



iomart

Annual Report and Accounts 2016

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About iomart

Established in 1998 and headquartered in Glasgow, Scotland, iomart is one of the leading providers of secure managed hosting and cloud services. We help organisations across the private and public sector, from government departments to enterprise business, to take full advantage of what the cloud has to offer.

By owning and operating data centres at eight locations across the United Kingdom and having international Points of Presence in Dubai, Singapore and the United States of America, we can deliver everything from cloud consultancy to full IT transformation and ongoing management for our customers.

Most businesses today are digital in some shape or form. They need help to architect the right cloud strategy and understand the myriad of cloud services on offer to them. Through our own expertise and our key partnerships with the world's leading technology vendors and public cloud providers, we make this complex world simple for them.

We are still at the start of the journey to the cloud, with many organisations yet to make the move. As a result, we believe there is a significant long term opportunity for iomart in the provision of managed cloud services.

iomart delivers any cloud your way

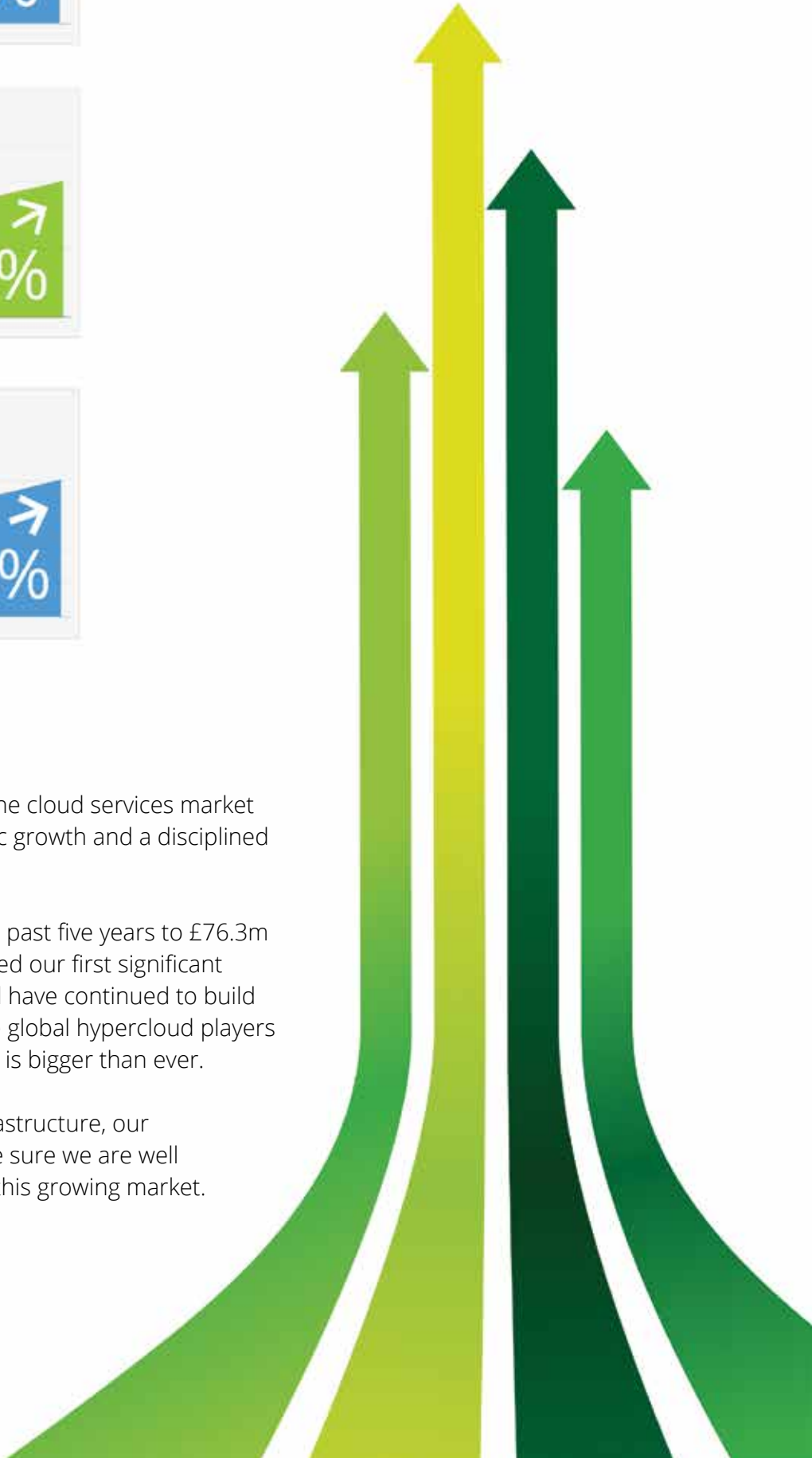


Our Year

iomart continues to succeed in the cloud services market through a combination of organic growth and a disciplined acquisition strategy.

Revenues have doubled over the past five years to £76.3m (2015: £65.8m). This year we noted our first significant public cloud implementation and have continued to build ever closer partnerships with the global hypercloud players. The long term opportunity for us is bigger than ever.

We continue to invest in our infrastructure, our services and our people, to make sure we are well positioned to take advantage of this growing market.



Our Infrastructure

We do not jeopardise our customers' mission-critical IT systems by relying on third parties to deliver the core components of our services. When we say "our data centres" we mean it.

In the United Kingdom our data centres, which are connected via a private fibre network, provide secure and reliable hosting for thousands of businesses and organisations.

We are also directly connected to the hypercloud vendors AWS and Microsoft allowing us to combine different clouds as required.



A silhouette of two hikers against a sunset sky. One hiker is on a rocky ledge, leaning forward to help another hiker who is climbing up from below. The sun is low on the horizon, creating a bright glow and lens flare. The sky is a mix of light and dark tones, with some clouds visible.

Our Partnerships

To ensure we can support our customers across the whole range of cloud services available, iomart has built important partnerships with the leading public cloud vendors, the so-called Hypercloud providers, Amazon Web Services (AWS) and Microsoft. We are part of a network of trusted partners who can provide the management wrap around their services.

This is the model for 'Cloud as a Service' rather than as a commodity. Each of these public cloud services has hundreds of separate tools that can be used by everyone from the digital agency right up to the enterprise. Understanding which ones best suit your business is where it gets difficult.

With our skills and expertise we can help customers design the right cloud strategy, whether they need just public cloud or a hybrid model that incorporates their legacy systems.

We pride ourselves on our levels of service and have invested in the accreditations and certifications to ensure our infrastructure and management operate at the highest level and can provide the most comprehensive range of cloud services to the U.K. public sector as well as the private sector.



Our People

iomart's workforce has grown as iomart has grown.

It is rapidly approaching 400.

More than 250 of our people are skilled technicians who deliver services and solutions from our customer support centre in Glasgow and our network of U.K. data centres. They are constantly learning and gaining new, advanced certifications to support the growing range of cloud technologies and services that iomart delivers.

The sales and account management structures have also been expanded to help provide customers with the right advice and support as they navigate the complex decisions they have to make when choosing the right cloud strategy. Our cloud consultants are often embedded within organisations to ensure their cloud projects are delivered to the highest standards.

We continue to invest in our people, their training and their technical accreditations to keep us at the forefront of cloud technology.




Our Customers

iomart's customer base stretches across almost all industries and spans both the private and public sector.

- We have helped government departments, local authorities and businesses of all sizes take their first steps into the cloud.
- We protect Petabytes of data for well-known consumer brands using the latest storage, backup and Disaster Recovery technologies.
- We are the cloud services partner of choice for transport companies, professional and legal services providers, media companies, digital agencies and software companies.

Many of our customers have been with us a long time. They started small and have grown their services over the years as we have become their trusted adviser on cloud services.

With many organisations lacking the in-house skills to migrate their services to the cloud, iomart is well positioned to take advantage of this opportunity and deliver further significant growth.



"It was absolutely critical that we work with a cloud partner who would fit the services around our unique business need. The team at iomart came prepared to listen, be responsive and to work with us."

iomart provides Infrastructure as a Service platform and EMC Avamar Cloud Backup for LabVantage Solutions, Inc., the leading global laboratory informatics provider

"We already hosted our IT platform with iomart and we knew they had the expertise as a Microsoft Cloud Solution Provider to take us to Office 365. "

Caroline Briggs, Managing Director of Amici Procurement



"It's not just a supplier customer relationship with iomart, it's a partnership. It's about working together to serve Multiplay's customers' needs, whether that's a consumer playing one of our games or a big publisher who knows we can deal with their requirements."

Craig Fletcher, CEO of Multiplay



"Our partnership with iomart for cloud backup will help us fully satisfy our customers' service level requirements for mission critical systems. These added attributes makes our enterprise cloud offering more compelling to customers by catering for their complex needs. "

**Manabu Yamamoto,
Managing Director of
IJ Europe**





"Cloud Disaster Recover as a Service fits seamlessly into our existing infrastructure and is delivering extremely high service levels. It's given us an enterprise class DR solution,"

Graham Francis, Director of Continuous Improvement at Havering Sixth Form College



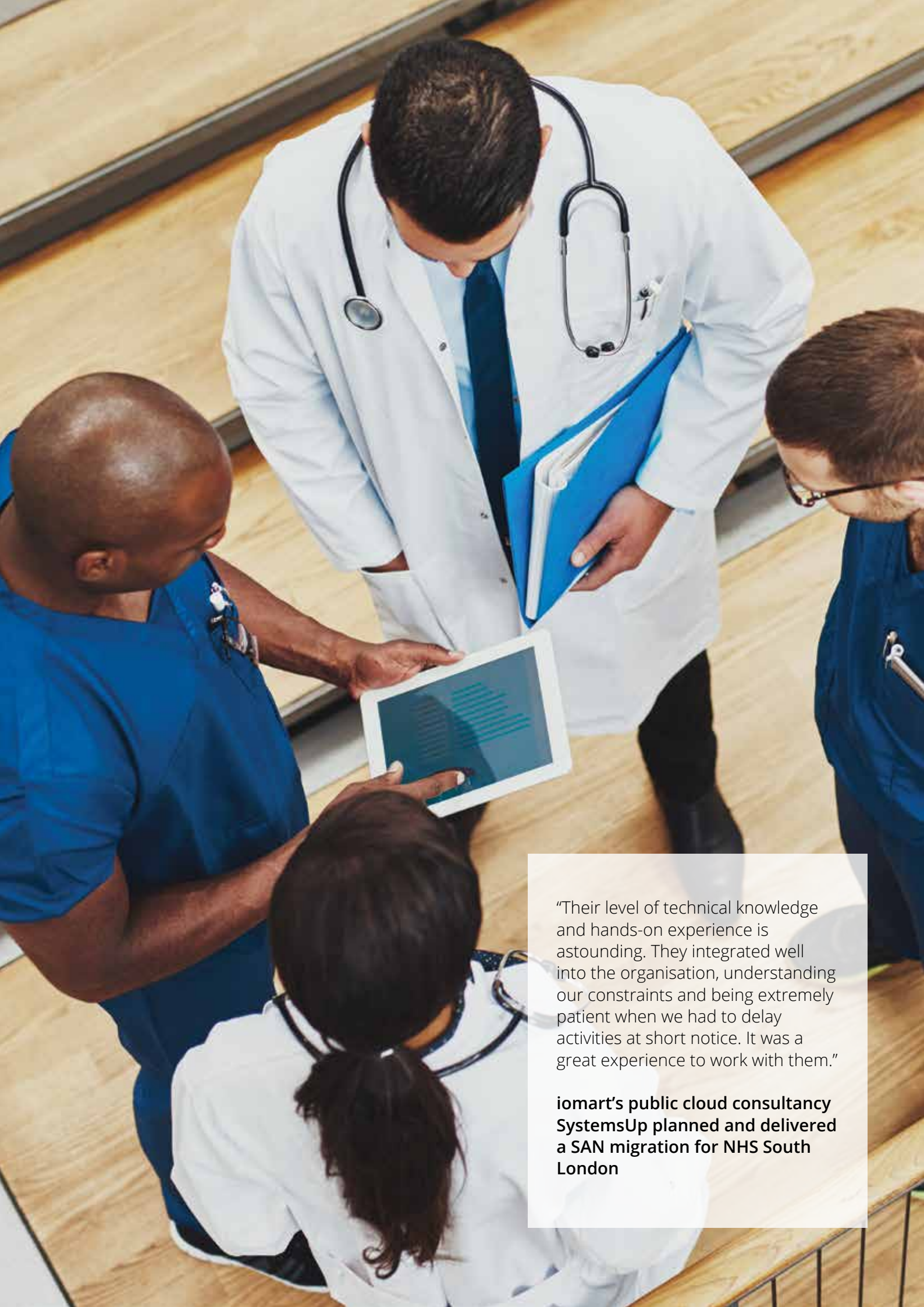
"As well as cloud backup, iomart provides International Greetings with storage archiving and content filtering for the company's business laptops. The backup of our data is hugely important to us and is a subject that is discussed at board level."

Mike Harris, Group IT Manager for International Greetings

"Hosted desktop is the perfect solution because it allows our management to work on the road without having any important data held on their devices. The whole solution is hosted in iomart's cloud, in their fully compliant and accredited data centres."


Michael Wolfenden, Operations Director for Chase Solutions





"Their level of technical knowledge and hands-on experience is astounding. They integrated well into the organisation, understanding our constraints and being extremely patient when we had to delay activities at short notice. It was a great experience to work with them."

iomart's public cloud consultancy SystemsUp planned and delivered a SAN migration for NHS South London



The worldwide public cloud services market is projected to grow 16.5 percent in 2016 to total \$204 billion, up from \$175 billion in 2015, according to Gartner, Inc. The highest growth will come from cloud system infrastructure services.

"The market for public cloud services is continuing to demonstrate high rates of growth across all markets and Gartner expects this to continue through 2017. This strong growth continues reflect a shift away from legacy IT services to cloud-based services, due to increased trend (sic) of organisations pursuing a digital business strategy."

Sid Nag, Research Director, Gartner

Highlights

FINANCIAL HIGHLIGHTS

- Revenue growth of 16% to £76.3m (2015: £65.8m)
- Adjusted EBITDA¹ growth of 11% to £32.3m (2015: £29.1m)
- Adjusted profit before tax growth² of 14% to £19.0m (2015: £16.6m)
- Adjusted diluted earnings per share³ from operations increased by 14% to 14.44p (2015: 12.63p)
- Cashflow from operations increased by 14% to £30.9m (2015: £27.2m)
- Adjusted PBT² margins maintained at 25% (2015: 25%)
- Proposed final dividend increased by 26% to 3.15p per share (2015: 2.50p per share)

OPERATIONAL HIGHLIGHTS

- Continuing to build relationships for Hybrid Cloud opportunities with major players
- First significant public cloud implementation and achieved Advanced Partner status with Amazon Web Services (AWS)
- Continued M&A activity with the acquisitions of SystemsUp and United Hosting
- Continued investment in senior resources to provide platform for future growth

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 21% to £13.0m (2015: £10.8m)
- Basic earnings per share from operations increased by 24% to 10.32p (2015: 8.34p)



¹ Throughout these financial statements adjusted EBITDA is earnings before interest, tax, depreciation and amortisation (EBITDA) before share based payment charges, gain on revaluation of contingent consideration and acquisition costs. Throughout these financial statements acquisition costs are defined as acquisition related costs and non-recurring acquisition integration costs.

