4.0m) available for offset against future profits, of which all have been provided for 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 £8.9m (2014: £7.7m) an increase of 15%.

Earnings per share

Adjusted diluted 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 in the previous year, acquisition costs and the tax effect of these items was 12.63p (2014: 10.85p) an increase of 16%

The measure of adjusted diluted 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 8.34p (2014: 7.30p), an increase of 14% over the year.

Acquisitions
On 3 December 2014 the Company acquired ServerSpace for a maximum consideration of £4.2m; on a no cash no debt, normalised working capital basis. At completion an initial payment of £2.6m in cash was made. No payment was due in respect of 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 ServerSpace in the period to September 2015 and the estimated amount to be paid in this regard is £1.6m, which is also the maximum amount which could be due. Payment of this sum is expected to be made before the end of the 2015 calendar year.

On 5 June 2015 the Company acquired the entire share capital of SystemsUp on a no debt, no cash, normalised working capital basis. At completion an initial payment of £9m in cash was made and in addition an amount of £0.5m was made as an interim settlement of the expected amount due in respect of the no debt, no cash, normalised working capital adjustment. A further sum is contingent on a measure of revenue for the year to 31 March 2016 which is expected to be paid in either May or June 2016. The potential contingent consideration payable has been initially estimated to be in the region of £1.0m to £3.5m.

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 £27.2m (2014: £24.0m) with the significant increase of 13% over the previous year's level largely due to the improvement in adjusted EBITDA. After deducting payments for corporation tax of £3.2m (2014: £2.3m) the net cash flow from operating activities was £24.0m (2014: £21.7m).

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 £15.8m (2014: £31.5m) in the period. Of this amount, £2.4m (2014: £19.0m), was incurred in relation to acquisition activities described above. In addition the Group incurred expenditure of £1.3m (2014: £0.1m) in respect of contingent consideration due on the acquisition of Redstation.

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 addition the Group invested in cloud infrastructure and backup assets in the USA during the year. As a result the Group spent £10.7m (2014: £11.7m) on assets, net of related finance lease drawdown, trade creditor movements and non-cash reinstatement provisions.

Expenditure was also incurred on development costs of £1.0m (2014: £0.6m) and on intangible assets of £0.4m (2014: £nil).

Cash flow from financing activities
There was net cash spent on financing activities of £12.9m (2014: £11.4m cash generated). The Company's borrowing facilities were restructured in the period with a term loan of £13.5m being repaid and an additional revolving credit facility of £13.5m being drawn down (2014: £37.5m drawdown). In addition further bank loan repayments of £8.5m were made resulting in total repayments of £22.0m (2014: £16.5m) in the year. We repaid borrowings on acquisitions of £nil (2014: £5.7m). We received £nil (2014: £0.2m) from the issue of shares as a result of the exercise of options by employees. We also made a dividend payment of £1.9m (2014: £1.5m) and incurred finance costs of £1.3m (2014: £1.2m).

Net cash flow
As a consequence, our overall cash expenditure during the year was £4.7m (2014: £1.6m cash generated) which resulted in cash and cash equivalent balances at the end of the year of £8.3m (2014: £13.0m). After recognising bank loans of £21.5m (2014: £30.0m) and finance lease obligations of £2.2m (2014: £2.8m) net debt balances at the end of the period stood at £15.4m (2014: £19.8m) a level the Board is comfortable with given the strong cash generation of the Group.

Exposure to credit and liquidity risks
Disclosures relating to our exposure to credit and liquidity risks are outlined in note 30.

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
8 June 2015

Key performance indicator review

Revenue Growth	2015	2014
Revenue	£65.8m	£55.6m
Growth	18% increase	29% increase

Revenue from continuing operations grew by 18% over the year compared to a growth of 29% in the previous year. The Hosting segment grew revenues by 23% (2014: 40%) and the Easyspace segment declined by 2% (2014: 1%).

Adjusted EBITDA Margin	2015	2014
Adjusted EBITDA	£29.1m	£23.6m
Adjusted EBITDA margin	44%	42%

The adjusted EBITDA margin has shown a modest improvement as a result of the Hosting segment both continuing to win new business and the impact of acquisitions both in the previous year and in the current year. Easyspace has also contributed to the adjusted EBITDA margin improvement through increased operational efficiencies.

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 30 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.

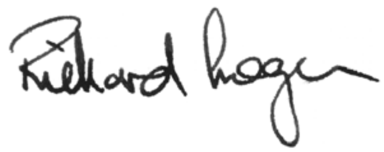
Acquisitions
The Group has made several acquisitions over the last years and has a stated strategy to continue to make acquisitions. This produces three areas of risk:

- Acquisition target risk – We may not be able to identify suitable targets for acquisition. Through a combination of internal research and external relations 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
8 June 2015

iomart has carried out a major server and storage migration for Barton Willmore, the UK's leading integrated planning and design consultancy. Barton Willmore recently steered the new £40m 'Islands' attraction at Chester Zoo, the biggest development in the history of UK zoos, through the planning process.

"Our data is our gold and without it there is no Barton Willmore. It really is very important to us to know that it is secure and protected within iomart's network."
Lee Cripps, IT Manager, Barton Willmore

Board of Directors

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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,** Chief Operations Officer

Ian Ritchie
Non-Executive Chairman

64, appointed 2008; currently Chairman of Computer Application Services Ltd, Interactive Design Institute 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 Cirrus Logic Inc).

Angus MacSween
Chief Executive Officer

58, 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

60, 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 chairman of Eckoh plc and a non executive director of SDL plc, NCC Group plc and Toumaz Ltd. Chris has also served on the boards of Staffware plc, DBS Management plc and Betfair plc.

Crawford Beveridge
Non-Executive Director

69, 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
Chief Operations Officer

49, 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

57, 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. The 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 23. 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	2	2	3	3
Angus MacSween – Chief Executive Officer	10	10	-	-	-	-
Sarah Haran – Chief Operating Officer	10	9	-	-	-	-
Chris Batterham – Non-Executive Director	10	10	2	2	3	3
Crawford Beveridge – Non-Executive Director	10	9	2	2	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 auditor's 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 auditor concluding in a recommendation to the Board on the reappointment of the auditor by shareholders at the Annual General Meeting. The auditor reports annually to the Committee confirming their independence and stating the methods they employ to safeguard their independence;
- non-audit fees charged by the external auditor; and
- the formal engagement terms entered into with the external auditor.

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.

By order of the Board

Bruce Hall
Company secretary
8 June 2015

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 2015 Total	Year ended 31March 2014 Total
	£	£	£	£	£	£
Angus MacSween	293,700	220,275	2,989	-	516,964	558,829
Chris Batterham	35,000	-	-	-	35,000	30,000
Crawford Beveridge	25,000	-	-	-	25,000	25,000
Sarah Haran	170,000	127,500	680	17,000	315,180	331,846
Richard Logan	180,200	135,150	2,172	18,020	335,542	333,806
Ian Ritchie	55,000	-	-	-	55,000	50,000
	758,900	**482,925**	**5,841**	**35,020**	**1,282,686**	**1,329,481**

Directors' interests in shares
The interests of the directors in the shares of the company at 31 March 2015, together with their interests at 1 April 2014 were as follows:

	Number of ordinary shares	
	31 March 2015	**At 1 April 2014**
Name of director		
Angus MacSween	16,800,552	16,800,552
Chris Batterham	90,621	90,621
Crawford Beveridge	30,000	30,000
Sarah Haran	1,963,747	1,963,747
Richard Logan	981,393	981,393
Ian Ritchie	151,400	151,400

Directors' interests in share options (this information has been audited)
The interests of the directors at 31 March 2015 in options over the ordinary shares of the Company were as follows:

Name of director	At 1 April 2014	Exercised	Granted	Lapsed	At 31 March 2015	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
	-	-	117,480	-	117,480	1p	25/09/2014	25/09/2017	25/09/2024
	383,010	-	117,480	-	500,490				
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
	-	-	68,000	-	68,000	1p	25/09/2014	25/09/2017	25/09/2024
	341,028	-	68,000	-	409,208				
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
	-	-	72,080	-	72,080	1p	25/09/2014	25/09/2017	25/09/2024
	318,495	-	72,080	-	390,575				

During the year options over 257,560 ordinary shares (2014: nil) were granted to Directors under the unapproved share option scheme with an average exercise price of 1.0p per share. No share options were exercised by the Directors.

The market price of the company's shares at the end of the financial period was 204.50p and the range of prices during the period was between 160.00p and 284.62p.

By order of the board

Crawford Beveridge
Chairman, Remuneration committee
8 June 2015

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 2015.

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 28 July 2014 the Group agreed a new bank facility with Lloyds Banking Group comprising a £15m multi option revolving credit facility which together with the existing £20m multi option revolving credit facility provided £35m of total facilities. The new multi option revolving credit facility replaced a £15m term loan facility.

At the beginning of the year under the bank facilities there was £15m outstanding on the multi option revolving credit facility and £15m outstanding on the term loan. In April 2014, £1.5m was repaid on the term loan. Following the agreement of the new bank facility, the remaining £13.5m of the term loan was repaid in July 2014 and a draw down under the new multi option revolving credit facility of £13.5m was made. This resulted in the total drawn down of multi option revolving credit facilities of £28.5m.

In September 2014, £3.5m and in March 2015, £3.5m were repaid on the new multi option revolving credit facility which left an outstanding balance at the year end of £21.5m.

The £35m multi option revolving credit facility may be used by the Group to finance acquisitions, capital expenditure 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 is fixed at 2.0% per annum. A one-off arrangement fee of £337,500 was paid in respect of the £20m multi option revolving credit facility when the facility was first drawn down and a non-utilisation fee of 40% of the multi option revolving credit facility margin is due on any undrawn portion of the full £35m multi option revolving credit facilities. The effective interest rate for multi option revolving credit loans in the current year was 3.82% (2014: 4.41%).

The Group has exposure to movements in interest rates on its borrowings. The Group has entered into an interest rate swap in respect of £10m which has been drawn under the revolving credit facility from April 2015 which reduces by £2m every 6 months until October 2017 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 £12.5m drawn under the multi option credit facility is not covered by interest rate swap arrangements. The Group's borrowings at 31 March 2015 comprise finance leases totalling £2.3m (2014: £2.8m) and bank loans totalling £21.5m (2014: £30.0m). The interest rates on the finance leases are fixed for the term of the lease at between 5.6% and 11.5% and the average interest rate was 8.9% (2014: 8.4%).

