iomart

Annual
Report and Accounts **2017**

Contents

About iomart

iomart provides managed cloud services to support businesses and organisations of all sizes in their digital transformation.

Not only do we design, build and deploy bespoke cloud platforms in our data centres, we provide the network connectivity, security services and technical expertise to support them 24x7.

Our consultants help organisations decide how to take their very first steps into the cloud, while our comprehensive portfolio of managed services helps the biggest global brands consolidate and strengthen their enterprise IT while protecting their data across multiple geographical locations.

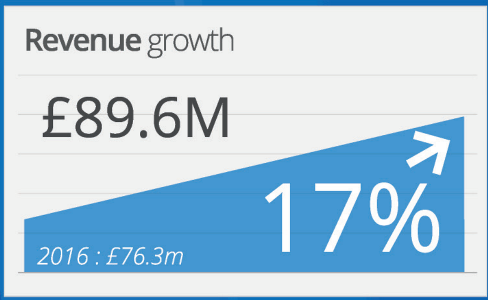
In a world where cyber-attacks are a constant threat, iomart works with the world's leading technology vendors to provide secure cloud solutions and multi-layered defence to customers.

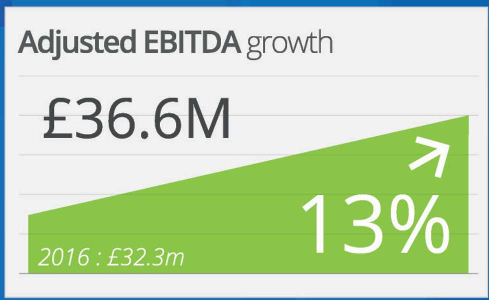
iomart is proud to be the UK's most accredited cloud services company and a trusted partner to business.

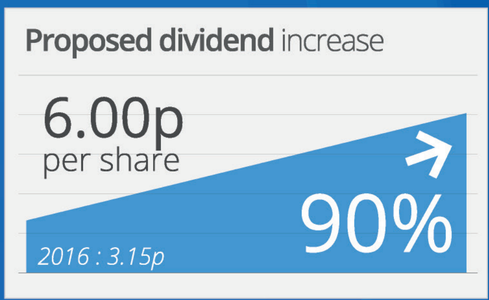
Our Year

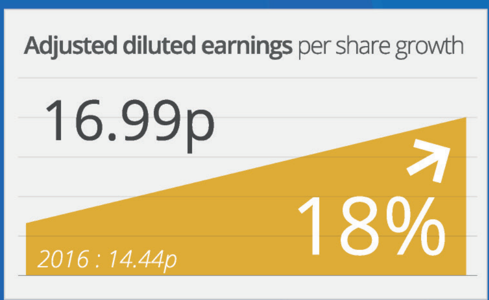
iomart has enjoyed another exciting year of growth with revenues increasing by 17% to £89.6m.

As a result we are improving our dividend policy to reflect this ongoing growth and our confidence in the future.









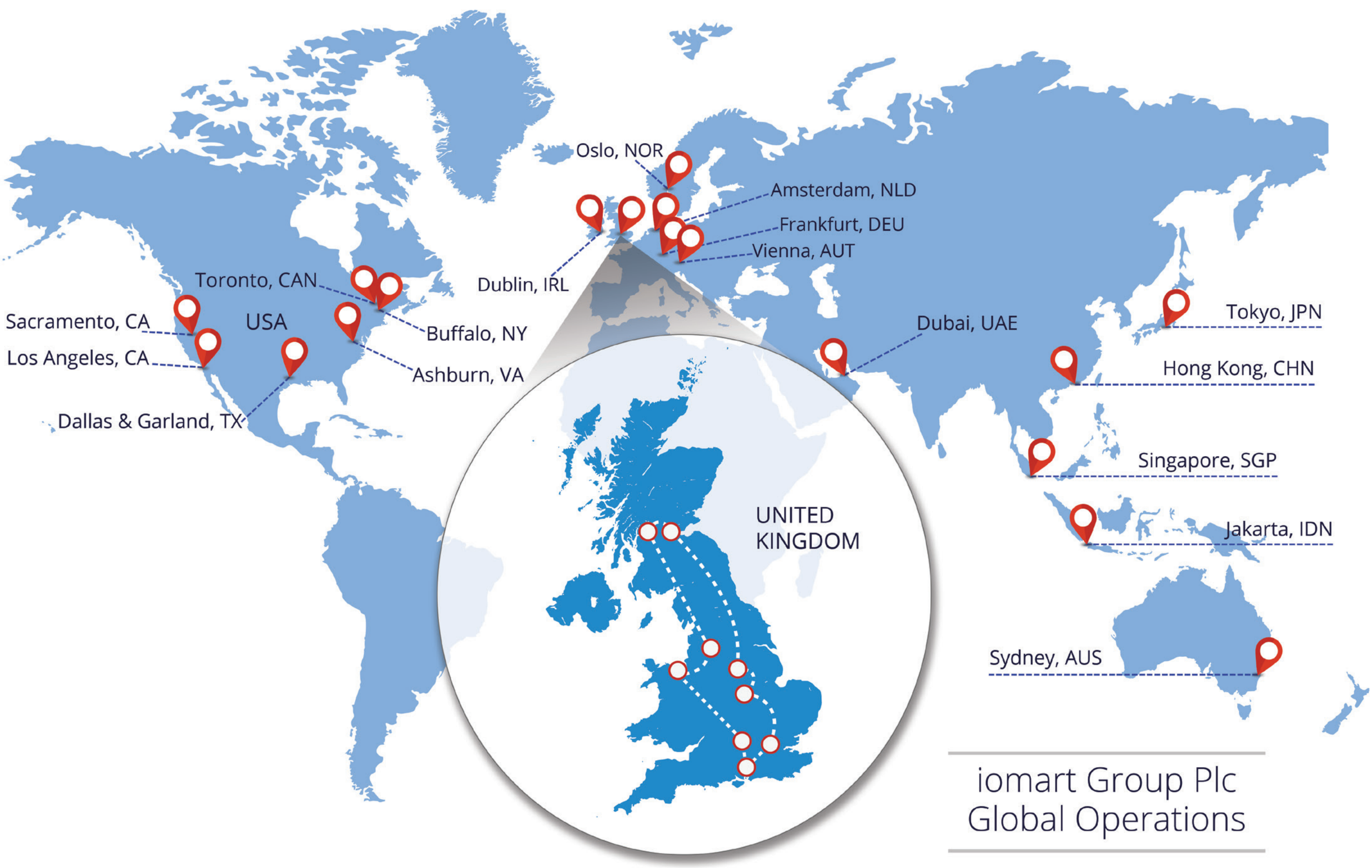
Our Infrastructure

iomart continues to invest in its people, skills and infrastructure to help organisations derive maximum commercial and operational value from the cloud.