² Throughout these financial statements adjusted profit before tax is profit before tax, amortisation charges on acquired intangible assets, share based payment charges, mark to market adjustments in respect of interest rate swaps, acquisition costs, interest on contingent consideration due, gain on revaluation of contingent consideration and the accelerated write off of arrangement fees on the bank borrowing facility which was restructured during the year.

³ Throughout these financial statements adjusted diluted earnings per share is earnings per share before amortisation charges on acquired intangible assets, share based payment charges, mark to market adjustments in respect of interest rate swaps, acquisition costs, interest on contingent consideration due, gain on revaluation of contingent consideration and the accelerated write off of arrangement fees on the bank borrowing facility which was restructured during the year, including the taxation effect of these.



Strategic Report Chairman's Statement

We have once again been able to deliver another year of excellent performance for our shareholders. It is especially pleasing that we have managed to maintain our relative level of organic growth in our Cloud Services segment (formerly the Hosting segment) in the midst of substantial overall revenue growth.

In accordance with our acquisition strategy we added SystemsUp, in June, and United Hosting, in November, into the Group and both are performing well. We have also benefited from the full year contribution from ServerSpace which we acquired in December 2014. We believe there will be other opportunities to allow us to continue to add to our organic growth through acquisition.

We have again enjoyed a substantial increase in profitability over the year, driven by both organic and acquisitive growth.

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.

After nearly 11 years of first class commitment and service, Chris Batterham has chosen not to stand for re-election as Non-Executive Director at our forthcoming Annual General Meeting. Both personally and on behalf of everyone connected with the Group, I want to thank him for his valuable contribution to the development of iomart over the years. The search for Chris' replacement is at an advanced stage and we expect to make an announcement in this regard in the near future.

As I indicated in my statement in last year's Report and Accounts, we have adopted a progressive dividend policy with the intention of moving over time to a pay-out ratio of 25% of our adjusted diluted earnings per share. Last year we paid a final dividend of 2.5p per share equivalent to a pay-out ratio of 19.8% of adjusted diluted earnings per share. This year the Board is proposing to pay a final dividend of 3.15p per share on 30 August 2016 to shareholders on the register on 12 August 2016, based on an ex-dividend date of 11 August 2016, representing an increase of 26% over the dividend last year and equivalent to a pay-out ratio of 22% 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 new financial year in a strong position and I look forward to another exciting year of growth with considerable confidence.

A handwritten signature in black ink, appearing to read 'Ian Ritchie', written in a cursive style.

Ian Ritchie
Chairman
6 June 2016



Strategic Report Chief Executive Officer's Report

Introduction

I am delighted 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 an ever broader range of cloud solutions.

Our revenues in the year were £76.3m, an increase of 16% over the previous year, our adjusted EBITDA of £32.3m showed an 11% increase over the previous year and our profit before tax increased by 21% to £13.0m.

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

Market

The market for cloud services continues to grow and evolve. It is important to remember that we are still at the very early stages of this opportunity with enormous scope for long term growth. More and more applications and workloads are moving to the cloud, data volumes are growing exponentially, the emergence of the Internet of Things is creating ever more data, and alongside this a new generation of users now expect everything to be delivered to them through their mobile device of choice.

This means an ever growing complexity in the choices and permutations available when forming an IT policy for cloud and we believe that this will drive opportunity for those companies, such as iomart, who are agile and have the correct skillsets for success.

All businesses are now digital businesses to a greater or lesser extent. They are confronted by an increasingly complex set of cloud decisions in terms of cost, value, effectiveness, complexity, security, data protection and compliance.

Indeed the new legal requirements around data, particularly the EU General Data Protection Regulation (GDPR), are going to impact on all organisations. They will introduce significant new rules and compliance obligations for all organisations around data protection in the cloud with global implications and we believe will drive further opportunity for iomart in helping organisations become compliant and secure.

The traditional way of moving to the cloud, being a private or hybrid approach, is here for the foreseeable future and the long term recurring revenue opportunity for iomart remains compelling. We are well established as a major player in providing the flexible cloud solutions that businesses require, whether that be the private cloud, public or hybrid cloud spheres.

There is a large market opportunity in preparing and managing enterprises for transformation to cloud. This typically starts with an on-premise reorganisation and virtualisation programme, followed by some private cloud on-premise and in-hosted environments and moving through a hybrid model or a public cloud model.

The public cloud vendors led by AWS and Microsoft continue to win market share. It is becoming clear that they will require an ecosystem of businesses orbiting them to provide services and support. The public cloud has introduced another level of complexity to the choices that businesses have in their future IT buying decisions and we believe with that increase in choice and complexity comes opportunity. As underlying infrastructure becomes more mature and efficient the future success of cloud companies will be addressed further towards the application layer and not on the hardware.

Our challenge is to navigate through these early days of the further evolution of cloud adoption to ensure we have the skills and resources necessary to be successful in that space. The addition of SystemsUp to the Group during the period has enhanced our ability to provide solutions involving public cloud.

iomart set out on executing its current strategy almost 10 years ago. I believe that the opportunity over the next 10 years is significantly greater.

Acquisitions

We again augmented our organic growth through the acquisition of Systems Up Limited ("SystemsUp") in June and United Communications Limited (which trades as "United Hosting") in November. SystemsUp has been added into our Cloud Services segment and United Hosting into our Easyspace segment. Both have performed well since acquisition.

We continue to look for businesses that fit our 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.

Cloud Services

We have renamed our Hosting segment as Cloud Services to better describe the breadth of products and services we deliver. Due to the complex nature of the market opportunity this breadth of offerings helps us to maintain overall growth as the demand for specific products and services fluctuates over time.

Revenues in this segment have grown by 19% to £65.4m (2015: £55.0m) partly as a result of the continued organic growth and as a result of acquisitions. Organic growth in the year was 9% and our adjusted EBITDA percentage margin remains amongst the highest in the industry.

iomart Hosting, Melbourne and ServerSpace are now managed as one business unit and trade as iomart Cloud and this will be reflected in our marketing as the year unfolds. This unit provides complex hosting solutions with customers typically paying for these services on a monthly basis on contracts ranging from one to three years in length. Last year I made reference to an increase in customer churn and some pricing pressure at contract renewal. I am pleased to report that over this period customer churn has improved and we have seen less pricing pressure at contract renewal. This has helped the overall segment maintain its healthy organic growth level over the period.

Our server infrastructure business, delivering dedicated physical servers to customers, is run as one unit encompassing the RapidSwitch and Redstation brands. We manage over 12,000 physical servers for our customers using highly automated systems and processes which we continue to develop and improve.

Our Back-up and Disaster Recovery specialism is primarily sold through Backup Technology.

SystemsUp provides consultancy services to organisations, particularly in the public sector, helping them to decide on their cloud strategy with an emphasis on the public cloud. We have started to see SystemsUp move into the provision of public cloud infrastructure to the public sector during the period.

We are able to supply products and services across the cloud spectrum and do so using common platforms across the Group.

Within the scope of our product set we have strengthened our relationships with Amazon Web Services (AWS) and Microsoft now labelled as Hypercloud vendors. Both are growing strongly on a global basis although they still account for a very small fraction of overall IT and Cloud spend.

Due partly to the amount of revenue we are generating from the provision of their public cloud we are now an Advanced Partner of AWS and moving towards the next level. We are one of Microsoft's most respected Cloud Service Providers in the UK and we are beginning to engage with their customers at a strategic consultancy level.

We continue to build on our skills and accreditations and see constant improvement across the Group's skillset. We have strengthened and broadened our sales and marketing team with a new Account Director, a new Sales Director, dedicated channel management and a new Director of Marketing.

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.

During the year United Hosting became part of the segment delivering a similar range of products but to larger organisations. It has successfully created a support operation in India to provide services to its customers.

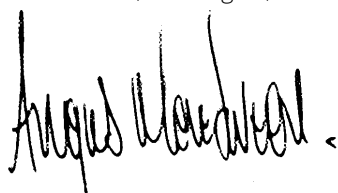
Revenues of £10.9m (2015: £10.8m) have remained around the same level as in the previous year whilst delivering strong levels of cash for the Group.

Current trading and outlook

Trading since the year end remains good and in line with market expectations.

The long term opportunity is bigger than ever. The investments we have made in our staff, skillsets and industry relationships mean we are well positioned to take advantage of that opportunity and to deliver further significant growth.

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



Angus MacSween
Chief Executive Officer
6 June 2016



Trading Results

Revenue

Revenues for the year grew by 16% to £76.3m (2015: £65.8m) through the combination of continued organic growth and the impact of acquisitions.

Our Cloud Services segment grew revenues by 19% to £65.4m (2015: £55.0m). This growth was helped by a full year contribution from ServerSpace which we acquired in December 2014 and SystemsUp which was acquired in June 2015. Revenue growth in the Cloud Services segment excluding the impact of acquisitions was 9% (2015: 9%).

Revenues within the Easyspace segment grew by 1% to £10.9m (2015: £10.8m). This growth was entirely due to the contribution from United Hosting which was acquired in November 2015. Excluding the impact of acquisitions the segment's revenue declined by 8% (2015: 2%) due to the level of churn exceeding new sales both of which were in line with expectations. We expect the organic revenue levels in this segment to stabilise in the future as new sales and churn levels move into balance, through the introduction of new products and revised pricing in the domain market. Indeed the rate of decline in organic revenue over the full year was less than the rate in the first half of the year.

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 £51.6m (2015: £44.3m) increasing as a result of the additional revenues we generated as explained above. In percentage terms we maintained our margin at 67.7% (2015: 67.4%) with both operating segments maintaining their respective percentage margins.

Adjusted EBITDA

The adjusted EBITDA for the year was £32.3m (2015: £29.1m) an increase of 11%. Our adjusted EBITDA margin has reduced to 42.4% (2015: 44.2%). The Cloud Services segment increased its absolute level of margin over the period whilst experiencing a modest reduction in its percentage margin and the Easyspace segment increased both its absolute and percentage margin.

Adjusted EBITDA in the Cloud Services segment was £31.1m (2015: £27.5m), an increase of 13.1%. This greatly improved performance is a direct result of the additional gross margin delivered by the increase in sales revenue, from both organic and acquired sources, offset by an increase in administrative expenses. Administrative expenses have increased principally in relation to staff costs which has been largely due to the impact of the acquisition made in the period, the full impact of the acquisition made in the previous period and the recruitment of senior staff. In percentage terms the adjusted EBITDA margin has reduced to 47.5% (2015: 50.0%). This reduction is almost entirely due to the impact of acquisitions and in particular the impact of SystemsUp which although having a lower adjusted EBITDA margin than the rest of the Cloud Services segment also has almost no depreciation charge and therefore has a similar adjusted profit before tax percentage margin as the rest of the Group.

The Easyspace segment's adjusted EBITDA was £5.1m (2015: £4.9m) an increase of 3.9%. This improvement in adjusted EBITDA is entirely due to the impact of an acquisition made in the period. Excluding the acquisition adjusted EBITDA reduced as a result of the decline in organically generated revenue. In percentage terms the adjusted EBITDA margin has improved to 46.8% (2015: 45.5%). Excluding the acquisition the Easyspace segment maintained its adjusted EBITDA percentage margin, as a consequence of continued cost control. The improvement in percentage margin is entirely due to the impact of the acquisition made in the year.

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 £3.8m (2015: £3.3m) mainly due to increased payroll and staff related costs.

Adjusted profit before tax

Depreciation charges of £10.9m (2015: £10.1m) have increased largely as a result of charges for the equipment bought to provide services to the additional Cloud Services segment customers and also as a result of the full year contribution of ServerSpace.

The charge for amortisation of intangibles, excluding amortisation of intangible assets resulting from acquisitions ("amortisation of acquired intangible assets") of £1.2m (2015: £1.0m) has increased over the year as a result of an increase in the level of software acquired over the year.

Finance income in the period was £0.1m (2015: £nil). Finance costs of £1.4m (2015: £1.3m), excluding the mark to market adjustment in respect of interest swaps on the Company's loans, the accelerated write off of arrangement fees on the restructuring of the bank facility and the interest charge on the contingent consideration due in respect of acquisitions, remained static over the period.

After deducting the charges for depreciation, amortisation, excluding the charges for the amortisation of acquired intangible assets, and finance costs, excluding the mark to market adjustment in respect of interest swaps on the Company's loans, the accelerated write off of arrangement fees on the restructuring of the bank facility and the interest charge on the contingent consideration due in respect of acquisitions, and crediting the finance income from the adjusted EBITDA, the Group's adjusted profit before tax was £19.0m (2015: £16.6m) an increase of 14%.

The adjusted profit before tax margin for the year was 25% (2015: 25%). Although the margin has remained the same over both periods there are two largely offsetting components. The adjusted EBITDA margin reduced by 1.8% primarily due to the impact of acquisitions and principally due to the impact of SystemsUp. On the other hand depreciation charges as a percentage of revenue have fallen by 1.1% again primarily due to the impact of the acquisition of SystemsUp which has minimal depreciation charges.

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:

	2016	2015
	£'000	£'000
Reconciliation of adjusted profit before tax to profit before tax		
Adjusted profit before tax	18,970	16,613
Less: Amortisation of acquired intangible assets	(5,354)	(4,368)
Less: Acquisition costs	(116)	(526)
Less: Share based payments	(1,081)	(809)
Add/Less: Mark to market adjustment on interest rate swaps	64	(125)
Less: Accelerated write off of arrangement fees on restructuring of the bank facility	(177)	-
Less: Interest on contingent consideration	(152)	-
Add: Gain on revaluation of contingent consideration	870	-
Profit before tax	13,024	10,785

The adjusting items are: charges for the amortisation of acquired intangible assets of £5.4m (2015: £4.4m) which have increased substantially as a result of the acquisitions made in the year and the full year effect of acquisitions made in previous years; acquisition costs of £0.1m (2015: £0.5m) as a result of acquisitions made; share based payment charges of £1.1m (2015: £0.8m) which have increased as a result of the award of share options in the year; a mark to market credit adjustment in respect of interest rate swaps on the Company's loans of £0.06m (2015: £0.12m charge); the accelerated write off of arrangement fees on the restructuring of the bank facility during the year of £0.2m (2015: £nil); the charge of interest, at the weighted average cost of capital rate of 15.5%, on the contingent consideration expected to be paid for the acquisition of United Hosting of £0.2m (2015: £nil); and the gain on the revaluation of the contingent consideration to be paid for SystemsUp of £0.9m (2015: £nil). It was originally estimated that the contingent consideration would be £1.0m which was based on a measure of the revenue generated

by the business. Whilst the overall quantum of revenue generated by the business was consistent with what was expected, the mix of revenue was not, with more revenue than expected being generated from the provision of public cloud services and less from the provision of consultancy services. As a result the amount due in respect of the contingent consideration is £0.1m and consequently, an amount of £0.9m has been recognised in the Statement of Comprehensive Income during the year as a gain on revaluation of contingent consideration.