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 30.

Dividend

The directors have not declared an interim dividend for the year ended 31 March 2015 (2014: nil). The directors recommend a final dividend for the year ended 31 March 2015 of 2.50p per share (2014: 1.75p 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, Angus MacSween and Richard Logan 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 29 May 2015 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	15.74%
Liontrust Asset Management	14,447,764	13.54%
Octopus Investments	6,502,425	6.09%
Tosca Asset Management LLP	6,200,000	5.81%
Schroders plc	5,550,256	5.20%
Noble Grossart Investment Limited	3,505,000	3.28%
British Steel Pension Fund Trustees Ltd	3,235,797	3.03%

Transactions in own shares

During the year 38,000 (2014: 40,250) own shares held in treasury at a carrying value of 49.5p each were issued following the exercise of share options by employees for which a net total of £23,820 (2014: £20,869) 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
8 June 2015

The directors are responsible for preparing the Strategic Report and Directors' Report, 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:

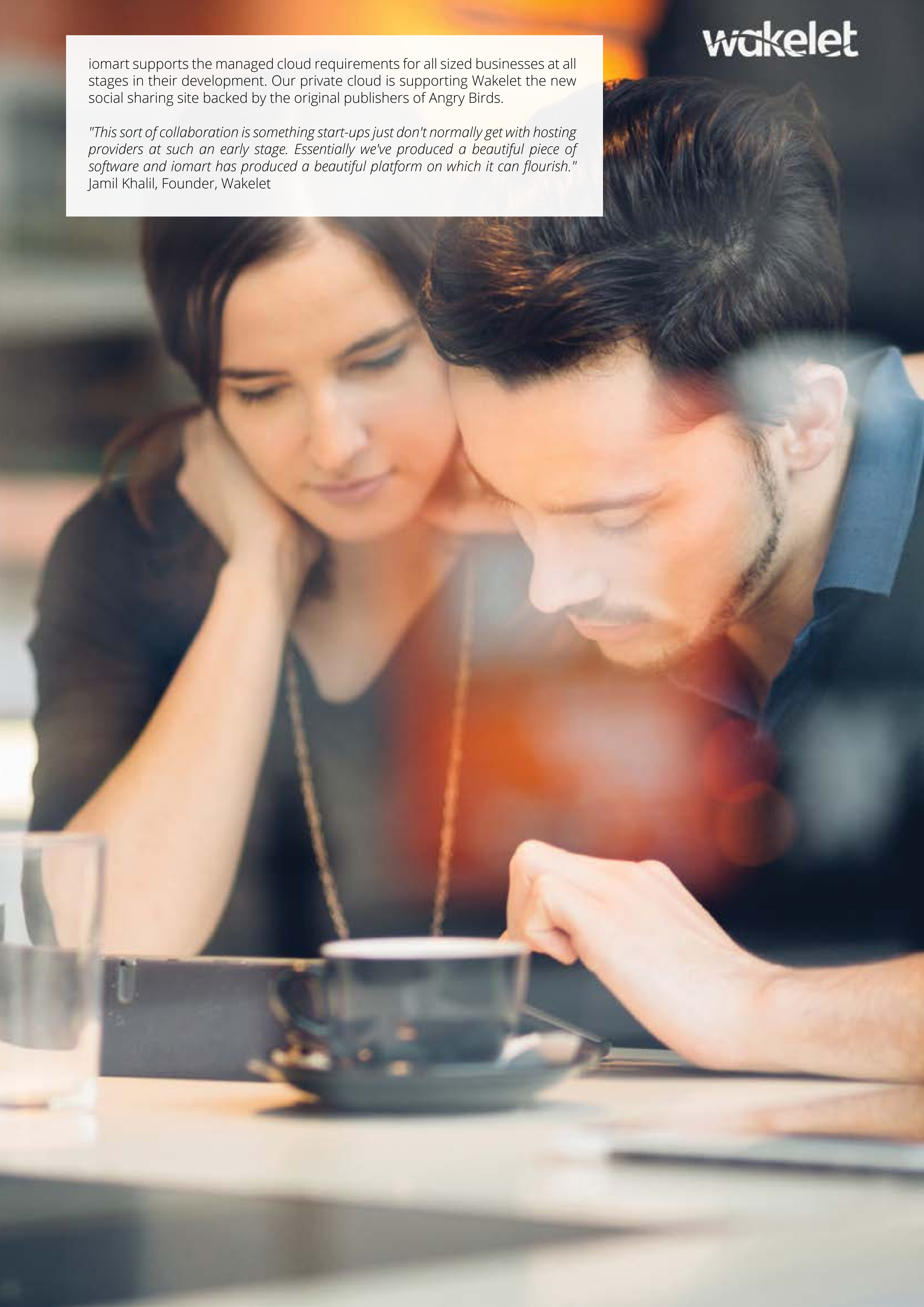
- so far as each director is aware, there is no relevant audit information of which the Group and Parent Company's auditor is unaware; and

- 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.

iomart supports the managed cloud requirements for all sized businesses at all stages in their development. Our private cloud is supporting Wakelet the new social sharing site backed by the original publishers of Angry Birds.

"This sort of collaboration is something start-ups just don't normally get with hosting providers at such an early stage. Essentially we've produced a beautiful piece of software and iomart has produced a beautiful platform on which it can flourish."
Jamil Khalil, Founder, Wakelet



We have audited the Group financial statements of iomart Group Plc for the year ended 31 March 2015 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the 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.

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 auditor

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 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/auditscopeukprivate.

Opinion on financial statements

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 2015 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.

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 matters where the Companies Act 2006 requires us 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.

Other matter

We have reported separately on the parent company financial statements of iomart Group plc for the year ended 31 March 2015 and on the information in the Directors' Remuneration Report that is described as having been audited.

Grant Thornton UK LLP

Robert Hannah
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
8 June 2015

	Note	2015 £'000	2014 £'000
Revenue		65,797	55,618
Cost of sales	4	(21,477)	(17,794)
Gross profit		**44,320**	**37,824**
Administrative expenses	4	(32,121)	(26,767)
Operating profit		**12,199**	**11,057**
Analysed as:			
Earnings before interest, tax, depreciation, amortisation, acquisition costs and share based payments		**29,053**	**23,611**
Share based payments	27	(809)	(1,257)
Acquisition costs	6	(526)	(374)
Depreciation	4	(10,142)	(7,170)
Amortisation – acquired intangible assets	4	(4,368)	(3,093)
Amortisation – other intangible assets	4	(1,009)	(660)
Finance income	7	45	68
Finance costs	7	(1,459)	(1,410)
Profit before taxation		**10,785**	**9,715**
Taxation	9	(1,890)	(1,995)
Profit for the year attributable to equity holders of the parent		**8,895**	**7,720**
Other comprehensive income			
Amounts which may be reclassified to profit or loss			
Currency translation differences		(49)	3
Other comprehensive income for the year		**(49)**	**3**
Total comprehensive income for the year attributable to equity holders of the parent		**8,846**	**7,723**
Basic and diluted earnings per share			
Total operations			
Basic earnings per share	12	8.34 p	7.30 p
Diluted earnings per share	12	8.24 p	7.23 p

The following notes form part of the primary financial statements.

Consolidated statement of financial position. As at 31March 2015

	Note	2015 £’000	2014 £’000
ASSETS			
Non-current assets			
Intangible assets – goodwill	13	47,342	44,879
Intangible assets – other	13	19,041	19,488
Lease deposits	14	2,416	2,416
Property, plant and equipment	16	34,846	32,533
		103,645	**99,316**
Current assets			
Cash and cash equivalents	18	8,347	13,025
Trade and other receivables	17	11,389	7,696
		19,736	**20,721**
Total assets		**123,381**	**120,037**
LIABILITIES			
Non-current liabilities			
Non-current borrowings	22	(1,346)	(13,716)
Trade and other payables	20	(703)	-
Provisions	23	(2,440)	(1,566)
Deferred tax	10	(2,087)	(2,443)
		(6,576)	**(17,725)**
Current liabilities			
Contingent consideration due on acquisitions	21	(1,650)	(1,271)
Trade and other payables	19	(18,680)	(15,158)
Current income tax liabilities		(1,401)	(1,868)
Current borrowings	22	(22,395)	(19,128)
		(44,126)	**(37,425)**
Total liabilities		**(50,702)**	**(55,150)**
Net assets		**72,679**	**64,887**
EQUITY			
Share capital	25	1,078	1,078
Own shares	26	(538)	(556)
Capital redemption reserve		1,200	1,200
Share premium		21,067	21,067
Merger reserve		4,983	4,983
Foreign currency translation reserve		(47)	2
Retained earnings		44,936	37,113
Total equity		**72,679**	**64,887**

These financial statements were approved by the board of directors and authorised for issue on 8 June 2015.

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	2015 £'000	2014 £'000
Profit before taxation		**10,785**	**9,715**
Finance costs – net	7	1,414	1,342
Depreciation	4	10,142	7,170
Amortisation	4	5,377	3,753
Share based payments	27	809	1,257
Movement in trade receivables		(3,277)	250
Movement in trade payables		1,956	503
Cash flow from operations		**27,206**	**23,990**
Taxation paid		(3,212)	(2,277)
Net cash flow from operating activities		**23,994**	**21,713**
Cash flow from investing activities			
Purchase of property, plant and equipment	16	(10,683)	(11,651)
Capitalisation of development costs	13	(1,041)	(557)
Purchase of intangible assets	13	(367)	(24)
Proceeds on disposal of property, plant and equipment		-	22
Payments for current period acquisitions net of cash acquired		(2,445)	(19,016)
Contingent consideration paid on prior period acquisition		(1,271)	(125)
Deferred consideration paid on prior period acquisition		-	(201)
Finance income received		33	91
Net cash used in investing activities		**(15,774)**	**(31,461)**
Cash flow from financing activities			
Issue of shares		13	154
Draw down of bank loans	22	13,500	37,500
Repayment of finance leases		(1,245)	(1,384)
Repayment of bank loans	22	(22,000)	(16,503)
Repayment of borrowings on acquisition of business		-	(5,731)
Finance costs paid		(1,299)	(1,172)
Dividends paid	8	(1,867)	(1,483)
Net cash (used in)/received from financing activities		**(12,898)**	**11,381**
Net (decrease)/increase in cash and cash equivalents		**(4,678)**	**1,633**
Cash and cash equivalents at the beginning of the year		13,025	11,392
Cash and cash equivalents at the end of the year	**18**	**8,347**	**13,025**

The following notes form part of the primary financial statements.