The core components of our services are delivered from a network of data centres which are fully connected by our own fibre network.

Our managed cloud services are delivered from a network of fully owned data centres across the UK. We also have points of presence in 16 locations globally to extend our reach for our customers.

iomart has partnerships with the big three public cloud vendors – AWS, Microsoft and Google Cloud – which enable us to combine public cloud access with our own cloud services to help our customers to innovate and grow.



"iomart continue to be a pleasure to work with. They afford us a wealth of technical and commercial expertise as well as hands-on account management and assist with planning complex requirements at every stage. iomart's knowledge and appetite to deliver, combined with our in-house development team and contract expertise, ensures CEMAR remains highly available, fast, secure, resilient and flexible for our clients."

Daniel Walker, Infrastructure Director for CEMAR

"With iomart's partnership, we were able to strengthen our infrastructure model within the UK, enabling us to provide various solutions that meet UK Government regulatory compliance, and deliver the value our customers have come to expect from Exostar."

Girish Maheswar, Senior Product Manager, eSourcing for Exostar

Highlights

FINANCIAL HIGHLIGHTS

- Revenue growth of 17% to £89.6m (2016: £76.3m)
  - Cloud Services segment organic revenue growth of 10% (2016: 9%)
- Adjusted EBITDA[1] growth of 13% to £36.6m (2016: £32.3m)
- Adjusted profit before tax growth[2] of 18% to £22.4m (2016: £19.0m)
- Adjusted diluted earnings per share[3] from operations increased by 18% to 16.99p (2016: 14.44p)
- Cashflow from operations increased by 22% to £37.8m (2016: £30.9m)
- Adjusted profit before tax[2] margins maintained at 25% (2016: 25%)
- Proposed final dividend increased by 90% to 6.00p per share (2016: 3.15p per share)

OPERATIONAL HIGHLIGHTS

- Acquisition of Cristie Data during the year for a net consideration of £0.7m
- Acquisition of Dediserve post year end for a consideration of €7.9m
- Further investment in skills and accreditations to support broadening service offering
- Strengthened relationships with Hypercloud vendors

Statutory Equivalents

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

- Profit before tax growth of 13% to £14.7m (2016: £13.0m)
- Basic earnings per share from operations increased by 9% to 11.27p (2016: 10.32p)

1 Throughout these financial statements adjusted EBITDA is earnings before interest, tax, depreciation and amortisation (EBITDA) before share based payment charges, acquisition costs and in the previous year the gain on revaluation of contingent consideration. 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 and in the previous year the gain on revaluation of contingent consideration and the accelerated write off of arrangement fees on the bank borrowing facility which was restructured in the previous 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 and in the previous year the gain on revaluation of contingent consideration and the accelerated write off of arrangement fees on the bank borrowing facility which was restructured in the previous year, including the taxation effect of these.

Strategic Report
Chairman's Statement

We have once again seen another year of excellent performance for our shareholders. Not only have we maintained our relative level of organic growth in our Cloud Services segment, our Easyspace segment has also returned to organic growth after declining a little last year.

Both of those elements of organic growth plus the acquisition of Cristie during the year, which we have allocated to a new Non-recurring Revenue segment, together with the full year contributions of SystemsUp and United Hosting has meant we have maintained our overall level of revenue growth for the year. In May, after the end of our financial year we purchased Dediserve and we believe that 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 that organic and acquisitive revenue 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.

Sarah Haran, who has served as an executive director of iomart throughout the time the Group has been listed on AIM, decided to step down from the Board at the end of this financial year. She has given many years of loyal and valuable service to the Group and on behalf of all shareholders I thank her warmly for her service.

After nearly 6 years of first class commitment and service, Crawford Beveridge 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 a replacement for Crawford is at an advanced stage and we expect to be in a position to make an announcement about this in the near future.

As we indicated in our trading update which was issued at the end of March we have decided to improve our dividend policy to reflect the ongoing growth that we have been delivering, the level of cash we generate, and the confidence we continue to have in our future prospects. We had previously committed to paying up to 25% of our adjusted diluted earnings per share by way of dividend and last year our pay-out ratio was 22%. We have now increased the upper limit of dividend pay-out to 40% and the Board is proposing to pay a final dividend of 6.0p per share on 6 September 2017 to shareholders on the register on 11 August 2017, based on an ex-dividend date of 10 August 2017. This represents an increase of 90% over the dividend last year and equivalent to a pay-out ratio of 35% 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.

Ian Ritchie
Chairman
12 June 2017

Strategic Report
Chief Executive Officer's Report

Introduction
We have again enjoyed another very successful year with revenues and profits growing to record levels both organically and through acquisition as we continue to deliver an ever broader range of cloud solutions.

Our revenues in the year were £89.6m, an increase of 17% over the previous year, our adjusted EBITDA of £36.6m showed a 13% increase over the previous year and our profit before tax also increased by 13% to £14.7m.

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. There is still a long runway of opportunity as the 'IT as a service' philosophy and delivery unfolds. There is an inevitability around this fundamental change in how IT is delivered but there is also a built in delay mechanism as systems, processes and applications are dealt with on a 'one by one' basis rather than in one full organisation wide swoop, as applications and workloads are individually considered for an upgrade, refresh or rewrite.

Security has again been in the headlines and it serves to show that on premise infrastructure is far more difficult to keep secure and available on a 24x7x365 basis than those in the cloud, in specialist datacentres, with 24x7x365 monitoring and management and with all the required perimeter defences in place.

We believe that iomart is one of the most compliant organisations with regard to security and certification in the sector. This will drive more opportunity for us, with our long experience of security whether it be infrastructure and network protection, detection and response to threats, access control, log management, or compliance with various standards.