After deducting these items from the adjusted profit before tax; the reported profit before tax was £13.0m (2015: £10.8m) an increase of 21%. The increase in the year has been significantly affected by the gain on revaluation of the contingent consideration of £0.9m. In percentage terms the profit before tax margin was 17% (2015: 16%). This improvement is entirely due to the gain on revaluation of the contingent consideration due on the acquisition of SystemsUp. Before that gain the percentage margins in both years would have been very similar, consistent with the adjusted profit before tax percentage margin over the same periods.

Taxation

There is a tax charge for the year of £2.0m (2015: £1.9m). The tax charge for the year is made up of a corporation tax charge of £3.6m (2015: £2.7m) with a deferred tax credit of £1.6m (2015: credit £0.8m). The effective rate of tax for the year is 15.4% (2015: 17.5%) and an explanation of this reduction is given in note 9. At the year end, the Group has no unused tax losses (2015: £1.2m) available for offset against future profits.

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 £11.0m (2015: £8.9m) an increase of 24% which has been significantly affected by the gain on revaluation of contingent consideration.

Earnings per share

Adjusted diluted earnings per share, 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 restructuring of the bank facility, acquisition costs; the charge of interest on contingent consideration due and the gain on the revaluation of the contingent consideration to be paid for SystemsUp and the tax effect of these items was 14.44p (2015: 12.63p) an increase of 14%.

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 10.32p (2014: 8.34p), an increase of 24% which has been significantly affected by the gain on revaluation of contingent consideration.

Acquisitions

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 of £335,000 was paid in August 2015 to the vendors in respect of the final amount due in respect of the no debt, no cash, normalised working capital adjustment. A final sum was contingent on a measure of revenue for the year to 31 March 2016 and this has now been calculated to be £0.1m and was paid in May 2016.

On 30 November 2015, the Group acquired the entire issued share capital of United Hosting on a no cash no debt, normalised working capital basis. At completion, an initial payment of £7.5m in cash was made and in addition an amount of £2.0m in cash was paid as an interim settlement of the expected amount due in respect of the no debt, no cash, normalised working capital adjustment. An additional sum of £1.1m was paid in February 2016 in respect of the final amount due in respect of the no debt, no cash, normalised working capital adjustment. A further two sums are contingent on the profitability of the business in the years ending April 2016 and April 2017 and this has been estimated to have a present value at March 2016 of £3.1m. The maximum purchase price on a non-discounted basis is £11.0m, excluding any sums due in respect of the no debt, no cash, normalised working capital adjustment. The amount of contingent consideration due for the year ended April 2016 has now been agreed at £1.0m which was in line with expectations and was paid in June 2016.

Cash flow and net debt

Net cash flows from operating activities

The Group continued to generate high levels of operating cash over the year. Cash flow from operations was £30.9m (2015: £27.2m) with the significant increase of 14% over the previous year's level largely due to the improvement in adjusted EBITDA. After deducting payments for corporation tax of £4.3m (2015: £3.2m) the net cash flow from operating activities was £26.6m (2015: £24.0m).

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 £32.6m (2015: £15.8m) in the period. Of this amount, £15.9m (2015: £2.4m), net of cash acquired of £4.5m (2015: £0.2m), was incurred in relation to acquisition activities described above. In addition the Group incurred expenditure of £1.65m (2015: £1.3m) in respect of contingent consideration due on acquisitions.

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. As a result the Group spent £12.4m (2015: £10.7m) on assets, net of related finance lease drawdown, trade creditor movements and non-cash reinstatement provisions.

Expenditure was also incurred on development costs of £1.1m (2015: £1.0m), on intangible assets of £1.2m (2015: £0.4m) and on property lease deposits of £0.3m (2015: £nil).

Cash flow from financing activities

The Company's banking facility was restructured in the year resulting in a substantial increase in the quantum of the facility together with a lower interest margin. There were drawdowns of £16.5m (2015: £13.5m) from the facility to fund the purchase of the acquisitions in the year. In addition bank loan repayments of £3.5m were made (2015: £22.0m) in the year. We received £0.1m (2015: £nil) from the issue of shares as a result of the exercise of options by employees. We also made a dividend payment of £2.7m (2015: £1.9m); incurred finance costs of £1.5m (2015: £1.3m); and made lease repayments of £1.0m (2015: £1.2m).

Net cash flow

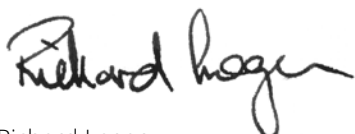
As a consequence, our overall cash generated during the year was £2.0m (2015: £4.7m cash spent) which resulted in cash and cash equivalent balances at the end of the year of £10.3m (2015: £8.3m). After recognising bank loans of £34.5m (2015: £21.5m) and finance lease obligations of £1.4m (2015: £2.2m) net debt balances at the end of the period stood at £25.6m (2015: £15.4m) 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 capital expenditure and finance lease facilities which are also 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
Finance Director
6 June 2016

Key performance indicator review

Revenue Growth	2016	2015
Revenue	£76.3m	£65.8m
Growth	16% increase	18% increase

Revenue from continuing operations grew by 16% over the year compared to a growth of 18% in the previous year. The Cloud Services segment grew revenues by 19% (2015: 23%) and the Easyspace segment grew by 1% (2015: 2% decline).

Adjusted EBITDA Margin	2016	2015
Adjusted EBITDA	£32.3m	£29.1m
Adjusted EBITDA margin	42%	44%

The adjusted EBITDA has shown an 11% increase as a consequence of organic growth and acquisitions. In percentage terms there has been a modest decrease mainly as a result of acquisitions in the Cloud Services segment in the current year. Easyspace improved its adjusted EBITDA percentage margin mainly due to the impact of an acquisition.

Adjusted PBT Margin	2016	2015
Adjusted PBT	£19.0m	£16.6m
Adjusted PBT margin	25%	25%

Since some of the acquisitions into the group have different business models and due to the evolving public cloud market where it is likely there will be no depreciation charges it has been decided to add adjusted PBT as an additional KPI by which to measure the group's performance. The adjusted PBT has shown a 14% increase as a consequence of organic growth and acquisitions. The percentage margin has been maintained over the year.

Principal risks and uncertainties

The board has established a formal process to identify risks and uncertainties through the production and maintenance of a risk register. There are a number of potential risks and uncertainties which have been identified as a result of this process which could have a material impact on the Group's future performance. These are not all the risks which the board has identified but those that the Directors currently consider to be the most material. In addition to these risks Note 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. This risk is mitigated by the operation of our datacentres, the network and staffing as described above. 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

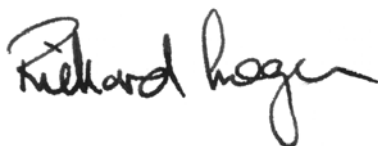
The Group is experiencing high levels of growth through both organic and acquisitive means. As a consequence we need to continue to evolve as an organisation to meet the demands that such growth places on our business operations. Failure to evolve in the necessary way could lead to deterioration in overall 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 21 has been approved by the Board and is signed on its behalf:



Richard Logan
Finance Director
6 June 2016

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

65, appointed 2008; currently Chairman of Computer Application Services Ltd, Krotos Ltd, Cogbooks Ltd and Red Fox Media Ltd. He is a past President of the British Computer Society. 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

59, 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.

Crawford Beveridge

Non-Executive Director

70, 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.

Chris Batterham

Non-Executive Director

61, 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, Blue Prism Group plc and Toumaz Ltd. Chris has also served on the boards of Staffware plc, DBS Management plc and Betfair plc.

Richard Logan

Group Finance Director

58, 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.

Sarah Haran

Chief Operations Officer

50, 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.

Corporate Governance Report

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 2014. 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	4	4
Angus MacSween – Chief Executive Officer	10	9	-	-	-	-
Sarah Haran – Chief Operating Officer	10	10	-	-	-	-
Chris Batterham – Non-Executive Director	10	10	2	2	4	4
Crawford Beveridge – Non-Executive Director	10	9	2	2	4	4
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.

Risk Management and Internal Control

The Directors, who are responsible for the Group's system of risk management and internal control, have established systems to ensure that an appropriate level of oversight and control is provided. The systems are reviewed for effectiveness by the Audit Committee and the Board. The Group's systems of risk management and 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
6 June 2016

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 2014 ("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.

- Sharesave scheme

The Group operates a sharesave scheme for all employees including executive and non-executive directors.

- 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.

Report of the board to the members on directors' remuneration

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	Year ended
					31 March	31 March
					2016	2015
		£	£	£	Total	Total
					£	££
Angus MacSween	320,000	272,000	3,706	-	595,706	516,964
Chris Batterham	35,000	-	-	-	35,000	35,000
Crawford Beveridge	25,000	-	-	-	25,000	25,000
Sarah Haran	185,000	157,250	910	18,500	361,660	315,180
Richard Logan	190,000	161,500	2,520	19,000	373,020	335,542
Ian Ritchie	55,000	-	-	-	55,000	55,000
	810,000	590,750	7,136	37,500	1,445,386	1,282,686

Directors' interests in shares

The interests of the directors in the shares of the company at 31 March 2016, together with their interests at 1 April 2015 were as follows:

Name of director	Number of ordinary shares	
	31 March 2016	At 1 April 2015
Angus MacSween	16,994,087	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	969,393	981,393
Ian Ritchie	151,400	151,400

Report of the board to the members on directors' remuneration

Directors' interests in share options (this information has been audited)

The interests of the directors at 31 March 2016 in options over the ordinary shares of the Company were as follows:

Name of director	At 1 April 2015				At 31 March 2016		Exercise price	Date of Grant	Date from which exercisable	Expiry date
	Exercised	Granted	Lapsed							
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
	4,702	-	-	-	4,702	-	191.4p	08/01/2014	01/02/2017	31/07/2017
	117,480	-	-	-	117,480	-	1p	25/09/2014	25/09/2017	25/09/2024
	-	-	4,620	-	4,620	-	194.8p	12/08/2015	01/10/2018	31/03/2019
	-	-	175,575	-	175,575	-	1p	28/08/2015	28/08/2018	28/08/2028
	505,192	-	180,195	-	685,387					
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
	4,702	-	-	-	4,702	-	191.4p	08/01/2014	01/02/2017	31/07/2017
	68,000	-	-	-	68,000	-	1p	25/09/2014	25/09/2017	25/09/2024
	-	-	4,620	-	4,620	-	194.8p	12/08/2015	01/10/2018	31/03/2019
	413,730	-	89,873	-	503,603					
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
	4,702	-	-	-	4,702	-	191.4p	08/01/2014	01/02/2017	31/07/2017
	72,080	-	-	-	72,080	-	1p	25/09/2014	25/09/2017	25/09/2024
	-	-	4,620	-	4,620	-	194.8p	12/08/2015	01/10/2018	31/03/2019
	395,277	(50,000)	92,177	-	437,454					
Ian Ritchie	4,702	-	-	-	4,702	-	191.4p	08/01/2014	01/02/2017	31/07/2017
	-	-	4,620	-	4,620	-	194.8p	12/08/2015	01/10/2018	31/03/2019
	4,702	-	4,620	-	9,322					

Report of the board to the members on directors' remuneration

During the year options over 348,385 ordinary shares (2015: 257,560) were granted to Directors under the unapproved share option scheme with an average exercise price of 1.0p per share (2015: 1.0p per share) and options over 18,480 ordinary shares (2015: 18,808) were granted to Directors under the Sharesave scheme with an average exercise price of 194.8p per share (2015: 191.4p).

On 2 December 2015, Richard Logan exercised 50,000 share options under the Company's Enterprise Management Incentive Share Option Scheme at an exercise price of 74.0p. Mr Logan sold the resulting 50,000 ordinary shares over the period to 7 December 2015 at an average price of 270.4p per share resulting in a gain on exercise of £98,200. The market price on the date of exercise was 270.0p. No share options were exercised by directors in the previous year. In addition, over the same period, his wife sold 12,000 ordinary shares at an average price of 265.5p per share resulting in proceeds of £31,860.

The market price of the company's shares at the end of the financial period was 270.0p and the range of prices during the period was between 202.0p and 307.5p.

By order of the board

A handwritten signature in black ink, appearing to read 'Crawford Beveridge', with a stylized flourish at the end.

Crawford Beveridge
Chairman, Remuneration committee
6 June 2016

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 2016.

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 1 July 2015 the Group restructured its banking facility with Lloyds Banking Group. Under the restructuring the previous multi option revolving credit facility of £35m was increased to £60m, the term of the facility was extended from September 2017 to June 2019 and the margin on the facility was reduced. As a consequence of this restructuring the arrangement fee of £337,500 which had been paid in the previous year has been fully written off to the Consolidated Statement of Comprehensive Income in the year.

At the start of the year there was £21.5m outstanding on the original multi option revolving credit facility. On 5 June 2015 £9m was drawn down to fund the acquisition of SystemsUp and on 30 November 2015 a further £7.5m was drawn down to fund the acquisition of United Hosting. Repayments totalling £3.5m were made during the year resulting in a balance outstanding at the end of the year of £34.5m.

The £60m 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 June 2019 at which point any advances made under the multi option 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 multi option credit facility margin, LIBOR and the lender's mandatory costs. The multi option revolving credit facility margin is fixed at 1.7% per annum. A one-off arrangement fee of £250,000 was paid in respect of the increase in the multi option revolving credit facility during the year and a non-utilisation fee of 40% of the multi option revolving credit facility margin is due on any undrawn portion of the full £60m multi option revolving credit facility. The effective interest rate for multi option revolving credit facility in the current year was 3.17% (2015: 3.82%).