Consolidated statement of changes in equity. Year ended 31March 2015

Changes in equity	Note	Share capital £'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 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	27	-	-	-	-	-	-	-	1,257	1,257
Deferred tax on share based payments		-	-	-	-	-	-	-	19	19
Issue of own shares for option redemption	26	-	-	20	-	-	-	-	1	21
Issue of new shares for option redemption	25	3	-	-	-	-	131	-	-	134
Issue of new shares for business acquisition	25	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**
Profit in the year		-	-	-	-	-	-	-	8,895	8,895
Currency translation differences		-	-	-	(49)	-	-	-	-	(49)
Total comprehensive income		**-**	**-**	**-**	**(49)**	**-**	**-**	**-**	**8,895**	**8,846**
Dividends – final (paid)	8	-	-	-	-	-	-	-	(1,867)	(1,867)
Share based payments	27	-	-	-	-	-	-	-	809	809
Deferred tax on share based payments	10	-	-	-	-	-	-	-	(19)	(19)
Issue of own shares for option redemption	26	-	-	18	-	-	-	-	5	23
Total transactions with owners		**-**	**-**	**18**	**-**	**-**	**-**	**-**	**(1,072)**	**(1,054)**
Balance at 31 March 2015		**1,078**	**(70)**	**(468)**	**(47)**	**1,200**	**21,067**	**4,983**	**44,936**	**72,679**

The following notes form part of the primary financial statements.

iomart has been selected as a Tier 1 partner in the Microsoft Cloud Solution Provider Program.

"The Cloud Solution Provider Program puts our partners at the centre of the customer relationship. Through participation these partners have demonstrated dedication to helping our mutual customers successfully move to the cloud."
Phil Sorgen, corporate vice president, Worldwide Partner Group at Microsoft Corp.

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 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 2014)
- IFRS 11 (May 2011) Joint Arrangements (effective 1 January 2014)
- IFRS 12 (May 2011, updated January 2012) Disclosures of Interests in Other Entities (effective 1 January 2014)
- IAS 27 (revised May 2011) Separate Financial Statements (effective 1 January 2014)
- IAS 28 (revised May 2011) Investments in Associates and Joint Ventures (effective 1 January 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, 11 & 12 (June 2012) Transitional Guidance (effective 1 January 2014)
- Amendments to IFRS 10,12 & 27 (October 2012) Investment Entities (effective 1 January 2014)

New standards and interpretations of existing standards that are not yet effective and have not been adopted early by the Group
IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. The Directors have not yet assessed what impact this standard will have on the Group's revenue recognition policies, as full details of the standard are yet to be confirmed. As of April 2015, the IASB proposed to defer the effective date of this standard from 1 January 2017 to 1 January 2018. In addition, as a revised exposure draft of the standard is yet to be released, combined with the fact that it is yet to be endorsed by the EU, the Directors are not in a position to make a reliable estimate of the impact this revised standard will have on the Group's accounting policies.

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:

- Annual Improvements to IFRSs 2010 – 2012 cycle (effective 1 July 2014)
- Annual Improvements to IFRSs 2011 - 2013 cycle (effective 1 July 2014)
- Amendments to IAS 19 (November 2013) Defined Benefit Plans: Employee Contributions (effective 1 July 2014)
- Amendments to IAS 38 (Issued May 2014) Intangible Assets (effective 1 January 2016)
- IFRIC 21 (March 2013) Levies (effective 17 June 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 2015. Under IFRS 10, control exists when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As each of the divisions within the Group are 100% wholly owned subsidiaries, the Group has full control over each of its investees.

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 through profit or loss 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 cloud computing 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 indefinite 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 in 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 through profit or loss in the period in which they are incurred.

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.

Non-Statutory Profit Measures
In addition to measuring financial performance of the Group based on statutory profit measures, the Group also measures performance based on adjusted EBITDA and adjusted profit before tax.

Adjusted EBITDA
Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortisation (EBITDA) before share based payment charges and acquisition costs. Adjusted EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies, particularly in the sector that the Group operates.

The Group considers adjusted EBITDA to be a useful measure of operating performance because it approximates the underlying operating cash flow by eliminating the charges mentioned above. It is not a direct measure of liquidity, which is shown in the Consolidated Statement of Cash Flows, and needs to be considered in the context of the Group's financial commitments.

Adjusted Profit before Tax
Adjusted profit before tax is defined as 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 previous year and acquisition costs. Adjusted profit before tax is a common measure used by investors and analysts to evaluate the financial performance of companies, particularly in the sector that the Group operates, where M&A activity forms a significant part their activities.

The Group considers adjusted profit before tax to be a useful measure of performance because it eliminates the impact of certain items associated with acquisitions and other charges commonly excluded from profit before tax by investors and analysts for valuation purposes.

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 through profit or loss 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 39.

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 provision 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 period end.

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 'administrative expenses'.

2. ACCOUNTING POLICIES (CONTINUED)

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 and interest rate swaps are carried at fair value through profit or loss subsequent to initial recognition.

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 through profit or loss. 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 through profit or loss. 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 profit or loss 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 period end 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 through profit or loss. 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 through profit or loss 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 statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- 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 - pensions
The Group contributes to an auto-enrolment pension scheme and also 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).

All share-based remuneration plans are ultimately recognised as an expense through profit or loss 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.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 13 to 20. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Director's Report on pages 16 to 18.

In addition, Note 30 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. As described in note 22 the Group has a £35m revolving credit facility with Lloyds Banking Group of which £21.5m is drawn down at the year end. The net debt balances at the end of the period stood at £15.4m (2014: £19.8m) a level which the Board is comfortable with given the strong cash generation of the Group The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Key judgements and sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the period end, 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 23.

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.

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. Full details of the assumptions adopted in such a calculation are shown in Note 11.

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.

- Hosting – this segment provides managed cloud computing 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, Melbourne, iomart Cloud Services, Redstation and Backup Technology. ServerSpace was acquired during the year and has 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 10% or more of external revenues. Inter-segment transactions are accounted for using an arms-length commercial basis.

Operating Segments

Revenue by Operating Segment

	2015			2014		
	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000
Easyspace	10,782	-	10,782	10,959	-	10,959
Hosting	55,015	950	55,965	44,659	932	45,591
	65,797	**950**	**66,747**	**55,618**	**932**	**56,550**

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.

Analysis of Revenue by Destination

	2015 £'000	2014 £'000
United Kingdom	54,253	48,005
Rest of the World	11,544	7,613
Revenue from operations	**65,797**	**55,618**

3. SEGMENTAL ANALYSIS (CONTINUED)

Profit by Operating Segment

	2015			2014		
	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	4,905	(416)	4,489	4,953	(605)	4,348
Hosting	27,481	(15,103)	12,378	21,700	(10,318)	11,382
Group overheads	(3,333)	-	(3,333)	(3,042)	-	(3,042)
Acquisition costs	-	(526)	(526)	-	(374)	(374)
Share based payments	-	(809)	(809)	-	(1,257)	(1,257)
Profit before tax and interest	29,053	(16,854)	12,199	23,611	(12,554)	11,057
Group interest and tax			(3,304)			(3,337)
Profit for the year	**29,053**	**(16,854)**	**8,895**	**23,611**	**(12,554)**	**7,720**

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:

	2015 £'000	**2014 £'000**
Staff costs excluding development costs capitalised and research and development costs written off the statement of comprehensive income	13,220	13,046
Depreciation of property plant and equipment		
- Owned assets	9,162	6,191
- Leased assets	980	979
Property, plant and equipment hire		
- Land and buildings	2,433	2,139
- Plant and machinery	97	366
Amortisation of intangible assets		
- Acquired intangible assets	4,368	3,093
- Other intangible assets	1,009	660
R&D expensed to statement of comprehensive income	476	132
Marketing and sales	1,101	597
Bad debt expense	46	350
Premises and office	5,088	4,597

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

Auditors' remuneration	**2015 £'000**	**2014 £'000**
Audit services:		
- Fees payable for the audit of the consolidation and the parent company accounts	40	38
- Fees payable for audit of subsidiaries, pursuant to legislation	58	55
Non-audit services:		
- Assurance service fees	13	12
- Tax compliance fees	31	25
- Corporate finance and advisory transactions	25	4
	167	**134**

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2015 £'000	2014 £'000
Directors' emoluments		
Aggregate emoluments	1,248	1,270
Pension contributions to personal money purchase schemes	35	60
Share based payments	665	1,035
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments	517	532
Pension contributions to personal money purchase schemes	-	27

During the year the Company made personal pension contributions to the personal pension schemes of 2 directors (2014: 3). The aggregate amount of gains realised by directors on the exercise of share options during the year was £nil (2014: £nil).

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.

	2015 No.	2014 No.
Average number of persons employed by the Group (including directors):		
Technical	159	136
Customer services	44	53
Sales and marketing	81	79
Administration	50	25
	334	**293**

	2015 £'000	2014 £'000
Staff costs of the Group during the year in respect of employees and directors were:		
Wages and salaries	12,464	11,178
Social security costs	1,336	1,182
Pension costs	128	118
Share based payments	809	1,257
	14,737	**13,735**

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

	2015 £'000	2014 £'000
Professional fees	150	374
Non-recurring integration costs	376	-
Total acquisition costs	**526**	**374**

During the year costs of £150,000 (2014: £374,000) were incurred in respect of professional fees on various acquisitions. In addition to these professional fees, one-off costs of £376,000 (2014: £nil) directly related to the integration of acquisitions into the Group were also incurred.

7. NET FINANCE COST

	2015 £'000	2014 £'000
Finance income:		
Bank interest receivable	33	56
Other interest income	12	12
Finance income for the year	**45**	**68**

Finance expenses:		
Bank loan	(965)	(962)
Finance leases	(318)	(235)
Other interest charges	(51)	(40)
Mark to market interest adjustment	(125)	(20)
Accelerated write off of arrangement fees on early repayment of facilities	-	(153)
Finance expense for the year	**(1,459)**	**(1,410)**
Net finance cost	**(1,414)**	**(1,342)**

Included in other interest income is £12,000 (2014: £12,000) in respect of leasehold deposits.