We are now less than a year away from the introduction of the new regulations around data security, the EU General Data Protection Regulation (GDPR). Our plans for the introduction of these regulations are well advanced both for the Group's own needs and to help other organisations understand the implications for their own business and thereby to become compliant.

Organisations today are confronted by an increasingly complex set of cloud decisions in terms of cost, value, effectiveness, complexity, security, data protection and compliance. Whatever the cloud challenge iomart can assist all organisations in moving to the cloud, whether it be private, public or hybrid approach. 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.

The future success of cloud companies will be driven by their ability to address further towards the application layer as well as the underlying infrastructure. There is growing evidence of different market segments with distinct hosting and cloud requirements and characteristics. This is leading to a growing trend in specialisation in various verticals such as e-commerce or financial software and this is one reason why the hosting and cloud markets will be served by a wide variety of vendors and vendor types.
Our challenge is to continue to navigate through these early days of the further evolution of cloud adoption and to ensure we build the skills and resources necessary to be successful in that ever more complex space.

Acquisitions
We again augmented our organic growth through the acquisition of Cristie Data Limited ("Cristie") in August and after the year-end, in May, through the acquisition of Dediserve Limited ("Dediserve"), a Dublin based provider of Cloud solutions in ten locations around the world. To date we have not seen any impact from the UK's decision to leave the European Union other than the weakening of Sterling. The Board has considered the impact on the Group of the UK's decision to leave and whilst there are still many issues to be resolved we believe we will be able to deal with them as they arise. The acquisition of Dediserve gives us a Cloud operation in geographical areas where we do not currently have a presence, including another base in the European Union.

We continue to look for businesses that fit our criteria with a view to making further acquisitions in the coming year.

Operational Review
We have previously reported in two operating segments (Cloud Services and Easyspace) both of which involve the provision of services from common infrastructure delivering a very high level of recurring revenue. During the year we acquired Cristie and we have decided to report that in a separate segment as it predominantly involves the provision of IT infrastructure on customers' premises with little by the way of recurring revenue. We have designated this segment as Non-recurring Revenue.

Cloud Services
Revenues in this segment have grown by 11% to £72.7m (2016: £65.4m) partly as a result of the continued organic growth and as a result of acquisitions. Organic growth in the year was 10%, slightly above the level of 9% we have delivered in our last two financial years and our adjusted EBITDA percentage margin continues to be amongst the highest in the industry.

Through our iomart Cloud unit we provide complex hosting solutions, involving private, public and hybrid cloud solutions with customers typically paying for these services on a monthly basis on contracts ranging from one to three years in length. Our churn levels in this unit have stabilised and are in line with that experienced last year.

Our server infrastructure business, delivering dedicated physical servers to customers, is run as one unit encompassing the RapidSwitch and Redstation brands. We manage many thousands of 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. Having a consultancy division within the Group allows us to engage at an earlier stage with organisations considering their cloud strategy and provides the opportunity to leverage the provision of those consultancy services to gain recurring revenue through the deployment of cloud solutions. However, unlike our other activities within the Cloud Services segment there is less recurring revenue generated from consultancy services and this area has not performed as predicted during the year and in future we will be more prudent in projecting the revenues which we expect to generate to recognise the difficulty in estimating revenue levels. We have made some changes to senior management within the consultancy unit and have also refined its strategic approach to focus on the delivery of a set of core cloud technologies. This is with a view to ensuring that as often as possible projects that are delivered will ultimately have a managed service and recurring revenue element.

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.

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 being presented with a growing number of Microsoft Azure opportunities.
We continue to build on our skills and accreditations and see constant improvement across the Group's skillset.

Easyspace
In line with our expectations the Easyspace segment has performed well over the year, returning to a position of organic revenue growth.

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.

Revenues in the segment have grown by 22% to £13.2m (2016: £10.9m) mainly as a result of the acquisition of United Hosting in the previous year. Organic growth in the year was 4% against a decline of 8% in the previous year.

Non-recurring revenue
The non-recurring revenue segment contains the results of Cristie since we acquired that business in August 2016. In just over 7 months of ownership the revenue generated was £3.6m.

Cristie primarily provides solutions similar to those provided by the Cloud Services segment with the exception that they would tend to be less complex in nature and predominantly installed on the customers' own premises rather than from a datacentre location. These solutions would involve, for example, the provision of storage and back-up infrastructure. Cristie has a substantial number of public sector customers in areas such as health and education and we welcome its activities into the Group.

Current trading and outlook
This has been another year of strong growth and trading since the year end remains good.

The long term opportunity and runway for success remains large and long. iomart remains 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
12 June 2017

Strategic Report
Finance Director's Report

Trading Results

Revenue

Revenues for the year grew by 17% to £89.6m (2016: £76.3m) through the combination of continued organic growth and the impact of acquisitions.

Our Cloud Services segment grew revenues by 11% to £72.7m (2016: £65.4m). This growth was helped by a full year contribution from SystemsUp which we acquired in June 2015. Revenue growth in the Cloud Services segment excluding the impact of acquisitions was 10% (2016: 9%).

Revenues within the Easyspace segment grew by 22% to £13.2m (2016: £10.9m). This growth was helped by a full year contribution from United Hosting which we acquired in November 2015. Revenue growth in the Easyspace segment excluding the impact of acquisitions was 4% (2016: decline of 8%). As expected the decline in the organic revenue levels in this segment has stopped as new sales and churn levels have moved into balance, largely due to revised pricing in the domain market and the introduction of new products. As a result, the segment has returned to an encouraging level of organic growth.

During the year we acquired Cristie which is largely a non-recurring revenue operation. Given that the vast majority of our revenue in our Cloud Services and Easyspace segments is recurring in nature we have decided to review the performance of this unit separately and as a consequence we will report this in a separate segment which we have called our Non-recurring Revenue segment. Revenues of £3.6m (2016: £nil) were generated in this segment in 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 £57.3m (2016: £51.6m) increasing as a result of the additional revenues we generated as explained above. In percentage terms our margin reduced to 64.0% (2016: 67.7%). This expected reduction in percentage has arisen partly due to the changing nature of the provision of some of our cloud infrastructure and partly due to the impact of the acquisition of Cristie.
The provision of Public Cloud solutions by our Cloud Services segment results in a charge from the Public Cloud service provider within our cost of sales. This is offset by savings in our costs for power, which is included within cost of sales, and some support services which are provided by the Public Cloud service provider, which is included within our overheads and depreciation. Whilst our gross margin percentage has reduced our adjusted profit before tax percentage margin has been maintained partly due to the offsetting savings when providing Public Cloud solutions.