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 amount of borrowing is fixed at 2.03% from April 2015 until maturity. The Group had also entered interest rate swap arrangements in respect of £4m which had been drawn under the multi option credit facility which was fixed at 1.02% until June 2015 and £5m drawn under the multi option revolving

credit facility which was fixed at 1.26% until August 2015. As a consequence, at 31 March 2016, £8m out of the amount drawn under the multi option revolving credit facility was covered by interest rate swap arrangements. The Group's borrowings at 31 March 2016 comprise finance leases totalling £1.4m (2015: £2.3m) and bank facility usage totalling £34.5m (2015: £21.5m). 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 9.9% (2015: 8.9%).

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 2016 (2015: nil). The directors recommend a final dividend for the year ended 31 March 2016 of 3.15p per share (2015: 2.50p 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 90. In accordance with the company's Articles of Association, Ian Ritchie, Sarah Haran and Chris Batterham are due to retire by rotation. Ian Ritchie and Sarah Haran 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 32.

Insurance for directors and officers

The Company has purchased and maintains appropriate insurance cover against legal action brought against directors and officers.

Directors' Report

Substantial shareholdings

At 31 May 2016 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	16,994,087	15.90%
Liontrust Asset Management	15,725,978	14.71%
Schroders plc	9,915,775	9.28%
Octopus Investments	8,583,108	8.03%
Noble Grossart Investment Limited	3,505,000	3.28%

Transactions in own shares

During the year 98,567 (2015: 38,000) 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 £91,374 (2015: £23,820) 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.

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
6 June 2016

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 Company's auditor is 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.

We have audited the Group financial statements of iomart Group Plc for the year ended 31 March 2016 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 as set out on page 35, 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 2016 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 2016 and on the information in the Directors' Remuneration Report that is described as having been audited.



Robert Hannah
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
6 June 2016

Consolidated statement of comprehensive income. Year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Revenue		76,280	65,797
Cost of sales	4	(24,650)	(21,477)
Gross profit		51,630	44,320
Administrative expenses	4	(37,917)	(32,121)
Operating profit		13,713	12,199
Analysed as:			
Earnings before interest, tax, depreciation, amortisation, acquisition costs, share based payments and gain on revaluation of contingent consideration		32,341	29,053
Share based payments	27	(1,081)	(809)
Acquisition costs	6	(116)	(526)
Depreciation	4	(10,878)	(10,142)
Amortisation – acquired intangible assets	4	(5,354)	(4,368)
Amortisation – other intangible assets	4	(1,199)	(1,009)
Gain on revaluation of contingent consideration	11	870	-
Finance income	7	128	45
Finance costs	7	(1,687)	(1,459)
Profit before taxation		13,024	10,785
Taxation	9	(2,005)	(1,890)
Profit for the year attributable to equity holders of the parent		11,019	8,895
Other comprehensive income			
<i>Amounts which may be reclassified to profit or loss</i>			
Currency translation differences		10	(49)
Other comprehensive income for the year		10	(49)
Total comprehensive income for the year attributable to equity holders of the parent		11,029	8,846
Basic and diluted earnings per share			
Total operations			
Basic earnings per share	12	10.32 p	8.34 p
Diluted earnings per share	12	10.17 p	8.24 p

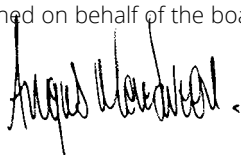
The following notes form part of the primary financial statements.

Consolidated statement of financial position. As at 31 March 2016

	Note	2016 £'000	2015 £'000
ASSETS			
Non-current assets			
Intangible assets – goodwill	13	61,123	47,342
Intangible assets – other	13	23,065	19,041
Lease deposits	14	2,760	2,416
Property, plant and equipment	16	36,045	34,846
		122,993	103,645
Current assets			
Cash and cash equivalents	18	10,341	8,347
Trade and other receivables	17	13,718	11,389
		24,059	19,736
Total assets		147,052	123,381
LIABILITIES			
Non-current liabilities			
Contingent consideration due on acquisitions	21	(2,068)	-
Non-current borrowings	22	(826)	(1,346)
Trade and other payables	20	(455)	(703)
Provisions	23	(1,879)	(2,187)
Deferred tax	10	(2,075)	(2,087)
		(7,303)	(6,323)
Current liabilities			
Contingent consideration due on acquisitions	21	(1,135)	(1,650)
Trade and other payables	19	(19,532)	(18,680)
Provisions	23	(211)	(253)
Current income tax liabilities		(1,504)	(1,401)
Current borrowings	22	(35,098)	(22,395)
		(57,480)	(44,379)
Total liabilities		(64,783)	(50,702)
Net assets		82,269	72,679
EQUITY			
Share capital	25	1,078	1,078
Own shares	26	(489)	(538)
Capital redemption reserve		1,200	1,200
Share premium		21,067	21,067
Merger reserve		4,983	4,983
Foreign currency translation reserve		(37)	(47)
Retained earnings		54,467	44,936
Total equity		82,269	72,679

These financial statements were approved by the board of directors and authorised for issue on 6 June 2016.

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

Consolidated statement of cash flows. Year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Profit before taxation		13,024	10,785
Gain on revaluation of contingent consideration	11	(870)	-
Finance costs – net	7	1,559	1,414
Depreciation	4	10,878	10,142
Amortisation	4	6,553	5,377
Share based payments	27	1,081	809
Movement in trade receivables		(1,612)	(3,277)
Movement in trade payables		298	1,956
Cash flow from operations		30,911	27,206
Taxation paid		(4,311)	(3,212)
Net cash flow from operating activities		26,600	23,994
Cash flow from investing activities			
Purchase of property, plant and equipment	16	(12,385)	(10,683)
Capitalisation of development costs	13	(1,123)	(1,041)
Purchase of intangible assets	13	(1,207)	(367)
Payments for current period acquisitions net of cash acquired		(15,924)	(2,445)
Contingent consideration paid		(1,650)	(1,271)
Payment of deposits		(300)	-
Finance income received		33	33
Net cash used in investing activities		(32,556)	(15,774)
Cash flow from financing activities			
Issue of shares		91	13
Draw down of bank loans	22	16,500	13,500
Repayment of finance leases		(984)	(1,245)
Repayment of bank loans	22	(3,500)	(22,000)
Finance costs paid		(1,489)	(1,299)
Dividends paid	8	(2,668)	(1,867)
Net cash received from/(used in) financing activities		7,950	(12,898)
Net increase/(decrease) in cash and cash equivalents		1,994	(4,678)
Cash and cash equivalents at the beginning of the year		8,347	13,025
Cash and cash equivalents at the end of the year	18	10,341	8,347

The following notes form part of the primary financial statements.

Consolidated statement of changes in equity. Year ended 31 March 2016

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 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
Profit in the year		-	-	-	-	-	-	-	11,019	11,019
Currency translation differences		-	-	-	10	-	-	-	-	10
Total comprehensive income		-	-	-	10	-	-	-	11,019	11,029
Dividends – final (paid)	8	-	-	-	-	-	-	-	(2,668)	(2,668)
Share based payments	27	-	-	-	-	-	-	-	1,081	1,081
Deferred tax on share based payments	10	-	-	-	-	-	-	-	57	57
Issue of own shares for option redemption	26	-	-	49	-	-	-	-	42	91
Total transactions with owners		-	-	49	-	-	-	-	(1,488)	(1,439)
Balance at 31 March 2016		1,078	(70)	(419)	(37)	1,200	21,067	4,983	54,467	82,269

The following notes form part of the primary financial statements.

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 90 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 standards, amendments and interpretations were effective in the year but had no material impact on the Group's financial statements:

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interest in Other Entities'
- Amendments to IAS 19 (revised) 'Defined Benefit Plans: Employee Contributions'
- Amendments to IAS 27 (revised) 'Separate Financial Statements'
- Amendments to IAS 28 (revised) 'Investments in Associates and Joint Ventures'
- Amendments to IAS 32 (revised) 'Offsetting Financial Assets and Financial Liabilities'
- Amendments to IAS 36 (revised) 'Recoverable Amount Disclosures for Non-Financial Assets'
- Amendments to IAS 38 (revised) 'Intangible Assets'
- Amendments to IAS 39 (revised) 'Novation of Derivatives and Continuation of Hedge Accounting'
- Amendments to IFRS 10, 11 & 12 'Transitional Guidance'
- Amendments to IFRS 10, 12 & 27 'Investment Entities'
- Annual Improvements to IFRSs 2010 – 2012 cycle
- IFRIC 21 Levies
- Annual Improvements to IFRSs 2011 - 2013 cycle

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 the standard was still being amended as recently as April 2016. 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. The standard is expected to be applicable to the Group for the period beginning 1 April 2018.

IFRS 16 presents new requirements for the recognition, measurement, presentation and disclosure of leases. The standard provides that lessees will be required to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019 but is yet to be endorsed by the EU. The Directors have not yet assessed the impact that this standard will have on the Group's net asset position and are therefore not in a position to make a reliable estimate of the impact this revised standard will have on the Group's accounting policies. The standard is expected to be applicable to the Group for the period beginning 1 April 2019.

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

- Amendments to IAS 1 'Presentation of financial statements' (applicable for the period beginning 1 April 2016)
- IFRS 9 'Financial Instruments' (applicable for the period beginning 1 April 2018)

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 2016. 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.

2. ACCOUNTING POLICIES (CONTINUED)

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.

Cloud Services

This operating segment provides managed cloud computing facilities and services including consultancy. Revenue from the sale of cloud computing facilities and managed 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. Consultancy services are generally provided on a "time and materials" basis and therefore revenue is recognised as these services are rendered.

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 costs which do meet the criteria range from new product development to the enhancement of existing services such as mail platforms. The scope of the development team's work continues to evolve as the Group continues to deliver business critical solutions to a growing customer base. 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.

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, adjusted profit before tax and adjusted diluted earnings per share.

Adjusted EBITDA

Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortisation (EBITDA) before share based payment charges, acquisition costs and any gains or losses on the revaluation of contingent consideration. 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.

2. ACCOUNTING POLICIES (CONTINUED)**Adjusted Profit before Tax**

Adjusted profit before tax is defined as profit before tax adjusted for the following:

- amortisation charges on acquired intangible assets;
- share based payment charges;
- mark to market adjustments in respect of interest rate swaps;
- where bank facilities are restructured during the year any accelerated write off of arrangement fees; and
- M&A activity including:
 - Professional fees;
 - Any non-recurring integration costs
 - Any gain or loss on the revaluation of contingent consideration
 - Any interest charge on contingent consideration

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 its activities.

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

Adjusted Diluted Earnings per Share

Adjusted diluted earnings per share is calculated by taking the adjusted profit before tax as described after deducting an appropriate taxation charge and dividing by the total weighted average number of ordinary shares in issue during the year and adjusting for the dilutive potential ordinary shares relating to share options.

The Group considers adjusted diluted earnings per share to be a useful measure of performance for the same reasons as adjusted profit before tax. In addition it is used as the basis for dividend payments.

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.

2. ACCOUNTING POLICIES (CONTINUED)

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 event, 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 and laws 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'.

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.

2. ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

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

Financial liabilities categorised as at fair value through profit or loss are re-measured at each reporting date at fair value, with changes in fair value being recognised 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 with maturities of three months or less from inception 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.

2. ACCOUNTING POLICIES (CONTINUED)

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 21. 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 19.

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 £60m multi option revolving credit facility with Lloyds Banking Group of which £34.5m is drawn down at the year end. The net debt balances at the end of the period stood at £25.6m (2015: £15.4m) 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 judgement 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 judgement as to what intangible assets exist within the acquired business at the time of the acquisition and what fair value adjustments are required. 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

The Group is required to make a judgement as to whether any reinstatement of buildings held under leases is required. For each lease, on an annual basis, 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.

Contingent consideration

Where an acquisition involves a potential payment of contingent consideration the Group is required to make a judgement as to whether any contingent consideration payment is likely. If it is then an 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. United Hosting was acquired during the year and has been reported as part of the Easyspace segment since acquisition.
- Cloud Services – 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, Backup Technology, ServerSpace and SystemsUp. SystemsUp was acquired during the year and has been reported as part of the Cloud Services 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, costs associated with acquisitions and any gain or loss on revaluation of contingent consideration. 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

	2016			2015		
	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000
Easyspace	10,883	-	10,883	10,782	-	10,782
Cloud Services	65,397	1,114	66,511	55,015	950	55,965
	76,280	1,114	77,394	65,797	950	66,747

Geographical Information

In presenting the consolidated information on a geographical basis, revenue is based on the geographical location of customers. There is no single country where revenues are individually material other than the United Kingdom. The United Kingdom is the place of domicile of the parent company, iomart Group plc.

Analysis of Revenue by Destination

	2016 £'000	2015 £'000
United Kingdom	64,218	54,253
Rest of the World	12,062	11,544
Revenue from operations	76,280	65,797

3. SEGMENTAL ANALYSIS (CONTINUED)**Profit by Operating Segment**

	2016			2015		
	Adjusted EBITDA £'000	Depreciation, amortisation, acquisition costs and share based payments £'000	Operating profit/(loss) £'000	Adjusted EBITDA £'000	Depreciation, amortisation, acquisition costs and share based payments £'000	Operating profit/(loss) £'000
Easyspace	5,094	(815)	4,279	4,905	(416)	4,489
Cloud Services	31,084	(16,616)	14,468	27,481	(15,103)	12,378
Group overheads	(3,837)	-	(3,837)	(3,333)	-	(3,333)
Acquisition costs	-	(116)	(116)	-	(526)	(526)
Share based payments	-	(1,081)	(1,081)	-	(809)	(809)
Profit before tax and interest	32,341	(18,628)	13,713	29,053	(16,854)	12,199
Gain on revaluation of contingent consideration			870			-
Group interest and tax			(3,564)			(3,304)
Profit for the year	32,341	(18,628)	11,019	29,053	(16,854)	8,895

Group overheads, acquisition costs, share based payments, gain on revaluation of contingent consideration, 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:

	2016 £'000	2015 £'000
Staff costs excluding development costs capitalised and research and development costs written off profit or loss	16,751	13,220
Depreciation of property plant and equipment		
- Owned assets	10,171	9,162
- Leased assets	707	980
Property, plant and equipment hire		
- Land and buildings	2,714	2,433
- Plant and machinery	91	97
Amortisation of intangible assets		
- Acquired intangible assets	5,354	4,368
- Other intangible assets	1,199	1,009
R&D expensed to profit or loss	168	476
Marketing and sales	1,429	1,101
Bad debt expense	513	46
Exchange gain	(39)	(38)
Premises and office	5,744	5,088

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

Auditors' remuneration	2016 £'000	2015 £'000
Audit services:		
- Fees payable for the audit of the consolidation and the parent company accounts	50	40
- Fees payable for audit of subsidiaries, pursuant to legislation	66	58
Non-audit services:		
- Assurance service fees	19	13
- Tax compliance and advisory fees	50	31
- Corporate finance and advisory transactions	-	25
	185	167

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2016	2015
	£'000	£'000
Directors' emoluments		
Aggregate emoluments	1,408	1,248
Pension contributions to personal money purchase schemes	38	35
Share based payments	655	665

Emoluments payable to the highest paid director are as follows:

Aggregate emoluments	596	517
Pension contributions to personal money purchase schemes	-	-

During the year the Company made personal pension contributions to the personal pension schemes of 2 directors (2015: 2).