8. DIVIDENDS ON SHARES CLASSED AS EQUITY

	2015 Pence per share	2015 £'000	2014 Pence per share	2014 £'000
Paid during the year:				
Final dividend				
Equity dividends on ordinary shares	1.75p	1,867	1.40p	1,483

The directors have recommended a final dividend for the year ended 31 March 2015 of 2.50p per share (2014: 1.75p per share). Subject to shareholder approval this proposed final dividend would be payable on 1 September 2015 to shareholders on the register as of 14 August 2015.

9. TAXATION

	2015 £'000	2014 £'000
Tax charge for the year	(2,782)	(3,002)
Adjustment relating to prior years	36	480
Total current taxation charge	**(2,746)**	**(2,522)**
Origination and reversal of temporary differences	871	486
Effect of different statutory tax rates of overseas jurisdictions	14	-
Effect of changes in tax rates	(29)	41
Total deferred taxation credit	**856**	**527**
Total taxation charge	**(1,890)**	**(1,995)**

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:

	2015 £'000	2014 £'000
Profit before tax	10,785	9,715
Tax charge @ 21% (2014 – 23%)	2,265	2,234
Expenses disallowed for tax purposes	71	263
Non-taxable income	(6)	-
Adjustments in respect of prior years	(36)	(480)
Effect of different statutory tax rates of overseas jurisdictions	(14)	-
Movement in deferred tax relating to changes in tax rates	29	(41)
Effect of research and development tax reliefs	(395)	(350)
Tax effect of share based remuneration	155	142
Movement in unprovided deferred tax related to property, plant and equipment	-	103
Movement in deferred tax relating to prior periods	(179)	124
Taxation charge for the year	**1,890**	**1,995**

The weighted average applicable tax rate for the year ended 31 March 2015 was 21% (2014: 23%). The total current tax charge of £2,782,000 (2014: £3,002,000) on operations represents 25.8% (2014: 30.9%) of the Group profit before tax of £10,785,000 (2014: £9,715,000). A number of changes to the UK Corporation tax system were announced in the March 2014 Budget Statement with the main rate of corporation tax reduced from 21% to 20% from 1 April 2015. These changes were substantively enacted at the period end and therefore are included in these financial statements.

10. DEFERRED TAX

The Group recognised deferred tax assets and liabilities as follows:

	2015		2014	
	Deferred tax Recognised £'000	Deferred tax Unrecognised £'000	Deferred tax Recognised £'000	Deferred tax Unrecognised £'000
Tax losses carried forward	289	-	831	-
Share based remuneration	575	-	600	-
Capital allowances temporary differences	873	-	414	-
Deferred tax on acquired assets with no capital allowances	(605)	-	(765)	-
Deferred tax on customer relationships	(3,219)	-	(3,523)	-
Deferred tax liability	**(2,087)**	**-**	**(2,443)**	**-**

At the year end, the Group has unused tax losses of £1.2m (2014: £4.0m) available for offset against future profits. A deferred tax asset has been recognised in respect of all £1.2m (2014: £4.0m) 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 temporary 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 1 April 2014	**831**	**600**	**414**	**(765)**	**(3,523)**	(2,443)
Acquired on acquisition of subsidiary	89	-	(13)	-	(557)	**(481)**
Debited to equity	-	(19)	-	-	-	**(19)**
(Charged)/credited to statement of comprehensive income	(673)	2	550	131	861	**871**
Effect of different tax rates of overseas jurisdictions	44	-	(30)	-	-	**14**
Effect of changes in tax rates	(2)	(8)	(48)	29	-	**(29)**
Balance at 31 March 2015	**289**	**575**	**873**	**(605)**	**(3,219)**	(2,087)

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 the next year. 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 temporary 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 temporary differences on acquired intangible assets.

11. ACQUISITIONS

ServerSpace Limited

The Group acquired 100% of the issued share capital of ServerSpace Limited ("ServerSpace") on 3 December 2014.

ServerSpace is a London based provider of managed hosting services to over 300 customers. 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 £116,000 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 2015.

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

	£'000
Recognised amounts of net assets acquired and liabilities assumed (provisional):	
Cash and cash equivalents	155
Trade and other receivables	376
Property, plant and equipment	453
Intangible assets	2,778
Trade and other payables	(1,458)
Current borrowings	(13)
Non-current borrowings	(23)
Deferred tax liability	(481)
Identifiable net assets	**1,787**
Goodwill	2,463
Total consideration	**4,250**
Satisfied by:	
Cash – paid on acquisition	2,600
Contingent consideration - payable	1,650
Total consideration transferred	**4,250**

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

The share purchase agreement, in respect of the acquisition of ServerSpace, included a provision under which the total consideration payable may have been adjusted by a payment to be made either to or by the Company, depending on the level of cash, debt and working capital shown in an agreed set of accounts (the Completion Accounts) made up to, and as at, the completion date. Following agreement of the Completion Accounts it was agreed by the Company and the former shareholders of ServerSpace that no payment was due either to or by the Company under the terms of this provision. The contingent consideration arrangements require the Company to pay the former shareholders of ServerSpace additional amounts contingent on the completion of the migration of existing customer services to an iomart datacentre ("the Migration Payment") and on the level of profitability and the mix of revenue delivered by ServerSpace in the year ending 30 September 2015 ("the Earn-out Payment").

The potential undiscounted amount of the total payments that the Company could be required to make is between £nil and £1,650,000. The amount of contingent consideration payable which was recognised as of the acquisition date was £1,650,000.

The amount of contingent consideration payable in respect of the Migration Payment is between £nil and £125,000 and the amount of contingent consideration payable in respect of the Earn-out Payment is between £nil and £1,650,000. The total contingent consideration payable in respect of the Migration payment and the Earn-out payment is restricted to £1,650,000 and, if the total of the two payments would exceed this amount, the Earn-out payment will be reduced by the amount required to reduce the total to £1,650,000.

The fair value of the Migration Payment has been calculated to be £119,000. This amount was calculated using a weighted average based on management estimates of the probability that the conditions required for the payment to be made will be met by the former shareholders of ServerSpace.

11. ACQUISITIONS (CONTINUED)

The fair value of the Earn-out Payment has been calculated to be £1,531,000. The Earn-out Payment is based on the absolute level of profitability achieved by ServerSpace in the year ending 30 September 2015, subject to reductions if either or both of the level of profitability in relation to revenue or the revenue mix is below specified limits.

The absolute level of profitability was estimated by applying the income approach to different scenarios based on historic performance and forecasts. These scenarios had a range of outcomes for the amount of the Earn-out Payment of £1,157,000 to £1,650,000. A weighted average, based on management estimates of the probability of the achievement of the various levels of profitability, was then calculated to give the expected outcome of the amount of the Earn-out Payment, before any reduction in respect of the level of profitability in relation to revenue or the revenue mix, of £1,609,000.

The reductions to be applied to the Earn-out Payment in respect of each of the level of profitability in relation to revenue and the revenue mix were estimated by applying management estimates of the probability that the conditions required for the full payment to be made will not be met and calculating the weighted average outcome in each case.

The calculated reductions in the Earn-out Payment in respect of the level of profitability in relation to revenue and the revenue mix were then both applied to the expected outcome, before these adjustments, of £1,609,000, to give a net expected outcome of £1,573,000. As the total of the calculated Migration Payment and the Earn-out Payment exceeds the maximum contingent consideration of £1,650,000, the fair value of the Earn-out Payment has been reduced to £1,531,000.

The fair value of the contingent consideration is £1,650,000, being the total of the fair values of the Migration Payment of £119,000 and the Earn-out Payment of £1,531,000.

The goodwill arising on the acquisition of ServerSpace 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 name ServerSpace is not actively advertised or promoted, with the majority of ServerSpace's business being generated from existing customers or by word of mouth. ServerSpace has given a commitment to customers not to use for any purpose, other than the service agreement, any confidential information received from the customer. As a consequence there is no significant value in either the trade name/brand or customer lists acquired at the acquisition date and therefore no value has been attributed to either intangible asset.

The fair value of the financial assets acquired includes trade receivables with a fair value of £263,000. The gross amount due under contracts is £293,000 of which £30,000 is expected to be uncollectable.

The fair value included in respect of the acquired customer relationships intangible asset is £2,778,000.

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 11.4% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 8 years. ServerSpace earned revenue of £1,003,375 and generated a loss before tax of £128,093 in the period since acquisition.

Redstation Limited and Backup Technology Holdings Limited

The fair values of acquired assets and liabilities, including goodwill, previously disclosed as provisional for Redstation Limited and Backup Technology Holdings Limited have been finalised in the current period with no changes to the fair values disclosed in the Annual Report and Accounts 2014.

Pro-forma full year information

The following summary presents the Group as if the business acquired during the year had been acquired on 1 April 2014. The amounts include the results of the acquired business, a charge for interest on the additional debt incurred to finance the acquisition and depreciation and amortisation of the acquired property, plant and equipment and intangible assets recognised on acquisition. The amounts do not include any possible synergies from the acquisition. 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 2015 £'000
Revenue	67,721
Profit after tax for the year	8,207

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	**2015 £'000**	**2014 £'000**
Profit for the financial year and basic earnings attributed to ordinary shareholders	8,895	7,720

	No 000	**No 000**
Weighted average number of ordinary shares:		
Called up, allotted and fully paid at start of year	107,803	105,760
Own shares held in Treasury	(971)	(1,016)
Shares held by Employee Benefit Trust	(141)	(141)
New shares issued during year	-	1,101
Weighted average number of ordinary shares - basic	**106,691**	**105,704**
Dilutive impact of share options	1,236	1,005
Weighted average number of ordinary shares - diluted	**107,927**	**106,709**
Basic earnings per share	8.34 p	7.30 p
Diluted earnings per share	8.24 p	7.23 p