The gross margin within our traditional private and hybrid cloud solutions continues to rise due to our relatively static datacentre costs which to some extent are fixed in nature and therefore do not rise in line with revenue growth.

Cristie predominantly sells hardware and software to its customers on which it incurs a substantial cost of sale and therefore a lower gross margin percentage contribution than in the other segments.

The gross margin within our Easyspace segment improved over the year due largely to the impact of the acquisition of United Hosting.

Adjusted EBITDA

The adjusted EBITDA for the year was £36.6m (2016: £32.3m) an increase of 13%. As expected, our adjusted EBITDA margin has reduced to 40.8% (2016: 42.4%). The Cloud Services segment increased its absolute level of margin over the period whilst experiencing a modest reduction in its percentage margin, the Easyspace segment increased both its absolute and percentage margin and the Non-recurring Revenue segment has a lower adjusted EBITDA contribution than the other segments which contributed to the overall adjusted EBITDA percentage margin reduction.

Adjusted EBITDA in the Cloud Services segment was £33.7m (2016: £31.1m), an increase of 8.4%. This improved performance is mainly a direct result of the additional gross margin delivered by the increase in sales revenue, from both organic and acquired sources, offset by a modest increase in administrative expenses which has been helped by an exchange gain. In percentage terms the adjusted EBITDA margin has reduced to 46.3% (2016: 47.5%). This reduction is due to the impact of the reduced gross margin percentage as previously explained together with the full year effect of SystemsUp which has a lower adjusted EBITDA margin than the rest of the segment's operations but which, unlike the rest of the segment, has no depreciation charges. This was offset by administrative expenses rising at a slower rate than revenue which improved the segment's EBITDA percentage margin.

The Easyspace segment's adjusted EBITDA was £6.2m (2016: £5.1m) an increase of 22.6%. This improvement in adjusted EBITDA is almost entirely due to the full year impact of United Hosting which was acquired in the previous year. Excluding the acquisition, adjusted EBITDA increased slightly as a result of the increase in organic revenue. In percentage terms the adjusted EBITDA margin has improved to 47.1% (2016: 46.8%). Excluding the acquisition of United Hosting the Easyspace segment maintained its adjusted EBITDA percentage margin. The improvement in percentage margin is therefore entirely due to the impact of the previous year's acquisition.

The Non-recurring segment's adjusted EBITDA was £0.3m (2016: £nil). In percentage terms the adjusted EBITDA margin was 9.0%.

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 reduced slightly to £3.6m (2016: £3.8m) mainly due to staff related costs.

Adjusted profit before tax

Depreciation charges of £11.0m (2016: £10.9m) have remained at the same level as previous years as a result of charges for the equipment bought to provide services to the additional Cloud Services segment customers being offset by equipment purchased in previous periods becoming fully depreciated and thereby no longer impacting the depreciation charge in the year.

The charge for amortisation of intangibles, excluding amortisation of intangible assets resulting from acquisitions ("amortisation of acquired intangible assets") of £1.9m (2016: £1.2m) has increased over the year as a result of an increase in the level of software acquired over the year and the advance purchase of some software licences.

Finance income in the period was £nil (2016: £0.1m). Finance costs of £1.6m (2016: £1.4m), excluding the mark to market adjustment in respect of interest swaps on the Company's loans, the interest charge on the contingent consideration due in respect of acquisitions and in the previous year the accelerated write off of arrangement fees on the restructuring of the bank facility, 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 interest charge on the contingent consideration due in respect of acquisitions and in the previous year the accelerated write off of arrangement fees on the restructuring of the bank facility, and crediting the finance income from the adjusted EBITDA, the Group's adjusted profit before tax was £22.4m (2016: £19.0m) an increase of 18%.

The adjusted profit before tax margin for the year was 25.0% (2016: 24.9%). This modest margin improvement of 0.1% has two largely offsetting components. The adjusted EBITDA margin reduced by 1.6% as previously explained. Depreciation charges as a percentage of revenue have fallen by 2.0% partly due to tangible assets becoming fully depreciated, partly due to the provision of Public Cloud not incurring a depreciation charge and partly due to some of our activities not needing the purchase of tangible assets in the provision of their services.

Profit before tax

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

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

Reconciliation of adjusted profit before tax to profit before tax	**2017 £'000**	**2016 £'000**
Adjusted profit before tax	22,406	18,970
Less: Amortisation of acquired intangible assets	(5,558)	(5,354)
Less: Acquisition costs	(104)	(116)
Less: Share based payments	(1,844)	(1,081)
Add: Mark to market adjustment on interest rate swaps	84	64
Less: Accelerated write off of arrangement fees on restructuring of the bank facility	-	(177)
Less: Interest on contingent consideration	(330)	(152)
Add: Gain on revaluation of contingent consideration	-	870
Profit before tax	**14,654**	**13,024**

Profit before tax (continued)

The adjusting items are: charges for the amortisation of acquired intangible assets of £5.6m (2016: £5.4m) which have increased slightly mainly 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 (2016: £0.1m) as a result of acquisitions made; share based payment charges of £1.8m (2016: £1.1m) 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 £0.08m (2016: £0.06m); the accelerated write off of arrangement fees on the restructuring of the bank facility during the previous year of £nil (2016: £0.2m); 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 £0.3m (2016: £0.2m); and in the previous period the gain on the revaluation of the contingent consideration to be paid for SystemsUp of £nil (2016: £0.9m).

After deducting these items from the adjusted profit before tax; the reported profit before tax was £14.7m (2016: £13.0m) an increase of 13%. In percentage terms the profit before tax margin was 16% (2016: 17%). The reduction in percentage margin is for the same reasons as the adjusted profit before tax percentage margin change and also due to the gain on revaluation of contingent consideration recorded in the previous year which improved the percentage margin last year.