The aggregate amount of gains realised by directors on the exercise of share options during the year was £98,200 (2015: £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 32.

	2016	2015
	No.	No.
Average number of persons employed by the Group (including directors):		
Technical	189	159
Customer services	35	44
Sales and marketing	97	81
Administration	55	50
	376	334

	2016	2015
	£'000	£'000
Staff costs of the Group during the year in respect of employees and directors were:		
Wages and salaries	15,194	12,464
Social security costs	1,612	1,336
Pension costs	155	128
Share based payments	1,081	809
	18,042	14,737

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 32. 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

	2016	2015
	£'000	£'000
Professional fees	263	150
Non-recurring integration costs:		
- Onerous lease provisions	(169)	376
- Other	22	-
Total acquisition costs	116	526

During the year costs of £263,000 (2015: £150,000) were incurred in respect of professional fees on various acquisitions. In addition to these professional fees, a one-off credit of £169,000 (2015: charge £376,000) in relation to provisions (note 23) and £22,000 (2015: £nil) other costs directly related to the integration of acquisitions into the Group were also incurred.

7. NET FINANCE COST

	2016 £'000	2015 £'000
Finance income:		
Bank interest receivable	21	33
Other interest income	107	12
Finance income for the year	128	45
Finance expenses:		
Bank loan	(1,109)	(965)
Finance leases	(251)	(318)
Other interest charges	(62)	(51)
	(1,422)	(1,334)
<i>Items affecting adjusted profit before tax calculation:</i>		
Mark to market interest adjustment	64	(125)
Accelerated write off of arrangement fees on restructuring of facility	(177)	-
Finance charge on contingent consideration on business combinations	(152)	-
Finance expense for the year	(1,687)	(1,459)
Net finance cost	(1,559)	(1,414)

Included in other interest income is £95,000 (2015: £12,000) in respect of leasehold deposits and £12,000 (2015: £nil) other interest.

8. DIVIDENDS ON SHARES CLASSED AS EQUITY

	2016 Pence per share	2016 £'000	2015 Pence per share	2015 £'000
Paid during the year:				
Final dividend				
Equity dividends on ordinary shares	2.50p	2,668	1.75p	1,867

The directors have recommended a final dividend for the year ended 31 March 2016 of 3.15p per share (2015: 2.50p per share). Subject to shareholder approval this proposed final dividend would be payable on 30 August 2016 to shareholders on the register as of 12 August 2016.

9. TAXATION

	2016	2015
	£'000	£'000
Tax charge for the year	(3,663)	(2,782)
Adjustment relating to prior years	52	36
Total current taxation charge	(3,611)	(2,746)
Origination and reversal of temporary differences	1,482	692
Adjustment relating to prior years	31	179
Effect of different statutory tax rates of overseas jurisdictions	61	14
Effect of changes in tax rates	32	(29)
Total deferred taxation credit	1,606	856
Total taxation charge	(2,005)	(1,890)

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:

	2016	2015
	£'000	£'000
Profit before tax	13,024	10,785
Tax charge @ 20% (2015 – 21%)	2,605	2,265
Expenses disallowed for tax purposes	67	71
Non-taxable income	(174)	(6)
Adjustments in current tax relating to prior years	(52)	(36)
Effect of different statutory tax rates of overseas jurisdictions	(53)	(14)
Movement in deferred tax relating to changes in tax rates	(32)	29
Effect of research and development tax reliefs	(335)	(395)
Tax effect of share based remuneration	(206)	155
Movement in unprovided deferred tax related to development costs	228	-
Movement in unprovided deferred tax related to property, plant and equipment	(12)	-
Movement in deferred tax relating to prior periods	(31)	(179)
Taxation charge for the year	2,005	1,890

The weighted average applicable tax rate for the year ended 31 March 2016 was 20% (2015: 21%). The total current corporation tax charge for the year of £3,663,000 (2015: £2,782,000) on operations represents 28.1% (2015: 25.8%) of the Group profit before tax of £13,024,000 (2015: £10,785,000). The effective rate of tax for the year, based on the taxation charge for the year as a percentage of the profit before tax, is 15.4% (2015: 17.5%). The reduction of just over 2% is partly due to the overall reduction in tax rates from 21% to 20% and also due to the favourable impact of both non-taxable income in the period, due to the gain on revaluation of contingent consideration, and deferred tax on share based remuneration due to the increase in the Company's share price in the year. Offsetting this has been the adverse impact of a deferred tax charge on the initial recognition of a deferred tax liability in relation to development costs and a smaller charge in respect of deferred tax relating to prior periods.

A number of changes to the UK Corporation tax system were announced in the March 2015 Budget Statement with the main rate of corporation tax reduced from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020. 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:

	2016		2015	
	Deferred tax Recognised £'000	Deferred tax Unrecognised £'000	Deferred tax Recognised £'000	Deferred tax Unrecognised £'000
Tax losses carried forward	-	-	289	-
Share based remuneration	1,010	-	575	-
Capital allowances temporary differences	1,103	-	873	-
Deferred tax on development costs	(195)	-	-	-
Deferred tax on acquired assets with no capital allowances	(442)	-	(605)	-
Deferred tax on customer relationships	(3,551)	-	(3,219)	-
Deferred tax liability	(2,075)	-	(2,087)	-

At the year end, the Group has no unused tax losses (2015: £1.2m) available for offset against future profits.

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	Development costs £'000	Deferred tax on acquired assets with no capital allowances £'000	Customer relationships £'000	Total £'000
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 1 April 2015	289	575	873	-	(605)	(3,219)	(2,087)
Acquired on acquisition of subsidiary	-	-	(24)	-	-	(1,627)	(1,651)
Credited to equity	-	57	-	-	-	-	57
(Charged)/credited to statement of comprehensive income	(289)	389	378	(195)	115	1,115	1,513
Effect of different tax rates of overseas jurisdictions	-	-	-	-	-	61	61
Effect of changes in tax rates	-	(11)	(124)	-	48	119	32
Balance at 31 March 2016	-	1,010	1,103	(195)	(442)	(3,551)	(2,075)

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 Cloud Services segment where the tax written down value varies from the net book value.

The deferred tax on development costs arises from development expenditure on which tax relief is received in advance of the amortisation charge.

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**Systems Up Limited**

The Group acquired 100% of the issued share capital of Systems Up Limited ("SystemsUp") on 5 June 2015.

SystemsUp is a London consultancy business specialising in the delivery of IT transformation using Public Cloud. It boasts a range of expertise in the design and delivery of public cloud solutions and is a G-Cloud partner to Google, an authorised Government Partner to Amazon Web Services and a Microsoft Gold Partner. With the acquisition of SystemsUp, the Group has broadened its ability to engage at a strategic level and act as a trusted adviser on cloud strategy to organisations wanting to create the right blend of cloud services, both public and private, to fit their requirements. 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 £113,000 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 year ended 31 March 2016.

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

	£'000
Recognised amounts of net assets acquired and liabilities assumed:	
Cash and cash equivalents	1,184
Trade and other receivables	645
Property, plant and equipment	29
Intangible assets	2,516
Trade and other payables	(400)
Current income tax liabilities	(339)
Deferred tax liability	(503)
Identifiable net assets	3,132
Goodwill	7,708
Total consideration	10,840
Satisfied by:	
Cash – paid on acquisition	9,500
Contingent consideration - payable	1,005
Deferred consideration - paid	335
Total consideration to be transferred	10,840

The acquisition of SystemsUp included a provision for contingent consideration due in respect of revenues, on an adjusted basis, for the year to 31 March 2016. We estimated that the amount of contingent consideration that would be paid would be £1,005,000 and that payment will be made shortly after this reporting date. The amount of contingent consideration was based on both the level and mix of revenue generated through until March 2016. Whilst the overall quantum of revenue generated was consistent with what was expected the mix of revenue was not with more revenue than expected being generated from the provision of public cloud services and less from the provision of consultancy services. As a consequence it has now been established that the amount of contingent consideration due is £135,000. Consequently an amount of £870,000 has been recognised in the Statement of Comprehensive Income during the year as a gain on revaluation of contingent consideration.

At the point of the acquisition a payment was made of £9,500,000 in cash, including an amount of £500,000 as an interim payment towards the settlement in respect of the additional debt assumed, cash acquired and normalised working capital position of SystemsUp at completion. A further £335,000 was paid in August 2015 to the vendors in respect of the final amount due for the additional debt assumed, cash acquired and normalised working capital position of SystemsUp at completion and the £135,000 contingent consideration was paid in May 2016.

11. ACQUISITIONS (CONTINUED)

Systems Up Limited (continued)

The goodwill arising on the acquisition of SystemsUp 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 SystemsUp is not actively advertised or promoted, with the majority of SystemsUp's business being generated from existing customers or by word of mouth. As the majority of customers are registered with G-Cloud, the UK Government's on-line service requisitioning system, their relationship with SystemsUp is publically available information. 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 £434,000. The gross amount due under contracts is £434,000 of which £nil are expected to be uncollectable.

The fair value included in respect of the acquired customer relationships intangible asset is £2,516,000.

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 14.6% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 5 years. SystemsUp earned revenue of £4,358,000 and generated profits before tax of £792,000 in the period since acquisition.

United Communications Limited

The Group acquired 100% of the issued share capital of United Communications Limited ("United Hosting") on 30 November 2015.

United Hosting is a Hemel Hempstead based provider of managed and shared hosting services to over 7,000 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 £150,000 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 2016.

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

	£'000
Recognised amounts of net assets acquired and liabilities assumed (provisional):	
Cash and cash equivalents	3,291
Trade and other receivables	48
Property, plant and equipment	146
Intangible assets	5,912
Trade and other payables	(843)
Deferred tax liability	(1,148)
Identifiable net assets	7,406
Goodwill	6,073
Total consideration	13,479
Satisfied by:	
Cash – paid on acquisition	7,500
Deferred consideration	3,063
Contingent consideration - payable	2,916
Total consideration transferred	13,479

11. ACQUISITIONS (CONTINUED)**United Communications Limited (continued)**

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

The share purchase agreement, in respect of the acquisition of United Hosting, 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. The initial payment to acquire the company was £7,500,000 in cash and in addition an amount of £2,000,000 in cash was paid as an interim settlement of the expected amount due in respect of the no debt, no cash, normalised working capital adjustment. Following agreement of the Completion Accounts a total payment of £3,063,000, before deduction of the interim settlement, was due by the Company in respect of the no debt, no cash, normalised working capital adjustment and the balance of £1,063,000 was paid in cash in February 2016.

The contingent consideration arrangements require the Company to pay the former shareholders of United Hosting additional amounts contingent on the level of profitability delivered by United Hosting in the year ending 30 April 2016 ("the First Earn-out Payment") and in the year ending 30 April 2017 ("the Second Earn-out Payment").

The potential undiscounted amount of the total payments that the Company could be required to make in respect of the First Earn-out Payment and the Second Earn-out Payment (together "the Earn-out Payments") is between £nil and £3,500,000. The undiscounted amount of contingent consideration payable which was recognised as of the acquisition date was £3,450,000 and after discounting was £2,916,000.

Both the First Earn-out Payment and the Second Earn-out Payment are based on the absolute level of profitability achieved by United Hosting, subject to a reduction if the level of profitability in relation to revenue is below a specified limit, for the year ending 30 April 2016 in the case of the First Earn-out Payment and for the year ending 30 April 2017 in the case of the Second Earn-out Payment. The amount payable in respect of the Second Earn-out Payment is reduced by the amount of any payment made in respect of the First Earn-out Payment.

The absolute levels of profitability for each of the First Earn-out Payment and the Second Earn-out Payment were estimated by applying the income approach to different scenarios based on historic performance and forecasts. The level of profitability in relation to revenue was also calculated for each scenario.

The potential undiscounted amount of the total payment that the Company could be required to make in respect of the First Earn-out Payment is between £nil and £1,025,000. The undiscounted fair value of the First Earn-out Payment is £1,025,000 and after discounting is £951,000.

Under each of the scenarios reviewed the outcome for the amount of the First Earn-out Payment was the maximum payment of £1,025,000 and in each of the scenarios there was no deduction in respect of the level of profitability in relation to revenue. The amount of the First Earn-out payment has now been agreed at £1,025,000 and was paid in June 2016.

The potential undiscounted amount of the total payment that the Company could be required to make in respect of the Second Earn-out Payment is between £nil and £3,500,000. After deducting the undiscounted value of the First Earn-out Payment, the undiscounted fair value of the Second Earn-out Payment has been calculated to be £2,425,000 and after discounting is £1,965,000.

Those scenarios reviewed had a range of outcomes for the amount of the Second Earn-out Payment of £2,145,000 to £2,475,000. 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 Second Earn-out Payment, before any reduction in respect of the level of profitability in relation to revenue of £2,425,000.

Under each of the scenarios reviewed the outcome in respect of the Second Earn-out Payment was that there was no deduction in respect of the level of profitability in relation to revenue.

The undiscounted fair value of the contingent consideration is £3,450,000 being the total of the undiscounted fair values of the First Earn-out Payment of £1,025,000 and the Second Earn-out Payment of £2,425,000.

The goodwill arising on the acquisition of United Hosting 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.

11. ACQUISITIONS (CONTINUED)

United Communications Limited (continued)

The name United Hosting is not actively advertised or promoted, with the majority of United Hosting's business being generated from existing customers or by word of mouth. United Hosting 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 £4,000. The gross amount due under contracts is £4,000, all of which is expected to be collectable.

The fair value included in respect of the acquired customer relationships intangible asset is £5,912,000.

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 15.51% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 8 years.

United Hosting earned revenue of £1,009,000 and generated a profit before tax of £356,000 in the period since acquisition.

ServerSpace Limited

The fair values of acquired assets and liabilities, including goodwill, previously disclosed as provisional for ServerSpace Limited have been finalised in the current period with no changes to the fair values disclosed in the Annual Report and Accounts 2015.

Pro-forma full year information

The following summary presents the Group as if the businesses acquired during the year had been acquired on 1 April 2015. 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 2016
	£'000
Revenue	78,860
Profit after tax for the year	10,691

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 in Treasury and held by the Employee Benefit Trust. 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, and adjusting for the dilutive potential ordinary shares relating to share options.