Adjusted earnings per share	**2015 £'000**	**2014 £'000**
Profit for the financial year and basic earnings attributed to ordinary shareholders	8,895	7,720
- Amortisation of acquired intangible assets	4,368	3,093
- Acquisition costs	526	374
- Share based payments	809	1,257
- Mark to market interest adjustment	125	20
- Accelerated write off of arrangement fees	-	153
- Tax impact of adjusted items	(1,093)	(1,039)
Adjusted profit for the financial year and adjusted earnings attributed to ordinary shareholders	**13,630**	**11,578**
Adjusted basic earnings per share	12.77 p	10.95 p
Adjusted diluted earnings per share	12.63 p	10.85 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 2013	**31,781**	**2,111**	**9,644**	**600**	**86**	**31**	**44,253**
Additions	-	-	-	24	-	-	24
Disposals	-	-	-	(15)	-	-	(15)
Acquired on acquisition of subsidiary	13,098	-	13,335	1,048	-	249	27,730
Development cost capitalised	-	557	-	-	-	-	557
At 1 April 2014	**44,879**	**2,668**	**22,979**	**1,657**	**86**	**280**	**72,549**
Additions	-	-	598	435	-	-	1,033
Currency translation differences	-	-	76	22	-	-	98
Acquired on acquisition of subsidiary	2,463	-	2,778	-	-	-	5,241
Development cost capitalised	-	1,041	-	-	-	-	1,041
At 31 March 2015	**47,342**	**3,709**	**26,431**	**2,114**	**86**	**280**	**79,962**
Accumulated amortisation:							
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 1 April 2014	**-**	**(1,869)**	**(5,564)**	**(675)**	**(12)**	**(62)**	**(8,182)**
Currency translation differences	-	-	(20)	-	-	-	(20)
Charge for the year	-	(627)	(4,361)	(328)	(7)	(54)	(5,377)
At 31 March 2015	**-**	**(2,496)**	**(9,945)**	**(1,003)**	**(19)**	**(116)**	**(13,579)**
Carrying amount:							
At 31 March 2015	**47,342**	**1,213**	**16,486**	**1,111**	**67**	**164**	**66,383**
At 31 March 2014	44,879	799	17,415	982	74	218	64,367

Of the total additions in the year of £1,033,000 (2014: £24,000), £182,000 (2014: £nil) were funded by finance leases, £484,000 (2014: £nil) was included in trade payables as unpaid invoices at the year end resulting in a net £484,000 (2014: £nil) movement in trade payables. Consequently, the consolidated statement of cash flows discloses a figure of £367,000 (2014: £24,000) as the cash outflow in respect of intangible asset additions in the year.

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 (2014: £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 ServerSpace acquisition has been allocated to the Hosting CGU, as this is the CGU expected to benefit from the business combination.

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

Cash Generating Units (CGU)	**2015 £'000**	**2014 £'000**
Easyspace	17,137	17,137
Hosting	30,205	27,742
	47,342	**44,879**

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	10%	10%
Average growth rate in years 3 to 5	2.00%	3.50%
Future perpetuity rate	2.00%	2.00%
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 (2014: £2,416,000) are made up of a rental deposit of £784,000 (2014: £784,000) and a reinstatement deposit of £1,632,000 (2014: £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 %	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	Non-trading	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	-
ServerSpace 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 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**
Additions in the year	-	109	1,522	9,705	582	-	11,918
Acquisition of subsidiary	-	16	-	434	3	-	453
Disposals in the year	-	-	-	(322)	-	-	(322)
Currency translation differences	-	-	-	94	-	-	94
At 31 March 2015	**2,062**	**6,857**	**18,367**	**37,978**	**2,144**	**48**	**67,456**
Accumulated depreciation:							
At 1 April 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)**
Charge for the year	(34)	(440)	(1,469)	(7,925)	(269)	(5)	(10,142)
Disposals in the year	-	-	-	322	-	-	322
Currency translation differences	-	-	-	(10)	-	-	(10)
At 31 March 2015	**(150)**	**(1,858)**	**(6,253)**	**(23,196)**	**(1,112)**	**(41)**	**(32,610)**
Carrying amount:							
At 31 March 2015	**1,912**	**4,999**	**12,114**	**14,782**	**1,032**	**7**	**34,846**
At 31 March 2014	1,946	5,314	12,061	12,484	716	12	32,533

The net book value of computer equipment held under finance lease at 31 March 2015 was £1,455,000 (2014: £1,839,000) and the net book value of datacentre equipment held under finance lease at 31 March 2015 was £617,000 (2014: £690,000).

Of the total additions in the year of £11,918,000 (2014: £13,039,000), £458,000 (2014: £894,000) were funded by finance leases, £2,354,000 (2014: £1,577,000) was included in trade payables as unpaid invoices at the year end resulting in a net £777,000 (2014: £65,000) movement in trade payables and £nil (2014: £429,000) related to non-cash reinstatement provisions. Consequently, the consolidated statement of cash flows discloses a figure of £10,683,000 (2014: £11,651,000) as the cash outflow in respect of property, plant and equipment additions in the year.

17. TRADE AND OTHER RECEIVABLES

	2015 £'000	2014 £'000
Trade receivables	5,588	3,939
Less: Provision for impairment	(539)	(686)
Trade receivables (net)	**5,049**	**3,253**
Other receivables	650	442
Prepayments and accrued income	5,690	4,001
Trade and other receivables	**11,389**	**7,696**

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 provison 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 2015, £3,118,000 (2014: £2,116,000) of net trade receivables were fully performing. Net trade receivables of £1,931,000 (2014: £1,137,000) 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 customers without history of default for which there is a reasonable expectation of recovery.

	2015	**2014**
	£'000	**£'000**
Up to 3 months	1,867	1,037
Over 3 months but less than 6 months	56	89
Over 6 months but less than 1 year	8	11
Total unimpaired trade receivables which are past due	**1,931**	**1,137**

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

	2015	**2014**
	£'000	**£'000**
Balance at start of the year	686	376
(Decrease)/increase in provision for receivables impairment	(177)	192
Fair value of trade receivable provision acquired during the year	30	118
Balance at end of year	**539**	**686**

18. CASH AND CASH EQUIVALENTS

	2015	**2014**
	£'000	**£'000**
Cash at bank and on hand	8,347	13,025
Cash and cash equivalents	**8,347**	**13,025**

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% (2014: 0.50%).

19. TRADE AND OTHER PAYABLES

	2015	**2014**
	£'000	**£'000**
Trade payables	(4,186)	(3,733)
Other taxation and social security	(1,464)	(1,360)
Accruals	(6,587)	(4,334)
Deferred income	(5,475)	(5,677)
Other creditors	(968)	(54)
Trade and other payables	**(18,680)**	**(15,158)**

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. NON-CURRENT TRADE AND OTHER PAYABLES

	2015 £'000	2014 £'000
Trade payables	(703)	-
Non-current trade and other payables	**(703)**	**-**

21. CONTINGENT CONSIDERATION

	2015 £'000	2014 £'000
Contingent consideration due on acquisitions:		
- ServerSpace Limited	(1,650)	-
- Skymarket Limited	-	(32)
- Redstation Limited	-	(1,239)
Total contingent consideration due on acquisitions	**(1,650)**	**(1,271)**

22. BORROWINGS

	2015 £'000	2014 £'000
Current:		
Obligations under finance leases	(938)	(1,038)
Bank loans	(21,457)	(18,090)
Current borrowings	**(22,395)**	**(19,128)**
Non-current:		
Obligations under finance leases	(1,346)	(1,780)
Bank loans	-	(11,936)
Total non-current borrowings	**(1,346)**	**(13,716)**
Total borrowings	**(23,741)**	**(32,844)**

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:

	2015			2014		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	938	154	1,092	1,038	183	1,221
Due between two and five years	968	300	1,268	1,277	348	1,625
Due after more than five years	378	60	438	503	110	613
	2,284	**514**	**2,798**	**2,818**	**641**	**3,459**

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 8.9% (2014: 8.4%). Lease payments are made on a monthly and quarterly basis. The future lease obligation of £2,798,000 (2014: £3,459,000) has a present value of £2,277,000 (2014: £2,710,000).

22. BORROWINGS (CONTINUED)

On 28 July 2014 the Group agreed a new bank facility with Lloyds Banking Group comprising a £15m multi option revolving credit facility which together with the existing £20m multi option revolving credit facility provided £35m of total facilities. The new multi option revolving credit facility replaced a term loan facility of £15m.

At the beginning of the year under the previous facilities there was £15m outstanding on the multi option revolving credit facility and £15m outstanding on the term loan. In April 2014, £1.5m was repaid on the term loan. Following the agreement of the new bank facility, the remaining £13.5m of the term loan was repaid in July 2014 and a draw down under the new multi option revolving credit facility of £13.5m was made. The repayment of the term loan has been treated as an extinguishment in accordance with IAS 39. This resulted in the total drawn down of multi option revolving credit facilities of £28.5m.

In September 2014, £3.5m and in March 2015, £3.5m were repaid on the new multi option revolving credit facility which left an outstanding balance at the year end of £21.5m.

The £35m multi option revolving credit facility may be used by the Group to finance acquisitions, capital expenditure 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. As security for the loans, Lloyds Banking Group has the benefit of floating charges and debentures granted by group companies. 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 is fixed at 2.0% per annum. A one-off arrangement fee of £337,500 was paid in respect of the £20m multi option revolving credit facility when the facility was first drawn down and a non-utilisation fee of 40% of the multi option revolving credit facility margin is due on any undrawn portion of the full £35m multi option revolving credit facilities. The effective interest rate for multi option revolving credit loans in the current year was 3.82% (2014: 4.41%).

The future loan obligations of £21,716,000 (2014: £32,865,000) equate to a present value of £21,269,000 (2014: £23,630,000). The capital element of the bank loans is £21,457,000 (2014: £30,026,000) and this differs from the net amount drawn down of £21,500,000 (2014: £30,000,000) due to an effective interest rate adjustment.

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

	2015			2014		
	Capital £'000	**Interest £'000**	**Total £'000**	**Capital £'000**	**Interest £'000**	**Total £'000**
Due within one year	21,457	259	21,716	18,090	1,104	19,194
Due between two and five years	-	-	-	11,936	1,735	13,671
	21,457	**259**	**21,716**	**30,026**	**2,839**	**32,865**

Analysis of change in net cash/(debt)	**Cash and cash equivalents £'000**	**Bank loans £'000**	**Other loans £'000**	**Finanace leases and hire purchase £'000**	**Total £'000**
At 1 April 2013	11,392	(8,848)	-	(2,972)	(428)
Repayment of bank loans	-	16,500	-	-	16,500
New bank loans	-	(37,500)	-	-	(37,500)
Impact of effective interest rate	-	(174)	-	-	(174)
Inception of finance leases	-	-	-	(896)	(896)
Acquired on acquisition of subsidiary	1,355	(4)	(5,731)	(334)	(4,714)
Cash flow	278	-	5,731	1,384	7,393
At 31 March 2014	**13,025**	**(30,026)**	**-**	**(2,818)**	**(19,819)**
Repayment of bank loans	-	22,000	-	-	22,000
New bank loans	-	(13,500)	-	-	(13,500)
Impact of effective interest rate	-	69	-	-	69
Inception of finance leases	-	-	-	(640)	(640)
Acquired on acquisition of subsidiary	155	-	-	(36)	119
Currency translation differences	-	-	-	(35)	(35)
Cash flow	(4,833)	-	-	1,245	(3,588)
At 31 March 2015	**8,347**	**(21,457)**	**-**	**(2,284)**	**(15,394)**

23. 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.