Taxation

There is a tax charge for the year of £2.6m (2016: £2.0m). The tax charge for the year is made up of a corporation tax charge of £4.4m (2016: £3.6m) with a deferred tax credit of £1.8m (2016: £1.6m). The effective rate of tax for the year is 17.5% (2016: 15.4%) and an explanation of this increase in given in note 9. At the year end, the Group has no unused tax losses available for offset against future profits (2016: £nil).

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 £12.1m (2016: £11.0m) an increase of 10% which has been significantly adversely affected by the gain on revaluation on contingent consideration recorded in the previous year.

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 charge of interest on contingent consideration due, acquisition costs and in the previous year the accelerated write off of arrangement fees on the restructuring of the bank facility and the gain on the revaluation of the contingent consideration to be paid for SystemsUp and the tax effect of these items was 16.99p (2016: 14.44p), an increase of 18%.

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 11.27p (2016: 10.32p), an increase of 9% which has been significantly adversely affected by the gain on contingent consideration recorded in the previous year.

Acquisitions

On 25 August 2016 the Company acquired the entire share capital of Cristie on a no debt, no cash, normalised working capital basis. At completion a payment of £3.8m in cash, including adjustments required in respect of normalised working capital, was made to acquire Cristie which at the time had net debt/cash of £3.1m resulting in a net outflow of funds of £0.7m to acquire the company.

After the end of the financial year, on 17 May 2017 we completed the acquisition of the entire share capital of Dediserve on a no debt, no cash, normalised working capital basis for a total purchase price of €7.9m. An initial payment was made at completion of €7.8m (£6.7m) in cash less the sum of €0.25m (£0.21m) in cash as an interim settlement of the expected amount due by the vendors in respect of the no debt, no cash, normalised working capital adjustment. The initial payment was funded by a draw down from the Group's revolving credit facility. A further sum of €0.1m has been deferred and is due to be paid on the earlier of the completion of the handover of certain operational tasks or 6 months after the original purchase date.

Dividends

We have proposed a 90% increase in the level of dividend pay-out for this year thereby raising the rate to 6.00p per share (2016: 3.15p). We have also committed to an improved pay-out ratio in the future based on the level of adjusted diluted earnings per share we deliver. The Board has taken the decision to increase the dividend return to shareholders as a result of the recurring revenue nature of the Group, the level of operating cash which we now deliver and the low level of indebtedness within the Group. We have continued with our acquisition activity having brought Cristie into the Group during the year and Dediserve post the year end and we are confident that we can make additional acquisitions in the future. The proposed change to dividends will have no impact on our ability to continue to make acquisitions of the like we have to date.

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 £37.8m (2016: £30.9m) with the significant increase of 22% over the previous year's level due to a combination of the increase in adjusted EBITDA and improvements in working capital management. After deducting payments for corporation tax of £3.9m (2016: £4.3m) the net cash flow from operating activities was £33.9m (2016: £26.6m).

Cash flow from investing activities

In line with our strategy of accelerating our growth by acquisition the Group continued to incur substantial sums on investing activities, spending a total of £15.2m (2016: £32.6m) in the year. Of this amount, £0.7m (2016: £15.9m), net of cash acquired of £3.1m (2016: £4.5m), was incurred in relation to the acquisition of Cristie as described above. In addition, the Group incurred expenditure of £1.16m (2016: £1.65m) 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 £10.2m (2016: £12.4m) on assets, net of related finance lease drawdowns, trade creditor movements and non-cash reinstatement provisions.

Expenditure was also incurred on development costs of £1.4m (2016: £1.1m), on intangible assets of £1.8m (2016: £1.2m) and on property lease deposits of £nil (2016: £0.3m).

Cash flow from financing activities

There were no drawdowns of the bank loan in the year (2016: £16.5m) to fund the purchase of the acquisitions. Bank loan repayments of £16.0m (2016: £3.5m) were made in the year. We received £1.1m (2016: £0.1m) from the issue of shares as a result of the exercise of options by employees. We also made a dividend payment of £3.4m (2016: £2.7m); incurred finance costs of £1.2m (2016: £1.5m); and made lease repayments of £0.6m (2016: £1.0m).

Net cash flow

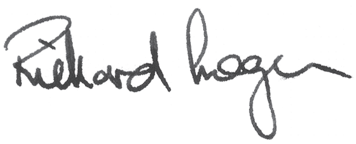
As a consequence, our overall cash expenditure during the year was £1.4m (2016: £2.0m cash generated) which resulted in cash and cash equivalent balances at the end of the year of £8.9m (2016: £10.3m). After recognising bank loans of £18.6m (2016: £34.5m) and finance lease obligations of £0.9m (2016: £1.4m) net debt balances at the end of the period stood at £10.6m (2016: £25.6m) 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
12 June 2017

Key performance indicator review

Revenue Growth	2017	2016
Revenue	£89.6m	£76.3m
Growth	17% increase	16% increase

Revenue from continuing operations grew by 17% over the year compared to a growth of 16% in the previous year. The Cloud Services segment grew revenues by 11% (2016: 19%) and the Easyspace segment grew by 22% (2016: 1%). The Non-recurring Revenue segment, which was created on the acquisition of Cristie on 25 August 2016, generated £3.6m (2016: £nil) of revenue which helped drive overall revenue growth.

Adjusted EBITDA Margin	2017	2016
Adjusted EBITDA	£36.6m	£32.3m
Adjusted EBITDA margin	41%	42%

The adjusted EBITDA has shown a 13% increase as a consequence of organic growth and acquisitions. In percentage terms there has been a modest decrease partly as a result of recent acquisitions and partly due to the change in the nature of the provision of some services from our Cloud Services segment. Easyspace improved its adjusted EBITDA percentage margin mainly due to the impact of an acquisition made in the previous year. The Non-recurring Revenue segment adjusted EBITDA margin of 9% contributed £0.3m (2016: £nil) to the absolute level of adjusted EBITDA growth.

Adjusted PBT Margin	2017	2016
Adjusted PBT	£22.4m	£19.0m
Adjusted PBT margin	25%	25%

The adjusted PBT has shown a 18% increase as a consequence of organic growth and acquisitions. The percentage margin has been maintained over the year.