Total operations	2016	2015
	£'000	£'000
Profit for the financial year and basic earnings attributed to ordinary shareholders	11,019	8,895
	No	No
Weighted average number of ordinary shares:	000	000
Called up, allotted and fully paid at start of year	107,803	107,803
Own shares held in Treasury	(898)	(971)
Own shares held by Employee Benefit Trust	(141)	(141)
Weighted average number of ordinary shares - basic	106,764	106,691
Dilutive impact of share options	1,609	1,236
Weighted average number of ordinary shares - diluted	108,373	107,927
Basic earnings per share	10.32 p	8.34 p
Diluted earnings per share	10.17 p	8.24 p
	2016	2015
	£'000	£'000
Adjusted earnings per share		
Profit for the financial year and basic earnings attributed to ordinary shareholders	11,019	8,895
- Amortisation of acquired intangible assets	5,354	4,368
- Acquisition costs	116	526
- Share based payments	1,081	809
- Mark to market interest adjustment	(64)	125
- Accelerated write off of arrangement fees	177	-
- Finance charge on contingent consideration	152	-
- Gain on revaluation of contingent consideration	(870)	-
- Tax impact of adjusted items	(1,311)	(1,093)
Adjusted profit for the financial year and adjusted earnings attributed to ordinary shareholders	15,654	13,630
Adjusted basic earnings per share	14.66 p	12.77 p
Adjusted diluted earnings per share	14.44 p	12.63 p

13. INTANGIBLE ASSETS

	Goodwill	Development costs	Customer relationships	Software	Beneficial contracts	Domain names & IP addresses	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
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 1 April 2015	47,342	3,709	26,431	2,114	86	280	79,962
Additions	-	-	-	1,020	-	-	1,020
Currency translation differences	-	-	23	3	-	-	26
Acquired on acquisition of subsidiary	13,781	-	8,428	-	-	-	22,209
Development cost capitalised	-	1,123	-	-	-	-	1,123
At 31 March 2016	61,123	4,832	34,882	3,137	86	280	104,340
Accumulated amortisation:							
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 1 April 2015	-	(2,496)	(9,945)	(1,003)	(19)	(116)	(13,579)
Currency translation differences	-	-	(16)	(4)	-	-	(20)
Charge for the year	-	(698)	(5,347)	(446)	(7)	(55)	(6,553)
At 31 March 2016	-	(3,194)	(15,308)	(1,453)	(26)	(171)	(20,152)
Carrying amount:							
At 31 March 2016	61,123	1,638	19,574	1,684	60	109	84,188
At 31 March 2015	47,342	1,213	16,486	1,111	67	164	66,383

Of the total additions in the year of £1,020,000 (2015: £1,033,000), £nil (2015: £182,000) were funded by finance leases, £297,000 (2015: £484,000) was included in trade payables as unpaid invoices at the year end resulting in a net decrease of £187,000 (2015: net cash inflow £484,000) in trade payables. Consequently, the consolidated statement of cash flows discloses a figure of £1,207,000 (2015: £367,000) 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 administrative expenses in the statement of comprehensive income.

Included within customer relationships are the following significant items: customer relationships in relation to the acquisitions of Backup Technology with a net book value of £5.6m and a remaining useful life of 6 years; United Hosting with a net book value of £5.5m and a remaining useful life of 8 years; Melbourne with a net book value of £2.6m and a remaining useful life of 5 years; and ServerSpace with a net book value of £2.1m and remaining useful life of 7 years.

During the year, goodwill was reviewed for impairment in accordance with IAS 36 "Impairment of Assets". No impairment charges (2015: £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 United Hosting acquisition has been allocated to the Easyspace CGU and the goodwill acquired in the SystemsUp acquisition has been allocated to the Cloud Services CGU, as these are the CGUs expected to benefit from the business combinations.

13. INTANGIBLE ASSETS (CONTINUED)

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

Cash Generating Units (CGU)	2016 £'000	2015 £'000
Easyspace	23,210	17,137
Cloud Services	37,913	30,205
	61,123	47,342

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.

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	Cloud Services
Discount rate	14%	13%
Average growth rate in years 3 to 5	2.5%	3.5%
Future perpetuity rate	2.0%	2.0%
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 £2,760,000 (2015: £2,416,000) are made up of a rental deposit of £784,000 (2015: £784,000) and a reinstatement deposit of £1,976,000 (2015: £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. SUBSIDIARIES

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

	Country of registration and operation	Activity	Ordinary share capital	
			Owned by the company %	Owned by subsidiary undertakings %
Backup Technology Holdings Limited	England	Non-trading	100	-
Backup Technology Limited	England	Non-trading	-	100
Easyspace Limited	England	Webservices	100	-
EQSN Limited	Scotland	Non-trading	100	-
Global Gold Holdings Limited	England	Non-trading	100	-
Global Gold Network Limited	England	Webservices	-	100
Internet Engineering Limited	England	Non-trading	100	-
Internetters Limited	England	Dormant	-	100
iomart Cloud Inc	USA	Managed hosting services	100	-
iomart Cloud Services Limited	Scotland	Managed hosting services	100	-
iomart Datacentres Limited	England	Non-trading	100	-
iomart Development Limited	Scotland	Dormant	100	-
iomart Hosting Limited	Scotland	Managed hosting services	100	-
iomart Limited	Scotland	Dormant	100	-
iomart Virtual Servers Hosting Limited	Scotland	Dormant	100	-
Melbourne Server Hosting Limited	England	Managed hosting services	100	-
My Documents Limited	England	Dormant	100	-
Netintelligence Limited	Scotland	Dormant	100	-
NicNames Limited	England	Dormant	-	100
Open Minded Solutions Limited	England	Non-trading	100	-
Rapidswitch Limited	England	Non-trading	100	-
Redstation Limited	England	Non-trading	100	-
ServerSpace Limited	England	Managed hosting services	100	-
Skymarket Limited	England	Non-trading	100	-
Switch Media (Ireland) Limited	England	Webservices	-	100
Switch Media Limited	England	Webservices	100	-
Systems Up Limited	England	Consultancy services	100	-
Titan Internet Limited	England	Non-trading	100	-
United Communications Limited	England	Webservices	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 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
Additions in the year	-	466	2,105	9,103	209	-	11,883
Acquisition of subsidiary	-	-	-	152	3	20	175
Disposals in the year	-	-	-	(15)	-	-	(15)
Currency translation differences	-	-	-	24	-	-	24
At 31 March 2016	2,062	7,323	20,472	47,242	2,356	68	79,523
Accumulated depreciation:							
At 1 April 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)
Charge for the year	(41)	(479)	(1,686)	(8,399)	(259)	(14)	(10,878)
Disposals in the year	-	-	-	15	-	-	15
Currency translation differences	-	-	-	(5)	-	-	(5)
At 31 March 2016	(191)	(2,337)	(7,939)	(31,585)	(1,371)	(55)	(43,478)
Carrying amount:							
At 31 March 2016	1,871	4,986	12,533	15,657	985	13	36,045
At 31 March 2015	1,912	4,999	12,114	14,782	1,032	7	34,846

The net book value of computer equipment held under finance lease at 31 March 2016 was £930,000 (2015: £1,455,000) and the net book value of datacentre equipment held under finance lease at 31 March 2016 was £536,000 (2015: £617,000).

Of the total additions in the year of £11,883,000 (2015: £11,918,000), £97,000 (2015: £458,000) were funded by finance leases and £1,755,000 (2015: £2,354,000) was included in trade payables as unpaid invoices at the year end resulting in a net decrease of £599,000 (2015: net increase of £777,000) in trade payables. Consequently, the consolidated statement of cash flows discloses a figure of £12,385,000 (2015: £10,683,000) as the cash outflow in respect of property, plant and equipment additions in the year.

17. TRADE AND OTHER RECEIVABLES

	2016	2015
	£'000	£'000
Trade receivables	7,716	5,588
Less: Provision for impairment	(850)	(539)
Trade receivables (net)	6,866	5,049
Other receivables	619	650
Prepayments	5,819	4,882
Accrued income	414	808
Trade and other receivables	13,718	11,389

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 Cloud Services segment are reviewed individually for impairment and judgement made as to any likely impairment based on historic trends and the latest communication with specific customers.

The balance of trade receivables in the Group are individually small in terms of value, so are considered for impairment by business unit specific provision calculations and are not individually impaired

To consider the total exposure to credit risks, the Group uses figures net of VAT. At 31 March 2016, £4,460,000 (2015: £3,118,000) of net trade receivables were fully performing. Net trade receivables of £2,406,000 (2015: £1,931,000) 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.

	2016	2015
	£'000	£'000
Up to 3 months	2,349	1,867
Over 3 months but less than 6 months	57	56
Over 6 months but less than 1 year	-	8
Total unimpaired trade receivables which are past due	2,406	1,931

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

	2016	2015
	£'000	£'000
Balance at start of the year	539	686
Increase/(decrease) in provision for receivables impairment	311	(177)
Fair value of trade receivable provision acquired during the year	-	30
Balance at end of year	850	539

18. CASH AND CASH EQUIVALENTS

	2016	2015
	£'000	£'000
Cash at bank and on hand	10,341	8,347
Cash and cash equivalents	10,341	8,347

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% (2015: 0.50%).

19. TRADE AND OTHER PAYABLES

	2016	2015
	£'000	£'000
Trade payables	(5,215)	(4,186)
Other taxation and social security	(1,823)	(1,464)
Accruals	(6,331)	(6,587)
Deferred income	(5,980)	(5,475)
Other creditors	(183)	(968)
Trade and other payables	(19,532)	(18,680)

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

	2016	2015
	£'000	£'000
Trade payables	(455)	(703)
Non-current trade and other payables	(455)	(703)

21. CONTINGENT CONSIDERATION

	2016	2015
	£'000	£'000
Contingent consideration due on acquisitions within one year:		
- ServerSpace Limited	-	(1,650)
- Systems Up Limited	(135)	-
- United Communications Limited	(1,000)	-
	(1,135)	(1,650)
Contingent consideration due on acquisitions after more than one year:		
- United Communications Limited	(2,068)	-
	(2,068)	-
Total contingent consideration due on acquisitions	(3,203)	(1,650)

22. BORROWINGS

	2016 £'000	2015 £'000
Current:		
Obligations under finance leases	(573)	(938)
Bank loans	(34,525)	(21,457)
Current borrowings	(35,098)	(22,395)
Non-current:		
Obligations under finance leases	(826)	(1,346)
Bank loans	-	-
Total non-current borrowings	(826)	(1,346)
Total borrowings	(35,924)	(23,741)

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:

	2016			2015		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	573	130	703	938	154	1,092
Due between two and five years	587	237	824	968	300	1,268
Due after more than five years	239	24	263	378	60	438
	1,399	391	1,790	2,284	514	2,798

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 9.9% (2015: 8.9%). Lease payments are made on a monthly and quarterly basis. The future lease obligation of £1,790,000 (2015: £2,798,000) has a present value of £1,399,000 (2015: £2,284,000).

On 1 July 2015 the Group restructured its banking facility with Lloyds Banking Group. Under the restructuring the previous multi option revolving credit facility of £35m was increased to £60m, the term of the facility was extended from September 2017 to June 2019 and the margin on the facility was reduced. As a consequence of this restructuring the arrangement fee of £337,500 which had been paid in the previous year has been fully written off to the Statement of Comprehensive Income in the year.

At the start of the year there was £21.5m outstanding on the original multi option revolving credit facility. On 5 June 2015 £9m was drawn down to fund the acquisition of SystemsUp and on 30 November 2015 a further £7.5m was drawn down to fund the acquisition of United Hosting. Repayments totalling £3.5m were made during the year resulting in a balance outstanding at the end of the year of £34.5m.

The £60m 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 June 2019 at which point any advances made under the multi option 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 multi option revolving credit facility margin, LIBOR and the lender's mandatory costs. The multi option revolving credit facility margin is fixed at 1.7% per annum. A one-off arrangement fee of £250,000 was paid in respect of the increase in the multi option revolving credit facility during the year and a non-utilisation fee of 40% of the multi option revolving credit facility margin is due on any undrawn portion of the full £60m multi option revolving credit facility. The effective interest rate for multi option revolving credit facility in the current year was 3.17% (2015: 3.82%).

22. BORROWINGS (CONTINUED)

The future loan obligations of £34,907,000 (2015: £21,716,000) equate to a present value of £33,922,000 (2015: £21,269,000). The capital element of the bank loans is £34,525,000 (2015: £21,457,000) and this differs from the net amount drawn down of £34,500,000 (2015: £21,500,000) due to an effective interest rate adjustment.

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

	2016			2015		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	34,525	382	34,907	21,457	259	21,716
Due between two and five years	-	-	-	-	-	-
	34,525	382	34,907	21,457	259	21,716

Analysis of change in net cash/(debt)	Cash and cash equivalents	Bank loans	Finance leases and hire purchase	Total
	£'000	£'000	£'000	£'000
At 1 April 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)
Repayment of bank loans	-	3,500	-	3,500
New bank loans	-	(16,500)	-	(16,500)
Impact of effective interest rate	-	(68)	-	(68)
Inception of finance leases	-	-	(97)	(97)
Acquired on acquisition of subsidiaries	4,476	-	-	4,476
Currency translation differences	-	-	(2)	(2)
Cash flow	(2,482)	-	984	(1,498)
At 31 March 2016	10,341	(34,525)	(1,399)	(25,583)

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.

	2016 £'000	2015 £'000
Current:		
Onerous	(211)	(253)
Total current provisions	(211)	(253)
Non-current:		
Reinstatement	(1,668)	(1,617)
Onerous	(211)	(570)
Total non-current provisions	(1,879)	(2,187)
Total borrowings	(2,090)	(2,440)

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

	2016			2015		
	Reinstatement	Onerous	Total	Reinstatement	Onerous	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at start of the year	(1,617)	(823)	(2,440)	(1,566)	-	(1,566)
Initial recognition on acquisition of subsidiary	-	-	-	-	(583)	(583)
Additional provision recognised during year	-	-	-	-	(376)	(376)
Provision released during year	-	169	169	-	-	-
Reduction in provision	-	232	232	-	136	136
Unwinding of discount	(51)	-	(51)	(51)	-	(51)
	(1,668)	(422)	(2,090)	(1,617)	(823)	(2,440)

24. OPERATING LEASES

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

	2016		2015	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Within one year	2,406	76	2,910	75
Between two to five years	5,853	289	7,288	286
After five years	2,458	208	3,222	279
	10,717	573	13,420	640

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 2016, the total future minimum sub-lease payments expected to be received under non-cancellable sub-leases was £nil (2015: £16,000).

25. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
Authorised		
At 31 March 2014, 2015 and 2016	200,000,000	2,000
Called up, allotted and fully paid		
At 31 March 2014, 2015 and 2016	107,803,006	1,078

At 31 March 2016 the Company held 846,636 shares (2015: 945,203) as own shares in treasury which were accounted for in the Own Shares Treasury reserve and had a nominal value of £8,466 (2015: £9,452) and a market value of £2,285,917 (2015: £1,932,940). This represents 0.8% (2014: 0.9%) of the issued share capital as at 31 March 2016 excluding own shares.

At 31 March 2016 the Company held 140,773 shares (2015: 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 (2015: £1,408) and a market value of £380,088 (2015: £287,881). This represents 0.1% (2015: 0.1%) of the issued share capital as at 31 March 2016 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 2016 are fully paid.

26. OWN SHARES RESERVES

	Own shares EBT £'000	Own shares Treasury £'000	Own shares Total £'000
At 1 April 2014	(70)	(486)	(556)
Issue of own shares from Treasury for option redemption	-	18	18
At 31 March 2015	(70)	(468)	(538)
Issue of own shares from Treasury for option redemption	-	49	49
At 31 March 2016	(70)	(419)	(489)

During the year 98,567 (2015: 38,000) 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 £91,374 (2015: £23,820) was received. As a consequence, at 31 March 2016 the Company held 846,636 shares (2015: 945,203) in treasury with a carrying value of £419,085 (2015: £467,875) which were accounted for in Own Shares treasury reserve; and 140,773 shares (2015: 140,773) in the EBT with a carrying value of £69,982 (2015: £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 98,567 ordinary shares (2015: 38,000) were exercised and the average market price at the exercise dates was 265.5p (2015: 216.2p). Options over 843,385 ordinary shares (2015: 257,560) were granted under the unapproved share option scheme with an average exercise price of 108.9p (2015: 1.0p) and 225,764 options over ordinary shares (2015: nil) were granted under the sharesave scheme with an average exercise price of 194.8p (2015: nil). Options over 35,417 ordinary shares (2015: 120,000) lapsed under the unapproved share option scheme with an average exercise price of 118.5p (2015: 1.0p), options over 16,666 (2015: nil) lapsed under the EMI scheme with an average exercise price of 87.5p (2015: £nil) and options over 62,330 (2015: 33,380) lapsed under the sharesave scheme with an average exercise price of 192.2p (2015: 191.4p).

As disclosed in note 5, a share based payment charge of £1,081,000 (2015: £809,000) 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 current and previous year:

27. SHARE BASED PAYMENTS (CONTINUED)

Grant date	12 Aug 2015	28 Aug 2015	28 Aug 2015	28 Aug 2015	10 Dec 2015
Vesting date	30 Sept 2018	28 Aug 2018	31 Mar 2018	31 Mar 2018	31 Mar 2018
Variables used					
Share price at grant date	265.0p	244.2p	244.2p	244.2p	256.8p
Volatility	60%	61%	61%	61%	61%
Dividend yield	0.86%	0.86%	0.86%	0.86%	0.86%
Number of employees holding options/units	69	3	1	1	1
Option/award life (years)	10	10	10	10	10
Expected life (years)	3.25	3.83	3.0	3.0	3.0
Risk free rate	1.97%	1.99%	1.99%	1.99%	1.87%
Expectations of meeting performance criteria	100%	100%	100%	100%	100%
Fair value	132.4p	235.4p	122.6p	113.7p	132.5p
Exercise price per share	194.8p	1.0p	173.0p	196.0p	173.0p

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:

	2016		2015	
	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	71.17	2,741,235	76.16	2,675,055
Granted	127.04	1,069,149	1.00	257,560
Forfeited	154.12	(114,413)	42.44	(153,380)
Expired	-	-	-	-
Exercised	92.70	(98,567)	62.88	(38,000)
Outstanding at end of year	84.55	3,597,404	71.17	2,741,235
Exercisable at end of year	64.11	2,093,537	40.53	1,319,287

27. SHARE BASED PAYMENTS (CONTINUED)

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

	Range of exercise price per share (p)	Share options - outstanding			Share options - exercisable		
		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	320,011	64.01	3.2	320,011	64.01	3.2
Unapproved schemes	1.0 – 196.0	2,874,471	71.61	7.3	1,773,526	64.12	6.1
Sharesave scheme	191.4 – 194.8	402,922	193.19	2.2	-	-	-
As at 31 March 2016		3,597,404	84.55	6.4	2,093,537	64.11	5.6
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 31 March 2015		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:

	2016 £'000	2015 £'000
Salaries and other short-term employee benefits	1,580	1,414
Post-employment benefits	38	40
Share-based payments	655	665
	2,273	2,119

Dividends paid to key management were as follows:

	2016 £'000	2015 £'000
Angus MacSween	425	294
Chris Batterham	2	2
Sarah Haran	49	34
Richard Logan	25	17
Ian Ritchie	4	3
Crawford Beveridge	1	1
Total dividends paid to directors	506	351

29. CONTINGENCIES AND COMMITMENTS**(a) Contingencies**

There were no contingent assets or liabilities as at 31 March 2016 (2015: nil).

(b) Commitments

Capital expenditure on software licences and property, plant and equipment committed by the Group at 31 March 2016 was £1,306,000 (2015: £147,000).

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
2016	
Non-current:	
Lease deposit	2,760
Current:	
Trade receivables	6,866
Cash and cash equivalents	10,341
Other receivables	619
Total for category	20,586
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

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
2016				
Non-current:				
Trade payables	-	(455)	-	(455)
Finance leasing capital obligations	-	-	(826)	(826)
Contingent consideration due on acquisitions	(2,068)	-	-	(2,068)
Current:				
Trade payables	-	(5,215)	-	(5,215)
Accruals	-	(6,203)	-	(6,203)
Bank loan	-	(34,525)	-	(34,525)
Contingent consideration due on acquisitions	(1,135)	-	-	(1,135)
Finance leasing capital obligations	-	-	(573)	(573)
Interest rate swap contract	(128)	-	-	(128)
Total for category	(3,331)	(46,398)	(1,399)	(51,128)
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)

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 2016 £'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 acquisitions	(3,203)	3	Based on level of future revenue and profitability and probability that vendors will comply with obligations under sale and purchase agreement.	Management estimate on probability and time scale of vendors meeting revenue and profitability targets and complying with obligations.	718
Interest rate swap contracts	(128)	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.	64
Total fair value	(3,331)			Total net gains	782

There have been no changes to valuation techniques or any amounts recognised through 'Other Comprehensive Income'. The £64,000 gain recognised in profit or loss on interest rate swap contracts is included in finance costs.

30. RISK MANAGEMENT (CONTINUED)

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

Contingent consideration	2016 £'000	2015 £'000
Balance at start of the year	(1,650)	(1,271)
Acquired through business combination	(3,921)	(1,650)
Settled in cash during the year	1,650	1,271
Recognised in profit or loss under:		
- Gain on revaluation of contingent consideration	870	-
- Finance costs	(152)	-
Balance at end of year	(3,203)	(1,650)
Total amount included in profit or loss on Level 3 instruments under gain on business combinations and finance costs	718	-

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 £35.9m (2015: £23.7m) is shown. The Group has £25.5m (2015: £13.5m) 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 amount of borrowing is fixed at 2.03% from April 2015 until maturity. The Group had also entered interest rate swap arrangements in respect of £4m which had been drawn under the multi option revolving credit facility which had been fixed at 1.02% until June 2015 and £5m drawn under the multi option revolving credit facility which was fixed at 1.26% until August 2015. As a consequence, at 31 March 2016, £8m of the amount drawn under the multi option revolving credit facility was covered by interest rate swap arrangements. The fair value of the interest rate swap contracts is estimated to be a gain of £64,000 (2015: loss of £125,000) which has been recognised in profit or loss for the year.

Currency risk

During the year the Group made payments totalling US\$5.3m (2015: US\$6.0m) and EUR€0.1m (2015: EUR€0.2m) to acquire domain names for its Easyspace segment and licences for its Cloud Services segment. In addition, the Group received US\$3.3m (2015: US\$2.1m) and EUR€0.7m (2015: EUR€0.5m) from Cloud Services 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 (2015: none). Consequently, the fair value of currency contracts at the year end was £nil (2015: £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 capital structure of the Group consists of net debt, which includes borrowings (note 22) and cash and cash equivalents, and equity attributable to owners of the parent, comprising issued share capital (note 25), other reserves and retained earnings. The Group currently has net debt due to its acquisition activities. The Group seeks 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's current policy is to pay 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 £6,866,000 (2015: £5,049,000) which are stated net of applicable provisions and which represent the total amount exposed to credit risk. The lease deposits of £2,760,000 (2015: £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 £10,341,000 (2015: £8,347,000) is held within the UK clearing banks.

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

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

We have audited the parent company financial statements of iomart Group plc for the year ended 31 March 2016 which comprise the parent company statement of financial position, statement of changes in equity 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), including FRS101 'Reduced Disclosure Framework'.

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 2016;
- 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 2016.



Robert Hannah
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
6 June 2016

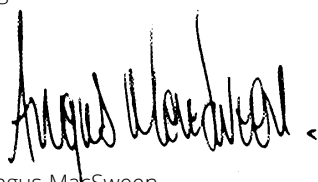
STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	2016 £'000	Restated 2015 £'000
ASSETS			
Non-current assets			
Investments	4	102,693	77,974
		102,693	77,974
Current Assets			
Debtors	5	39,954	35,195
Cash at bank and in hand		8,930	6,694
		48,884	41,889
Creditors: amounts falling due within one year	7	(79,208)	(53,028)
Net current liabilities		(30,324)	(11,139)
Total assets less current liabilities		72,369	66,835
Creditors: amounts falling due after more than one year	8	(2,068)	-
NET ASSETS		70,301	66,835
EQUITY			
Called up share capital	11	1,078	1,078
Own shares	12	(489)	(538)
Capital redemption reserve		1,200	1,200
Share premium account		21,067	21,067
Merger reserve		4,983	4,983
Profit and loss account		42,462	39,045
SHAREHOLDERS' FUNDS		70,301	66,835

These financial statements were approved by the board of directors and authorised for issue on 6 June 2016.

Signed on behalf of the board of directors



Angus MacSween

Director and chief executive officer

iomart Group plc – Company Number: SC204560

STATEMENT OF CHANGES IN EQUITY
 Year ended 31 March 2016

Changes in equity	Note	Share	Own	Own	Capital	Share	Merger	Retained	Total
		capital	shares	shares	redemption	premium		earnings	
		£'000	EBT £'000	treasury £'000	reserve £'000	account £'000	reserve £'000	£'000	£'000
Balance at 1 April 2014		1,078	(70)	(486)	1,200	21,067	4,983	19,943	47,715
Prior year adjustment	14	-	-	-	-	-	-	(1,060)	(1,060)
Balance at 1 April 2014 - restated		1,078	(70)	(486)	1,200	21,067	4,983	18,883	46,655
Profit in the year		-	-	-	-	-	-	21,466	21,466
Prior year adjustment	14	-	-	-	-	-	-	(232)	(232)
Total comprehensive income - restated		-	-	-	-	-	-	21,234	21,234
Dividends – final (paid)		-	-	-	-	-	-	(1,867)	(1,867)
Share based payments	13	-	-	-	-	-	-	809	809
Deferred tax on share based payments	6	-	-	-	-	-	-	(19)	(19)
Issue of own shares for option redemption	12	-	-	18	-	-	-	5	23
Total transactions with owners		-	-	18	-	-	-	(1,072)	(1,054)
Balance at 31 March 2015		1,078	(70)	(468)	1,200	21,067	4,983	39,045	66,835
Profit in the year		-	-	-	-	-	-	4,905	4,905
Total comprehensive income		-	-	-	-	-	-	4,905	4,905
Dividends – final (paid)		-	-	-	-	-	-	(2,668)	(2,668)
Share based payments	13	-	-	-	-	-	-	1,081	1,081
Deferred tax on share based payments	6	-	-	-	-	-	-	57	57
Issue of own shares for option redemption	12	-	-	49	-	-	-	42	91
Total transactions with owners		-	-	49	-	-	-	(1,488)	(1,439)
Balance at 31 March 2016		1,078	(70)	(419)	1,200	21,067	4,983	42,462	70,301

The following notes form part of the primary financial statements.

1. COMPANY 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 90 of this report. The nature of the Company's operations and its principal activity is that of a holding company.

2. ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

The financial statements have been prepared on a historical cost basis and are presented in Sterling (£).

Changes in accounting policies

This is the first year in which the financial statements have been prepared in accordance with FRS 101. The date of transition to FRS 101 is 1 April 2014. An explanation of the transition is included in note 14 to the financial statements. In applying FRS 101 for the first time the Company has applied early the amendment to FRS 101 which permits a first time adopter not to present an opening statement of financial position at the beginning of the earliest comparative period presented.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- a statement of cash flows and related notes;
- the requirement to produce a statement of financial position at the beginning of the earliest comparative period;
- the requirement of IAS 24 related party disclosures to disclose related party transactions entered into between two or more members of the iomart Group as they are wholly owned within the iomart Group;
- disclosure of key management personnel compensation;
- capital management disclosures;
- certain share based payments disclosures;
- business combination disclosures;
- disclosures in respect of financial instruments; and
- the effect of future accounting standards not adopted.

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.

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 we have elected to account for the adjustment as a charge or credit to profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

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 Company 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 Company 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 and laws 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 Company 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.

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 Company's cash and cash equivalents and most other receivables fall into this category of financial instruments.

Provision against other receivables is made when there is objective evidence that the Company 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 Company 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.

2. ACCOUNTING POLICIES (CONTINUED)

Leases

In accordance with IAS 17 Leases, the economic ownership of a leased asset is deemed to have been transferred to the Company (the lessee) if the Company 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.

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.

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.

Cash at bank and in hand

Cash at bank and in hand comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash with maturities of three months or less from inception and which are subject to an insignificant risk of changes in value.

2. ACCOUNTING POLICIES (CONTINUED)

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.
- "Retained earnings" represents retained profits.

3. 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 £4,905,000 (2015 restated: £21,234,000).

4. INVESTMENTS HELD AS FIXED ASSETS

Shares in subsidiary undertakings £'000

Cost	
At 1 April 2015 (restated)	77,974
Additions	24,320
Share based payment (note 13)	399
Cost at 31 March 2016	102,693
Net book value of Investments at 31 March 2016	102,693
Net book value of Investments at 31 March 2015 (restated)	77,974

All of the above investments are unlisted.