Upon the acquisition of ServerSpace, the Group recognised an onerous lease provision for excess datacentre capacity based on the contracted future lease rental obligations relating to datacentre capacity that is no longer required.

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

The movement in the provisions during the year was as follows:

	2015			2014		
	Reinstatement £'000	Onerous £'000	Total £'000	Reinstatement £'000	Onerous £'000	Total £'000
Balance at start of the year	(1,566)	-	(1,566)	(1,097)	-	(1,097)
Initial recognition on acquisition of subsidiary	-	(583)	(583)	-	-	-
Additional provision recognised during year	-	(376)	(376)	-	-	-
Reduction in provision	-	136	136	(429)	-	(429)
Unwinding of discount	(51)	-	(51)	(40)	-	(40)
	(1,617)	**(823)**	**(2,440)**	**(1,566)**	**-**	**(1,566)**

24. OPERATING LEASES

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

	2015		2014	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	2,910	75	2,109	144
Between two to five years	7,288	286	7,272	193
After five years	3,222	279	4,560	237
	13,420	**640**	**13,941**	**574**

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 2015, the total future minimum sub-lease payments expected to be received under non-cancellable sub-leases were £16,000 (2014: £72,000).

25. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
Authorised		
At 31 March 2013, 2014 and 2015	**200,000,000**	**2,000**
Called up, allotted and fully paid		
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 and 31 March 2015	**107,803,006**	**1,078**

During the year the Company issued nil (2014: 321,809) ordinary shares of 1p each in respect of the exercise of share options by employees for which a net total of £nil (2014: £134,583) was received.

At 31 March 2015 the Company held 945,203 shares (2014: 983,203) as own shares in treasury which were accounted for in the Own Shares Treasury reserve and had a nominal value of £9,452 (2014: £9,832) and a market value of £1,932,940 (2014: £2,426,053). This represents 0.9% (2014: 0.9%) of the issued share capital as at 31 March 2015 excluding own shares.

At 31 March 2015 the Company held 140,773 shares (2014: 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 (2014: £1,408) and a market value of £287,881 (2014: £347,357). This represents 0.1% (2014: 0.1%) of the issued share capital as at 31 March 2015 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 2015 are fully paid.

26. OWN SHARES RESERVES

	Own shares EBT £'000	Own shares Treasury £'000	Own shares Total £'000
Opening balance at 1 April 2014	(70)	(486)	(556)
Issue of own shares from Treasury for option redemption	-	18	18
Closing balance at 31 March 2015	**(70)**	**(468)**	**(538)**

During the year 38,000 (2014: 40,250) own shares held in treasury at the carrying value of 49.5p each were issued following the exercise of share options by employees for which a net total of £23,820 (2014: £20,869) was received. As a consequence, at 31 March 2015 the Company held 945,203 shares (2014: 983,203) in treasury with a carrying value of £467,875 (2014: £486,685) which were accounted for in Own Shares treasury reserve; and 140,773 shares (2014: 140,773) in the EBT with a carrying value of £69,982 (2014: £69,982) which were accounted for in the Own Shares EBT reserve.

27. 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 38,000 ordinary shares (2014: 362,059) were exercised and the average market price at the exercise dates was 216.2p (2014: 269.3p). Options over 257,560 ordinary shares (2014: 120,000) were granted under the unapproved share option scheme with an average exercise price of 1.0p (2014: 1.0p) and no options over ordinary shares (2014: 274,435) were granted under the sharesave scheme. Options over 120,000 ordinary shares (2014: nil) lapsed under the unapproved share option scheme with an average exercise price of 1.0p (2014: £nil) and options over 33,380 (2014: nil) lapsed under the sharesave scheme with an average exercise price of 191.4p.

As disclosed in note 5, a share based payment charge of £809,000 (2014: £1,257,000) 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:

27.SHARE BASED PAYMENTS (CONTINUED)

Grant date	**25-Sep-14**
Vesting date	**25-Sep-17**
Variables used	
Share price at grant date	224.1p
Volatility	58%
Dividend yield	0.5%
Number of employees holding options/units	3
Option/award life (years)	10
Expected life (years)	3.5
Risk free rate	1.79%
Expectations of meeting performance criteria	100%
Fair value	**219.3p**
Exercise price per share	1p

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

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:

	2015		2014	
	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	76.16	2,675,055	64.60	2,692,679
Granted	1.00	257,560	133.47	394,435
Forfeited	42.44	(153,380)	146.10	(50,000)
Expired	-	-	-	-
Exercised	62.88	(38,000)	42.94	(362,059)
Outstanding at end of year	**71.17**	**2,741,235**	**76.16**	**2,675,055**
Exercisable at end of year	**40.53**	**1,319,287**	**51.27**	**1,083,954**

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	43.5 – 87.5	408,677	66.38	3.9	408,677	66.38	3.9
Unapproved schemes	1.0 – 146.1	2,091,503	58.25	7.4	910,610	28.92	6.6
Sharesave scheme	191.4	241,055	191.4	2.3	-	-	-
As at end of year		**2,741,235**	**71.17**	**6.4**	**1,319,287**	**40.53**	**5.8**

28.RELATED PARTY TRANSACTIONS

Compensation paid to key management (only directors are deemed to fall into this category) during the year was as follows:

	2015 £'000	2014 £'000
Salaries and other short-term employee benefits	1,414	1,434
Post-employment benefits	40	68
Share-based payments	665	1,035
	2,119	**2,537**

Dividends paid to key management were as follows:

	2015 £'000	2014 £'000
Angus MacSween	294	286
Chris Batterham	2	1
Sarah Haran	34	33
Richard Logan	17	18
Ian Ritchie	3	2
Crawford Beveridge	1	-
Total dividends paid to directors	**351**	**340**

29. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

There were no contingent assets or liabilities as at 31 March 2015 (2014: nil).

(b) Commitments

Capital expenditure on property, plant and equipment committed by the Group at 31 March 2015 was £147,000 (2014: £482,000).

30. 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, 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
2015	
Non-current:	
Lease deposit	2,416
Current:	
Trade receivables	5,049
Cash and cash equivalents	8,347
Other receivables	650
Total for category	**16,462**
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**

30. 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
2015				
Non-current:				
Trade payables	-	(703)	-	(703)
Finance leasing capital obligations	-	-	(1,346)	(1,346)
Current:				
Trade payables	-	(4,186)	-	(4,186)
Accruals	-	(6,396)	-	(6,396)
Bank loan	-	(21,457)	-	(21,457)
Contingent consideration due on acquisitions	(1,650)	-	-	(1,650)
Finance leasing capital obligations	-	-	(938)	(938)
Interest rate swap contract	(191)	-	-	(191)
Total for category	**(1,841)**	**(32,742)**	**(2,284)**	**(36,867)**
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 acquisition	(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)**

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 2015 £'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	(1,650)	3	Based on level of future profitability and probability that vendor will comply with obligations under sale and purchase agreement.	Management estimate on probability and time scale of vendor meeting profitability targets and complying with obligations.	-
Interest rate swap contracts	(191)	2	Interest rate swap contracts are not traded in active markets. Fair valued using observable interest rates corresponding to the maturity of the contracts.	Observable interest rates corresponding to the maturity of the contracts. Effects of non-observable inputs are not significant for interest rate swaps.	(125)
Total fair value	**(1,841)**			**Total net losses**	**(125)**

30. RISK MANAGEMENT (CONTINUED)

There have been no changes to valuation techniques or any amounts recognised through 'Other Comprehensive Income'. The £125,000 loss recognised in profit or loss on interest rate swap contracts is included in finance costs.

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

Contingent consideration	**2015 £'000**	**2014 £'000**
Balance at start of the year	(1,271)	(358)
Acquired through business combination	(1,650)	(1,200)
Settled in cash during the year	1,271	326
Loss recognised in profit of loss under:		
- Administrative expenses	-	(39)
Balance at end of year	**(1,650)**	**(1,271)**
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. In note 22 the contractual maturity analysis of the Group's total borrowings of £23.7m (2014: £32.8m) is shown. The Group has £13.5m (2014: £5.0m) available to draw down on the revolving credit facility and 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 loan facilities is based on LIBOR plus a margin. The Group has entered into an interest rate swap in respect of £10m which has been drawn under the revolving credit facility from April 2015 which reduces by £2m every 6 months until October 2017 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 £12.5m 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 £125,000 (2014: £20,000) which has been recognised in profit or loss for the year.

Currency risk

During the year the Group made payments totalling US$6.0m (2014: US$4.1m) and EUR€0.2m (2014: EUR€0.1m) to acquire domain names for its Easyspace division and licences for its Hosting division. In addition, the Group received US$2.1m (2014: US$nil) and EUR€0.5m (2014: EUR€nil) from Hosting customers billed in foreign currency. 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 (2014: none). Consequently, the fair value of currency contracts at the year end was £nil (2014: £nil). 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 around £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 level of adjusted diluted earnings per share. 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 £5,049,000 (2014: £3,253,000) which are stated net of applicable provisions and which represent the total amount exposed to credit risk. The lease deposits of £2,416,000 (2014: £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 £8,347,000 (2014: £13,025,000) 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.

31. POST BALANCE SHEET EVENT

The Group acquired 100% of the issued share capital and voting rights of SystemsUp on 5 June 2015 on a no debt, no cash, normalised working capital basis.

SystemsUp is a consultancy operation based in London which specialises in the provision of Public Cloud consultancy largely in the UK public sector. The company has formed strong relationships with the Public Cloud providers and its consultants are highly skilled in Public Cloud consultancy and deployment. The acquisition is in line with the Group's strategy to grow its managed cloud computing operations both organically and by acquisition.

At completion, an initial payment of £9.0m in cash was made and in addition an amount of £0.5m was paid as an interim settlement of the expected amount due in respect of the no debt, no cash, normalised working capital adjustment. The initial payment of £9.0m was funded by a draw down from the Group's revolving credit facility. A further sum is contingent on a measure of revenue for the year to 31 March 2016 which is expected to be paid in either May or June 2016. The potential fair value of the contingent consideration payable has been initially estimated to be in the region of £1.0m to £3.5m. This is a provisional estimate of the likely range of the contingent consideration payment. The contingent consideration is not limited.