Adjusted diluted EPS	2017	2016
Adjusted diluted EPS	16.99p	14.44p
Adjusted diluted EPS growth	18%	14%

Our dividend policy uses adjusted diluted EPS as its calculation basis. We have therefore added adjusted diluted EPS and in particular the growth of this measure as a KPI. The adjusted diluted EPS has shown a 18% increase as a consequence of organic growth and acquisitions.

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.

Principal risks and uncertainties (continued)

Data and Cyber Security
There has been a sharp rise in recent years in cyber and data related crime. The security of customer, commercial and personal data presents both a reputational and financial risk to the Group. Whilst it is a challenge to completely eliminate all data and cyber security risks the Group continues to make substantial investment in physical and data security systems and promote a culture within the organisation which embeds security across all of our operations. The Group also carries specific insurance in this regard.

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 number of 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 7 to 15 has been approved by the Board and is signed on its behalf:

Richard Logan

Richard Logan
Finance Director
12 June 2017

Board of Directors

Ian Ritchie
Non-Executive Chairman

Aged 66, appointed 2008; currently Chairman of Computer Application Services Limited, Krotos Limited, Red Fox Media Limited, Tern plc and the Informatics Ventures unit at Edinburgh University. Ian is a past President of the British Computer Society and former Vice-President of the Royal Society of Edinburgh. He was founding chairman of several technology companies, including Voxar Limited (now part of Toshiba), Orbital Software Group plc (now part of Sopheon plc), Digital Bridges Limited (now part of Oberon Inc) and Sonaptic Limited (now part of Cirrus Logic Inc).

Angus MacSween
Chief Executive Officer

Aged 60, appointed 2000; founded iomart in December 1998 following 15 years spent creating and selling businesses in the telephony and internet sector. In 1984, after a short service commission in the Royal Navy, Angus started his first business selling telephone systems. He then grew and sold five profitable businesses – including Prestel, an online information division of BT, which he turned into one of the UK's first internet service providers. Following the sale of Teledata Limited, the UK's leading telephone information services company, to Scottish Telecom plc, Angus then spent two years on the executive of Scottish Telecom plc where he was responsible for the development of the company's internet division.

Crawford Beveridge
Non-Executive Director

Aged 71, appointed 2011; Crawford Beveridge CBE has over 40 years' experience in the technology industry, including 16 years at Sun Microsystems ("Sun"), where he was 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. and Analog Devices. He was a Non-Executive Director of Hitachi Global Storage Technologies, a subsidiary of Hitachi Limited; Chief Executive of Scottish Enterprise; and Chairman of the investment advisory board at Scottish Equity Partners. He is currently Non-Executive Chairman of NASDAQ listed Autodesk.

Richard Logan
Finance Director

Aged 59, appointed 2006; Richard is a chartered accountant, having qualified with Arthur Young in 1984. Richard then spent seven years with Ben Line Group Limited initially as Group treasurer and latterly as financial director of the main container shipping division. From 1992 to 2002 Richard served as finance director of Kingston SCL, 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 Limited, a technology company based in Scotland. Richard is a Non-Executive Director of Inspired Energy plc, an AIM listed energy procurement organisation.

Ian Steele
Non-executive Director

Aged 60, appointed 2016; Ian is a chartered accountant with over 35 years' experience in the corporate finance and corporate advisory sector. During a 16-year career with Deloitte LLP, Ian undertook roles within corporate finance and global advisory services. For the past eight years, Ian sat on the UK board of the firm and fulfilled the role of senior partner for Scotland and Northern Ireland. Ian is a member of the Council of the Institute of Chartered Accountants of Scotland. He is a Non-Executive Director of STV Group plc and a Non-Executive Director of Killinchy Aerospace Holdings Limited, the principal trading subsidiary of which is Martin-Baker Aircraft Company Limited.

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. During the year the Board met with corporate governance advisers and reviewed trends in corporate governance, best practice where compliance with the Code was not required and its current corporate governance arrangements. We have reported on our Corporate Governance arrangements by drawing upon that review 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 fully complying 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 16. 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 and two independent Non-Executive Directors. Short biographies of the directors are given on page 16.

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 25 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, Ian Steele 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	10	-	-	-	-
Chris Batterham – Non-Executive Director (resigned 24 August 2016)	3	3	1	1	2	2
Crawford Beveridge – Non-Executive Director	10	8	2	2	4	3
Sarah Haran – Chief Operating Officer (resigned 31 March 2017)	10	10	-	-	-	-
Richard Logan – Finance Director	10	9	-	-	-	-
Ian Steele – Non-Executive Director (appointed 15 June 2016)	8	8	1	1	2	2

The Audit Committee
The members of the Audit Committee during the year were Ian Steele (Chairman from 24 August 2016 succeeding Chris Batterham who retired from the Board on 24 August 2016), Ian Ritchie and Crawford Beveridge.

The Audit Committee, chaired by Ian Steele, who has recent and relevant experience, is authorised by the Board to conduct any activity within its terms of reference and to seek any information it requires from any employee. The Audit Committee has written terms of reference, which are available on request, and include reviewing and monitoring:

- interim and annual reports, 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 effectiveness of the Committee;
- the Risk Register covering the systems of internal control and their effectiveness, reporting and making 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;
- non-audit fees charged by the external auditor; and
- the formal engagement terms entered into with the external auditor.

At the invitation of the Committee, meetings are attended by the Chief Executive Officer, the Group Finance Director and the Group Financial Controller. Representatives of the external auditors, Grant Thornton, also attend each meeting. The Chairman of the Committee also meets separately with senior management and the external auditors.

The Chairman of the Audit Committee reports to the subsequent meeting of the Board on the Committee's work and the Board receives a copy of the minutes of each meeting.

The Committee's effectiveness is reviewed annually as part of the Board evaluation exercise.

Under its terms of reference, the Audit Committee is responsible for monitoring the independence, objectivity and performance of the 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 auditors of the Group for the period ended 31 March 2005.

The auditors have confirmed to the Committee that in relation to their services to the Company they comply with UK regulatory and professional requirements, including Ethical Standards issued by the Auditing Practices Board and that their objectivity is not compromised.

The auditors are required each year to confirm in writing that they have complied with the independence rules of their profession and regulations governing independence. Before Grant Thornton takes on any engagement for other services from the Company careful consideration is given as to whether the project could conflict with their role as auditor or impair their independence.