4. INVESTMENTS HELD AS FIXED ASSETS (CONTINUED)

The following subsidiaries are included in the Company financial statements:

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

5. DEBTORS

	2016 £'000	2015 £'000
Prepayments and accrued income	356	283
Other debtors	61	15
Deferred taxation (note 6)	1,010	576
Current income tax	2,357	1,187
Other taxation and social security	450	342
Amounts owed by subsidiary undertakings	35,720	32,792
	39,954	35,195

6. DEFERRED TAXATION

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

	2016		2015	
	Recognised £'000	Unrecognised £'000	Recognised £'000	Unrecognised £'000
Share based remuneration	1,010	-	576	-

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

	2016 £'000	2015 £'000
Balance brought forward	576	600
Profit and loss account movement arising during the year	377	(5)
Profit and loss account reserve movement during the year	57	(19)
Balance carried forward	1,010	576

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

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	Restated 2015 £'000
Trade creditors	105	97
Other taxation and social security	65	65
Accruals and deferred income	1,270	1,121
Contingent consideration due on acquisitions (note 9)	1,135	1,650
Current borrowings (note 10)	34,525	21,457
Amounts owed to subsidiary undertakings	42,108	28,638
	79,208	53,028

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

	2016 £'000	2015 £'000
Contingent consideration due on acquisitions (note 9)	2,068	-
	2,068	-

9. CONTINGENT CONSIDERATION

	2016 £'000	2015 £'000
Contingent consideration due on acquisitions within one year:		
- ServerSpace Limited	-	(1,650)
- Systems Up Limited	(135)	-
- United Communications Limited	(1,000)	-
	(1,135)	(1,650)
Contingent consideration due on acquisitions after more than one year:		
- United Communications Limited	(2,068)	-
	(2,068)	-
Total contingent consideration due on acquisitions	(3,203)	(1,650)

10. BORROWINGS	2016 £'000	Restated 2015 £'000
Current:		
Bank loans	(34,525)	(21,457)
Current borrowings	(34,525)	(21,457)
Non-current:		
Bank loans	-	-
Total non-current borrowings	-	-
Total borrowings	(34,525)	(21,457)

The carrying amount of borrowings approximates to their fair value.

The future loan obligations of £34,907,000 (2015: £21,716,000) equate to a present value of £33,922,000 (2015: £21,269,000). The capital element of the bank loans is £34,525,000 (2015: £21,457,000) and this differs from the net amount drawn down of £34,500,000 (2015: £21,500,000) due to an effective interest rate adjustment.

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

	2016			2015		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	34,525	382	34,907	21,457	259	21,716
Due between two and five years	-	-	-	-	-	-
	34,525	382	34,907	21,457	259	21,716

11. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
Authorised		
At 31 March 2014, 2015 and 2016	200,000,000	2,000
Called up, allotted and fully paid		
At 31 March 2014, 2015 and 2016	107,803,006	1,078

At 31 March 2016 the Company held 846,636 shares (2015: 945,203) as own shares in treasury which were accounted for in the Own Shares Treasury reserve and had a nominal value of £8,466 (2015: £9,452) and a market value of £2,285,917 (2015: £1,932,940). This represents 0.8% (2014: 0.9%) of the issued share capital as at 31 March 2016 excluding own shares.

At 31 March 2016 the Company held 140,773 shares (2015: 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 (2015: £1,408) and a market value of £380,088 (2015: £287,881). This represents 0.1% (2015: 0.1%) of the issued share capital as at 31 March 2016 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 2016 are fully paid.

12. OWN SHARES RESERVES

	Own shares EBT £'000	Own shares Treasury £'000	Own shares Total £'000
At 1 April 2014	(70)	(486)	(556)
Issue of own shares from Treasury for option redemption	-	18	18
At 31 March 2015	(70)	(468)	(538)
Issue of own shares from Treasury for option redemption	-	49	49
At 31 March 2016	(70)	(419)	(489)

During the year 98,567 (2015: 38,000) 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 £91,374 (2015: £23,820) was received. As a consequence, at 31 March 2016 the Company held 846,636 shares (2015: 945,203) in treasury with a carrying value of £419,085 (2015: £467,875) which were accounted for in Own Shares treasury reserve; and 140,773 shares (2015: 140,773) in the EBT with a carrying value of £69,982 (2015: £69,982) which were accounted for in the Own Shares EBT reserve.

13. 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 £1,081,000 (2015: £809,000) by:

- 1) taking the charge in relation to employees of the parent company through the parent company statement of comprehensive income £682,000 (2015: £695,000),
- 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 £399,000 (2015: £114,000).

14. TRANSITION TO FRS 101

The Company has adopted FRS 101 for the first time having previously applied UK GAAP that was effective before periods commencing on or after 1 January 2015. The date of transition to FRS 101 was 1 April 2014. The Company has restated its comparatives for the year ended 31 March 2015.

Restated Company Statement of Financial Position	31 March 2015 £'000	1 April 2014 £'000
Shareholders' funds under previous UK GAAP	68,127	47,715
<i>Effect of changes to (see below):</i>		
1. Investments – professional fees	(1,111)	(991)
2. Borrowings	(207)	(95)
3. Investments - reduction in contingent consideration	26	26
Sub-total – conversion adjustments	(1,292)	(1,060)
Restated shareholders' funds	66,835	46,655

Restated profit or loss for the year ended 31 March 2015	31 March 2015 £'000
Original profit for the financial year under previous UK GAAP	21,466
<i>Effect of changes to (see below):</i>	
1. Investments – professional fees	(120)
2. Borrowings	(112)
3. Investments - reduction in contingent consideration	-
Sub-total – conversion adjustments	(232)
Restated profit for the financial year	21,234

Explanation of changes

1. Investments – professional fees

Under previous UK GAAP professional fees directly associated with acquiring investments were included as part of the cost of the investment in subsidiary undertakings.

Under FRS 101 professional fees associated with investments are not capitalised but written off to profit or loss in the period in which they are incurred.

2. Borrowings

Under previous UK GAAP arrangement fees on borrowings were written off over the life of the loan facility, non-utilisation fees and loan interest charges were accrued based on the amounts payable on each loan drawdown and the carrying value of borrowings was the amount drawn down from the loan facility.

Under FRS 101 the effective interest method of allocating finance costs is used which results in all arrangement fees, non-utilisation fees and interest charges being allocated to periods in relation to the amount of loans drawn down over the life of the loan facility. The carrying value of the loans are adjusted to ensure that finance charges based on the effective interest rate are allocated to profit or loss in the correct period.

3. Investments – reduction in contingent consideration

Under previous UK GAAP any change to contingent consideration associated with acquiring investments were included as part of the cost of the investment in subsidiary undertakings.

Under FRS 101 any change to contingent consideration associated with investments are not capitalised but written off to profit or loss in the period in which they are incurred.

15. RELATED PARTY TRANSACTIONS

As permitted by FRS 101 related party transactions with wholly owned members of the Group have not been disclosed. 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.

16. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

There were no contingent assets or liabilities as at 31 March 2016 (2015: nil).

(b) Commitments

There are no commitments present as at 31 March 2016 (2015: nil).

17. ULTIMATE CONTROLLING PARTY

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

Notice of the 2016 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2016 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 24 August 2016 at 10.00 am for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 8 (inclusive) will be proposed as ordinary resolutions and resolutions 9 to 10 (inclusive) will be proposed as special resolutions:-

1 To receive and adopt the financial statements of the Company and the directors' and auditors' reports thereon for the year ended 31 March 2016.

2 To approve the report of the board to the members on directors' remuneration for the year ended 31 March 2016.

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

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

5 To reappoint Ian Steele (who was appointed by the board since the last annual general meeting and, being eligible, offers himself for re-election) as a director of the Company.

6 To declare a final dividend for the year ended 31 March 2016 of 3.15p per share payable on 30 August 2016 to shareholders on the register of members at the close of business on 12 August 2016.

7 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.

8 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 £714,730.40 (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 £357,365.20 (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 £357,365.20);

provided that such authority, unless renewed, varied or revoked by the Company, shall expire on 24 November 2017 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.

9. THAT, subject to the passing of resolution 8, 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 8, 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 8(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 £107,209.56.

The power granted by this resolution will expire on 24 November 2017 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.

10. 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 10,720,956, representing 10% of the Company's issued ordinary share capital (excluding for these purposes the 593,445 shares held by the Company in treasury) at the date of the notice of this annual general meeting);

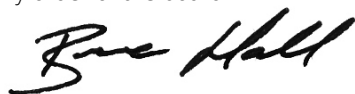
(b) the minimum price (exclusive of any expenses) which may be paid for each ordinary share is 1 pence;

(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 2016
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 22 August 2016) 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:

- close of business on 22 August 2016; or
- if this meeting is adjourned, at close of business on the day two days prior to the adjourned meeting,

shall be entitled to attend and vote at the meeting.

Documents on Display

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

- for at least 15 minutes prior to the meeting; and
- during the meeting.

Communication

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

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

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

Ordinary Resolutions

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

Resolution 1 – To receive and adopt the financial statements for the year ended 31 March 2016 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 32. This resolution is an advisory one and no entitlement to remuneration is conditional on the resolution being passed.

Resolutions 3, 4 and 5 – 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 Ian Ritchie and Mrs Sarah Haran are required to retire by rotation at this annual general meeting and, being eligible, offer themselves for reappointment. In addition, the articles also stipulate that any director appointed by the Board during the year must offer themselves for reappointment at the next available annual general meeting. Mr Ian Steele was appointed on 15 June 2016 and accordingly offers himself for reappointment. The board of directors is satisfied that the performance of Mr Ian Ritchie, Mrs Sarah Haran and Mr Ian Steele 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, 4 and 5 propose the reappointment of Mr Ian Ritchie, Mrs Sarah Haran and Mr Ian Steele.

Brief biographical details of Mr Ian Ritchie, Mrs Sarah Haran and Mr Ian Steele are given below.

Mr Ian Ritchie, 65, 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).

Mrs Sarah Haran, 50, 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.

Mr Ian Steele, 59, appointed 2016; has over 35 years experience in corporate finance and the corporate advisory sector. During a 16-year career with Deloitte LLP, Ian undertook roles within corporate finance and global advisory services. For the past 8 years, Ian sat on the UK board of the firm and fulfilled the role of senior partner for Scotland and Northern Ireland. Ian has recently joined the Council of the Institute of Chartered Accountants of Scotland.

Resolution 6 – To declare a dividend 3.15p 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 3.15p per ordinary share, to be payable to shareholders registered at close of business on 12 August 2016.

Resolution 7 – 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 8 – 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 (now the Investment 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 £714,730.40 (representing 71,473,040 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 £357,365.20 (representing 35,736,520 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 24 November 2017 or, if earlier, at the conclusion of the next Annual General Meeting.

Special Resolutions

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

Resolution 9 - Disapplication of statutory pre-emption rights

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 9 (at paragraph (a)), in authorising the directors to allot new shares by way of a rights issue, also permits the directors to make appropriate exclusions or arrangements to deal with such difficulties.

Under the Company's articles of association the board 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 9 asks shareholders to waive their pre-emption rights in respect of any such issue of shares.

Resolution 9 (at paragraph (c)) asks shareholders to waive their pre-emption rights, but only for new shares equal to 10 per cent. of the Company's issued ordinary share capital (excluding for these purposes the 593,445 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 9(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 9 will, unless sooner revoked or renewed by the Company in general meeting, last until the conclusion of the next annual general meeting of the Company to be held in 2017.

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

This resolution grants authority to the Company to make purchases of up to a maximum of 10% of the issued ordinary share capital of the Company (excluding for these purposes the 593,445 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 earning per ordinary share.

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

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

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

Officers and Professional Advisers

Directors

Ian Ritchie CBE, FREng, FRSE, FBCS, CEng, BSc

Angus MacSween

Chris Batterham MA, FCA

Crawford Beveridge CBE

Sarah Haran

Richard Logan BA, CA

Non executive chairman

Chief executive officer

Non executive director

Non executive director

Director

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 LLP, 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, Level 8, 110 Queen Street, Glasgow G1 3BX

Registrars

Capita IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Company Registration Number

SC204560

Group Contact Information

iomart Cloud Services

0141 931 6400 • info@iomart.com • www.iomart.com

Melbourne

inbox@melbourne.co.uk • www.melbourne.co.uk

ServerSpace

sales@serverspace.co.uk • www.serverspace.co.uk

Backup Technology

sales@backup-technology.com • www.backup-technology.com

SystemsUp

sales@systemsup.co.uk • www.systemsup.co.uk

Rapidswitch

sales@rapidswitch.com • www.rapidswitch.com

Redstation

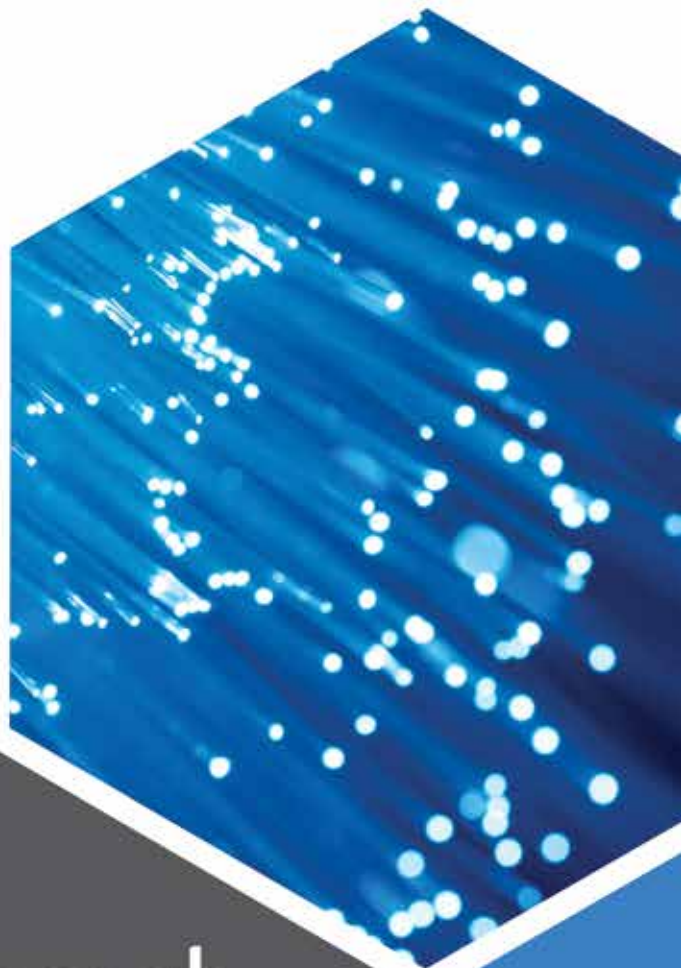
sales@redstation.com • www.redstation.com

Easyspace

sales@easyspace.com • www.easyspace.com

United Hosting

sales@unitedhosting.co.uk • www.unitedhosting.co.uk



iomart

www.iomart.com

iomart Group plc, Lister Pavilion,
Kelvin Campus, West of Scotland Science Park,
Glasgow G20 0SP