Due to the proximity of the completion date of the acquisition to the date of the approval of the Group's financial statements there has been insufficient time to complete the initial accounting for the business combination including completing the assessment of the fair value of the contingent consideration. In addition, it has not been possible to disclose the fair value of the amounts to be recognised as of the acquisition date for each major class of assets acquired and liabilities assumed and in particular for acquired receivables the fair value of receivables, the gross contractual amounts receivable and amounts that are not expected to be collectable; any contingent liabilities to be recognised; and the total amount of goodwill that is expected to be deductible for tax purposes. Whilst the amount of goodwill to be recognised has not yet been determined any goodwill that will exist will relate to the premium paid by the Group for a pre-existing, well positioned business; the specialised, industry specific knowledge of its staff; and the potential benefits to the Group of integrating the business into its processes to provide cross selling opportunities between the Group and SystemsUp.

The Group is estimated to have incurred £150,000 of third party acquisition related costs in respect of this acquisition. These expenses have not yet been invoiced to the Group but will be included in administrative expenses in the Group's consolidated statement of comprehensive income for the year ended 31 March 2016

As the completion date of the acquisition was after the balance sheet date of the Group, there is no revenue or profit before tax from SystemsUp included in the Group's Consolidated Statement of Comprehensive Income for the year ended 31 March 2015. In addition, financial information from SystemsUp for the year ended 31 March 2015 has not been included in the pro-forma full year information as shown in note 11.

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 2015 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 auditor

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 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/auditscopeukprivate.

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 2015;
- 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 terms of our engagement

In our opinion the part of the Report of the Board to the Members on Directors' Remuneration which is described as having been audited and which we were engaged to audit has been properly prepared in accordance with Rule 19 of the AIM Rules for Companies.

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 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 2015.

Grant Thornton UK LLP

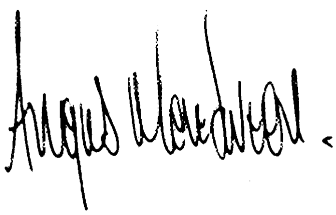
Robert Hannah
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
8 June 2015

BALANCE SHEET

	Note	2015 £'000	2014 £'000
FIXED ASSETS			
Investments	3	79,057	72,797
		79,057	**72,797**
CURRENT ASSETS			
Debtors	4	35,410	25,036
Cash at bank and in hand		6,694	11,850
		42,104	**36,886**
CREDITORS: amounts falling due within one year	6	(53,034)	(49,968)
NET CURRENT LIABILITIES		**(10,930)**	**(13,082)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**68,127**	**59,715**
CREDITORS: amounts falling after more than one year	7	-	(12,000)
NET ASSETS		**68,127**	**47,715**
CAPITAL AND RESERVES			
Called up share capital	8	1,078	1,078
Own shares	9	(538)	(556)
Capital redemption reserve	9	1,200	1,200
Share premium account	9	21,067	21,067
Merger reserve	9	4,983	4,983
Profit and loss account	9	40,337	19,943
SHAREHOLDERS' FUNDS	**10**	**68,127**	**47,715**

These financial statements were approved by the board of directors and authorised for issue on 8 June 2015.

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.

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 tax

Deferred tax is provided in full on temporary differences which result in an obligation at the period end 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 that have been enacted or substantively enacted at the balance sheet date. Temporary 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 profit or loss in equal annual amounts over the lease term.

Financial instruments

Financial assets are recognised in the balance sheet at amortised cost. 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 profit or loss in the financial period to which it relates.

Pension scheme arrangements

The Company contributes to an auto-enrolment pension scheme and also to a number of personal pension schemes on behalf of executive directors and some senior employees. Pension costs are charged to profit or loss 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 through profit or loss with a corresponding credit to "Profit and loss reserve" unless the share based payment arrangement relates to an employee of a subsidiary company where in such instances the share based payment is added to the cost of investment in that subsidiary as a capital contribution.

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.

iomart continues to innovate in its product releases. A new campaign to help businesses transform how they work in the cloud was launched at Cloud Expo Europe in March. 'SavetheCloud365' showcases how using iomart can help customers migrate to and manage Office 365 whilst benefiting conservation charity Rainforest Concern.

The campaign was launched by iomart's own Queen of the IT Jungle, 'I'm a Celebrity....Get Me Out Of Here' contestant and actress Vicki Michelle.

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 year after taxation was £21,466,000 (2014: £2,452,000).

3. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2014	74,573
Additions	4,370
Share based payment (note 11)	114
Cost at 31 March 2015	**79,057**
Impairment	
At 1 April 2014	(1,776)
Reversal of previous impairment	1,776
Impairment at 31 March 2015	**-**
Net book value of Investments at 31 March 2015	**79,057**
Net book value of Investments at 31 March 2014	72,797

All of the above investments are unlisted.

The following subsidiaries are included in the Company 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	Non-trading	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	-
ServerSpace 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

	2015 £'000	2014 £'000
Prepayments and accrued income	498	495
Other debtors	15	-
Other taxation and social security	342	344
Deferred taxation (note 5)	576	600
Corporation tax	1,187	-
Amounts owed by subsidiary undertakings	32,792	23,597
	35,410	**25,036**

5. DEFERRED TAXATION

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

	2015		2014	
	Recognised £'000	Unrecognised £'000	Recognised £'000	Unrecognised £'000
Share based remuneration	576	-	600	-

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

	2015 £'000	2014 £'000
Balance brought forward	600	682
Profit and loss account movement arising during the year	(5)	(101)
Profit and loss account reserve movement during the year	(19)	19
Balance carried forward	**576**	**600**

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

	2015 £'000	2014 £'000
Trade creditors	97	137
Other taxation and social security	65	55
Accruals and deferred income	1,084	1,108
Contingent consideration	1,650	1,271
Bank loan	21,500	18,000
Amounts owed to subsidiary undertakings	28,638	29,397
	53,034	**49,968**

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

	2015 £'000	2014 £'000
Bank loan	-	12,000
	-	**12,000**

8. SHARE CAPITAL

	Ordinary shares of 1p each Number of shares	£'000
Authorised		
At 31 March 2013, 2014 and 2015	**200,000,000**	**2,000**
Called up, allotted and fully paid		
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 and 31 March 2015	**107,803,006**	**1,078**

During the year the Company issued nil (2014: 321,809) ordinary shares of 1p each in respect of the exercise of share options by employees for which a net total of £nil (2014: £134,583) was received.

At 31 March 2015 the Company held 945,203 shares (2014: 983,203) as own shares in treasury which were accounted for in the Own Shares Treasury reserve and had a nominal value of £9,452 (2014: £9,832) and a market value of £1,932,940 (2014: £2,426,053). This represents 0.9% (2014: 0.9%) of the issued share capital as at 31 March 2015 excluding own shares.

At 31 March 2015 the Company held 140,773 shares (2014: 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 (2014: £1,408) and a market value of £287,881 (2014: £347,357). This represents 0.1% (2014: 0.1%) of the issued share capital as at 31 March 2015 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 2015 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 year	-	-	-	-	-	21,466
Dividends	-	-	-	-	-	(1,867)
Share based payments	-	-	-	-	-	809
Issue of own shares from Treasury	-	18	-	-	-	5
Deferred tax on share based remuneration	-	-	-	-	-	(19)
	-	18	-	-	-	20,394
Opening balance	(70)	(486)	1,200	21,067	4,983	19,943
Closing balance	**(70)**	**(468)**	**1,200**	**21,067**	**4,983**	**40,337**

During the year 38,000 (2014: 40,250) 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 £23,820 (2014: £20,869) was received. As a consequence, at 31 March 2015 the Company held 945,203 shares (2014: 983,203) in treasury with a carrying value of £439,519 (2014: £486,685) which were accounted for in Own Shares treasury reserve; and 140,773 shares (2014: 140,773) in the EBT with a carrying value of £69,982 (2014: £69,982) which were accounted for in the Own Shares EBT reserve.

10. RECONCILIATION OF MOVEMENTS IN SHAREOLDERS' FUNDS

	2015 £'000	2014 £'000
Profit for the financial year	21,466	2,452
Dividends	(1,867)	(1,483)
Share based payments	809	1,257
Deferred tax on share based remuneration	(19)	19
Issue of own shares from treasury	23	21
Issue of new shares for business acquisition	-	5,000
Issue of new shares for option redemption	-	134
Net increase in shareholder funds	**20,412**	**7,400**
Opening balance	47,715	40,315
Closing balance	**68,127**	**47,715**

11. SHARE BASED PAYMENTS

For details of share based payment awards and fair values see note 27 to the Group financial statements. The Company accounts recognise the charge for share based payments for the year of £809,000 (2014: £1,257,000) by;

1) taking the charge in relation to employees of the parent company through the parent company statement of comprehensive income £695,000 (2014: £1,064,000),

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 £114,000 (2014: £193,000).

12. 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. Related party transactions regarding remuneration and dividends paid to key management (only directors are deemed to fall into this category) of the Company have been disclosed in note 28 of the Group financial statements.

13. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

There were no contingent assets or liabilities as at 31 March 2015 (2014: nil).

(b) Commitments

There are no commitments present as at 31 March 2015 (2014: nil).

14. POST BALANCE SHEET EVENT

On 5 June 2015 the Company acquired the entire share capital of SystemsUp. Further details of the acquisition have been given in note 31 of the Group financial statements.

15. ULITIMATE CONTROLLING PARTY

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

iomart continues to be recognised at major Industry award ceremonies. Its Maidenhead Software Defined Data Centre investment won Project of the Year at the Network Computing Awards and received a commendation from the British Computing Society at the UK IT Industry Awards.

NOTICE IS HEREBY GIVEN that the 2015 annual general meeting of iomart Group plc (the "Company") will be held at Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow G20 0SP on 26 August 2015 at 10.00 am for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 7 (inclusive) will be proposed as ordinary resolutions and resolutions 8 to 9 (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 2015.

2 To approve the report of the board to the members on directors' remuneration for the year ended 31 March 2015.

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

4 To reappoint Richard Logan (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 2015 of 2.50p per share payable on 1 September 2015 to shareholders on the register of members at the close of business on 14 August 2015.

6 To reappoint Grant Thornton UK LLP, Chartered Accountants, as auditors of the Company from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before shareholders and to authorise the directors to fix the auditors' remuneration.

7 THAT the directors of the Company are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all powers to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company:

(a) comprising equity securities (as defined in section 560(1) of the Companies Act 2006) up to an aggregate nominal amount of £712,385.36 (including within such limit any shares issued or rights granted under paragraph (b) below) in connection with an offer by way of rights issue:

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings;

(ii) to the holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

and subject to such exclusions or other arrangements as the directors consider expedient in relation to fractional entitlements, legal, regulatory or practical problems under the laws of, or the requirements of any regulatory body or stock exchange in, any territory, or any other matter; and

(b) in any other case up to an aggregate nominal amount of £356,192.68 (such amount to be reduced by the nominal amount of any equity securities allotted pursuant to the authority in paragraph (a) above in excess of £356,192.68);

provided that such authority, unless renewed, varied or revoked by the Company, shall expire on 26 November 2016 or, if earlier, the date of the next annual general meeting of the Company after the passing of this resolution 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 such an offer or agreement as if the authority conferred hereby had not expired.

This resolution revokes and replaces all unexercised authorities previously granted to the directors to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company but is without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

8 THAT, subject to the passing of resolution 7, the directors of the Company are generally empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (within the meaning of section 560(1) of the Companies Act 2006) for cash, pursuant to the authority conferred by resolution 7, as if section 561(1) of the Companies Act 2006 did not apply to any such allotment provided that this power is limited to:

(a) the allotment of equity securities in connection with an offer of equity securities (but, in the case of the authority granted under resolution 7(b), by way of a rights issue only) to:

(i) the ordinary shareholders made in proportion (as nearly as may be practicable) to their existing respective holdings; and

(ii) to the holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

and subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(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 paragraphs (a) and (b) above) of equity securities up to an aggregate nominal amount of £106,857.80.

The power granted by this resolution will expire on 26 November 2016 or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry, make offers or agreements 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.

This resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if section 561(1) of the Companies Act 2006 did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

9 That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 to make one or more market purchases (within the meaning of section 693(4) of that Act) of ordinary shares of 1 pence each in the Company provided that:

(a) the maximum number of ordinary shares hereby authorised to be purchased is 10,685,780, representing 10% of the Company's issued ordinary share capital (excluding for these purposes the 945,203 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 each ordinary share is 1 pence;

(c) the maximum price (exclusive of any expenses) which may be paid for each 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,
30 June 2015
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 Registrars, 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 10.00am on Monday 24 August 2015) 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 24 August 2015; 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 OF IOMART GROUP PLC

Ordinary Resolutions

Resolutions 1 to 7 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 2015 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.

Resolutions 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, Mr Angus MacSween and Mr Richard Logan are required to retire by rotation at this annual general meeting and, being eligible, offer themselves for reappointment. The board of directors is satisfied that the performance of Mr Angus MacSween and Mr Richard Logan 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 Mr Angus MacSween and Mr Richard Logan.

Brief biographical details of Mr Angus MacSween and Mr Richard Logan are given below.

58, 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.

57, 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.

Resolution 5 – To declare a dividend 2.50p 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 of directors. The board of directors recommends the payment of a final dividend of 2.50p per ordinary share, to be payable to shareholders registered at close of business on 14 August 2015.

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.

Resolution 7 – Authority to allot shares
Under section 551 of the Companies Act 2006, the directors of a company may only allot shares or grant rights to subscribe for, or to convert any security into, shares in the Company if authorised to do so.

In line with guidance issued by the Investment Management Association, the authority contained in paragraph (a) of this resolution will (if passed) give the directors authority to allot ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £712,385.36 (representing 71,238,536 ordinary shares) as reduced by the nominal amount of any shares issued under paragraph (b) of this resolution. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital (excluding treasury shares) of the Company as at the latest practicable date prior to publication of the Notice of Meeting.

The authority contained in paragraph (b) of this resolution will (if passed) give the directors the authority to allot ordinary shares up to an aggregate nominal value of £356,192.68 (representing 35,619,268 ordinary shares of 1p each). This amount represents approximately one-third of the issued ordinary share capital (excluding treasury shares) of the Company as at the latest practicable date prior to the publication of the Notice of the Meeting. This authority will expire on 26 November 2016 or, if earlier, at the conclusion of the next Annual General Meeting.

Special Resolutions
Resolutions 8 and 9 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 8 - Disapplication of statutory pre-emption rights
If new shares are to be allotted for cash, section 561(1) of the Companies Act 2006 requires that those shares are offered first to existing shareholders pro rata to their holdings. 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". These pre-emption provisions also apply to the sale of treasury shares by the Company.

There may be circumstances, however, where it is in the interests of the Company for the directors to allot shares and/or sell treasury shares other than to shareholders in proportion to their existing holding or otherwise than strictly in compliance with the requirements of the Companies Act 2006. This cannot be done under the Companies Act 2006 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 8 (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 of directors 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 directors) of such dividend or dividends as are specified by such resolution. Paragraph (b) of resolution 8 asks shareholders to waive their pre-emption rights in respect of any such issue of shares.

Resolution 8 (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 945,203 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 board of directors intends to adhere to the provisions in the Pre-Emption Group's Statement of Principles, as updated in March 2015, and not to allot shares for cash on a non pre-emptive basis pursuant to the authority in resolution 8(c):

(i) in excess of an amount equal to 5 per cent of the total issued ordinary share capital of the Company excluding treasury shares; or

(ii) in excess of an amount equal to 7.5 per cent of the total issued ordinary share capital of the Company excluding treasury shares within a rolling three-year period, without prior consultation with shareholders,

in each case other than in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

The power given by resolution 8 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 2016.

Resolution 9 – 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 945,203 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 be 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 earnings 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 9 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 IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Company Registration Number
SC204560

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Many charities and third sector organisations have selected iomart as their IT partner of choice, one of latest being the unique fundraising site Make a Donation, which is the only online giving site in the UK where 100% of the donations go direct to charity.

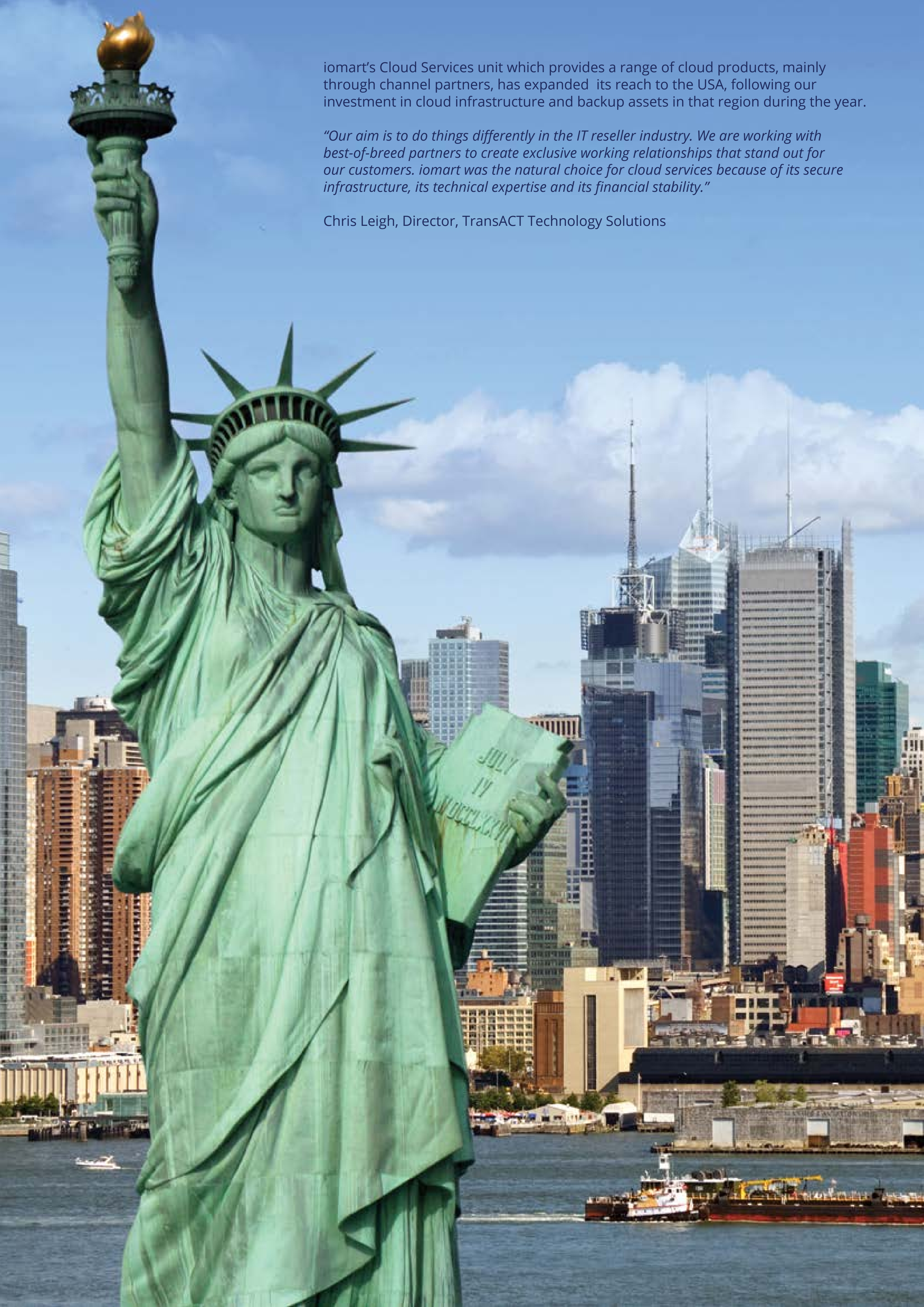
"Our site receives and processes donations 24 hours a day, 365 days a year, so downtime is not an option. Our fundraisers and charities want to receive as much support and as many donations as possible so our service needs to be available at any time of day."

David Finch, CEO, Make a Donation

iomart's Cloud Services unit which provides a range of cloud products, mainly through channel partners, has expanded its reach to the USA, following our investment in cloud infrastructure and backup assets in that region during the year.

"Our aim is to do things differently in the IT reseller industry. We are working with best-of-breed partners to create exclusive working relationships that stand out for our customers. iomart was the natural choice for cloud services because of its secure infrastructure, its technical expertise and its financial stability."

Chris Leigh, Director, TransACT Technology Solutions



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