The Remuneration Committee
The Remuneration Committee is chaired by Crawford Beveridge and its other members are Ian Ritchie and Ian Steele. 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 and the cash flow forecasts for the next two financial periods, and associated risks and the availability of bank and leasing facilities. The £60m revolving credit facility is available from Lloyds Banking Group plc until June 2019.

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

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

Quality of Personnel and Employee Involvement

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

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

Business Ethics

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

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

Customers

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

Suppliers and Subcontractors

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

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

Employees

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

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

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

Bruce Hall

Bruce Hall
Company secretary
12 June 2017

Directors' Remuneration Report for the year to March 2017

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 to ensure that the remuneration policy both reflects our strategy and is aligned with shareholders' interests.

We have provided disclosures in addition to that which is required by AIM Rule 19 on a voluntary basis to enable shareholders to understand and consider our remuneration arrangements. In line with best practice, we will also voluntarily submit this report to an advisory shareholder vote 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
- alignment with our overall strategy and the continued commitment of executives to the Group's success through appropriate incentive schemes.

The committee is chaired by Crawford Beveridge. Ian Ritchie, the Company's non-executive Chairman and Ian Steele are also members of the Committee. The CEO may attend meetings from time to time at the invitation of the committee and provide information and support as requested. Directors are not present when their own remuneration is being discussed.

The committee normally meets at least twice per year and met two times during the current year.

Remuneration of executive directors

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

Element	Overview of policy and structure	Opportunity	Performance measures
Base salary	• The remuneration committee sets base salaries to reflect responsibilities and the skill, knowledge and experience of the individual taking into account salary levels at similar sized businesses. • 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.	• The committee recently reviewed base salary and salaries with effect from 1 April 2017 will be as follows: • CEO – £350,000 • FD – £210,000	n/a

Remuneration of executive directors (continued)

Element	Overview of policy and structure	Opportunity	Performance measures
Annual bonus	• The executive directors are eligible to receive an annual bonus dependent on Group and individual performance at the discretion of the remuneration committee. • Bonuses are normally paid in cash following the year end.	The maximum annual bonus opportunity is 135% of base salary.	• The level of executive directors' discretionary bonus payments is determined by a number of factors including the Group's financial performance, its successful continuation of its organic and acquisitive strategy, its continual internal improvement programme and the individual's own performance. • For the bonus for the March 2018 financial year the performance measures will be based primarily on Group adjusted EBITDA performance, with the above criteria taken into account by the Committee when determining payments. • For achievement of target a bonus 100% of salary is paid. Executives only receive more than 100% of salary for performance well in excess of target. Bonuses reduce significantly if targets are not achieved with no bonuses payable if less than 90% of target is achieved.
Performance share plan	• The Group operates a performance share plan for executive directors and managers to reward, retain and incentivise those individuals 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. • Awards are granted in the form of 1p options. • No share options awarded will vest any earlier than the third anniversary of the date of grant of the option. • Participants have 10 years from award to exercise awards	The maximum award under the performance share plan is 110% of base salary.	• The vesting of options is subject to the achievement of performance conditions and the executive continuing in employment with the group. • Performance is assessed based on the achievement of profit targets in three years set with reference to our organic and acquisitive growth strategy. • Options granted in April 2017 will vest based on Group adjusted EBITDA performance for the March 2020 financial year to ensure continued focus on driving profit performance.

Remuneration of executive directors (continued)

Element	Overview of policy and structure	Opportunity	Performance measures
Pension	• The Company may make pension contributions to individuals' personal pension arrangements.	• The maximum contributions payable by the Group are 2 times the contribution made by the director up to a maximum employer contribution of 10% of basic salary. • Neither the CEO nor the CFO currently receive a pension contribution.	n/a
Benefits	• The executive directors are entitled to life insurance cover, death in service benefits and to participate in the Group's Private Medical Insurance scheme. • The Group operates a Sharesave scheme for all employees including executive and non-executive directors.	n/a	n/a

Service contracts

Executive directors are engaged under service contracts which require the following notice periods:

Angus MacSween	12 months
Richard Logan	6 months

Remuneration of non-executive directors

The fees paid to the non-executive directors are determined by the Board. In addition to basic fees, non-executive directors are eligible to participate in the Sharesave scheme. Non-executive directors are not entitled to receive any bonus or other benefits. Non-executive directors are entitled to reasonable expenses incurred in the performance of their duties.

Non-executive directors' fees were reviewed during the year to ensure that they are appropriate for a company of our size and complexity. Our policy for the March 2018 financial year is to pay a fee of £40,000 per annum for Board Director duties with additional fees of £5,000 per annum paid to the Audit and Remuneration Committee chairman to reflect the additional time required to fulfil these roles.

The chairman receives a fee of £75,000 per annum.

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

Directors' remuneration for the year ended 31 March 2017

Details of individual director's emoluments for the year are as follows (this information has been audited):

Name of director	Salary or fees £	Bonus £	Benefits £	Pension contributions £	Year ended 31 March 2017 Total £	Year ended 31 March 2016 Total £
Executive directors						
Angus MacSween	330,000	231,000	4,210	-	565,210	595,706
Richard Logan	196,000	137,200	2,669	-	335,869	373,020
Sarah Haran [1]	191,000	133,700	940	-	325,640	361,660
Non-executive directors						
Chris Batterham [2]	14,090	-	-	-	14,090	35,000
Crawford Beveridge	25,000	-	-	-	25,000	25,000
Ian Ritchie	55,000	-	-	-	55,000	55,000
Ian Steele [3]	27,462	-	-	-	27,462	-

[1] Sarah Haran stepped down from the Board on 31 March 2017
[2] Chris Batterham stepped down from the Board on 24 August 2016
[3] Ian Steele joined the Board on 15 June 2016

Directors' interests in shares
The interests of the directors in the shares of the company at 31 March 2017, together with their interests at 1 April 2016 were as follows:

	Number of ordinary shares	
	31 March 2017	**At 1 April 2016**
Name of director		
Angus MacSween	16,998,789	16,994,087
Chris Batterham (resigned 24 August 2016)	n/a	90,621
Crawford Beveridge	30,000	30,000
Sarah Haran (resigned 31 March 2017)	1,956,449	1,963,747
Richard Logan	962,095	969,393
Ian Ritchie	156,102	151,400
Ian Steele (appointed 15 June 2016)	-	n/a

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

The interests of the directors at 31 March 2017 in options over the ordinary shares of the Company were as follows:

Name of director	At 1 April 2016	Exercised	Granted	Lapsed	At 31 March 2017	Exercise price	Date of Grant	Date from which exerciseable	Expiry date
Angus MacSween	43,010	-	-	-	43,010	46.5p	06/10/2008	31/03/2009	06/10/2018
	113,334	-	-	-	113,334	1p	27/03/2013	31/05/2014	27/03/2023
	113,333	-	-	-	113,333	1p	27/03/2013	31/05/2015	27/03/2023
	113,333	-	-	-	113,333	1p	27/03/2013	31/05/2016	27/03/2023
	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
	-	-	134,281	-	134,281	1p	01/04/2016	01/04/2019	01/04/2026
	685,387	(4,702)	134,281	-	814,966				
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
	85,253	-	-	-	85,253	1p	28/08/2015	28/08/2018	28/08/2028
	-	-	70,574	-	70,574	1p	01/04/2016	01/04/2019	01/04/2026
	-	-	3,529	-	3,529	1p	24/08/2016	24/08/2019	24/08/2026
	503,603	(62,817)	74,103	-	514,889				
Richard Logan	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
	87,557	-	-	-	87,557	1p	28/08/2015	28/08/2018	28/08/2028
	-	-	72,481	-	72,481	1p	01/04/2016	01/04/2019	01/04/2026
	-	-	7,428	-	7,428	1p	24/08/2016	24/08/2019	24/08/2026
	437,454	(4,702)	79,909	-	512,661				
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
	9,322	(4,702)	-	-	4,620				

During the year options over 288,293 ordinary shares (2016: 348,385) were granted to Directors under the unapproved share option scheme with an average exercise price of 1.0p per share (2016: 1.0p per share) and no options over ordinary shares under the Sharesave scheme were granted to Directors (2016: 18,480 with an average exercise price of 194.8p per share).

Between 25 August 2016 and 26 August 2016, Richard Logan sold 6,000 ordinary shares at an average price of 307.3p per share resulting in proceeds of £18,440. Over the same time period, Mr Logan's spouse sold 6,000 ordinary shares at an average price of 307.3p per share resulting in proceeds of £18,440. On 26 August 2016, Sarah Haran sold 6,000 ordinary shares for 306.0p per share resulting in proceeds of £18,360. Between 30 August 2016 and 31 August 2016, Mrs Haran's spouse sold 6,000 ordinary shares at an average price of 297.5p per share resulting in proceeds of £17,850.

On 6 December 2016, Sarah Haran exercised 58,115 share options under the Company's Enterprise Management Incentive Share Option Scheme at an exercise price of 50.5p. Mrs Haran sold the resulting 58,115 ordinary shares on 7 December 2016 at a price of 289.0p per share resulting in a gain on exercise of £138,604. The market price on the date of exercise was 291.3p.

On 1 February 2017, Angus MacSween, Richard Logan, Sarah Haran and Ian Ritchie each exercised 4,702 share options under the Company's sharesave scheme at an exercise price of 191.4p per share each resulting in a gain on exercise of £5,436. The market price on the date of exercise was 307.0p.

The market price of the company's shares at the end of the financial period was 296.5p and the range of prices during the period was between 245.0p and 325.0p.

By order of the board

Crawford Beveridge
Chairman, Remuneration committee
12 June 2017

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 2017.

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.

The Group has a £60m multi option revolving credit facility with Lloyds Banking Group plc. At the start of the year there was £34.5m outstanding on the multi option revolving credit facility and there were no drawdowns made from the facility during the year. Repayments totalling £16.0m were made resulting in a balance outstanding at the end of the year of £18.5m.

The 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 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 3.32% (2016: 3.17%).

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. As a consequence, at 31 March 2017, £2m 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 £84,000 (2016: £64,000) which has been recognised in profit or loss for the year.

The Group's borrowings at 31 March 2017 comprise finance leases totalling £0.9m (2016: £1.4m) and bank facility usage totalling £18.5m (2016: £34.5m). The interest rates on the finance leases are fixed for the term of the lease at between 9.3% and 11.5% and the average interest rate was 11.2% (2016: 9.9%).

The Group has exposure to movements in the exchange rate of the US dollar as certain domain name purchases and licences 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 2017 (2016: nil). The directors recommend a final dividend for the year ended 31 March 2017 of 6.00p per share (2016: 3.15p 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.

Post balance sheet events

On 17 May 2017 the Company acquired the entire share capital of Dediserve Limited. Further details of the acquisition have been given in note 31.

Future developments

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 7 to 15.

Directors and their interests

The present membership of the board is set out on page 84 and the directors who served during the year are listed on page 25. In accordance with the company's Articles of Association Angus MacSween, Richard Logan and Crawford Beveridge are due to retire by rotation. Angus MacSween and Richard Logan 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 22 to 27.

Insurance for directors and officers

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

Substantial shareholdings

At 30 May 2017 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
Liontrust Asset Management	17,182,408	15.97%
Angus MacSween	16,998,789	15.80%
Octopus Investments	10,767,142	10.01%
Schroders plc	7,727,716	7.18%
Investec Wealth & Investment	4,077,324	3.79%
Noble Grossart Investment Limited	3,505,000	3.26%

Transactions in own shares

During the year 745,797 (2016: 98,567) 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 £1,065,018 (2016: £91,374) 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

Bruce Hall
Company secretary
12 June 2017

Directors' Responsibilities Statement

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 2017 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 30, 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 parent company financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS 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, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 Group, or returns adequate for our audit have not been received from branches not visited by us; or
- the Group 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 on the information in the Directors' Remuneration Report that is described as having been audited and have reported separately on the parent company financial statements of iomart Group plc for the year ended 31 March 2017.

Grant Thornton UK LLP

Robert Hannah
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
12 June 2017

Consolidated statement of comprehensive income. Year ended 31March 2017

	Note	2017 £'000	2016 £'000
Revenue		89,573	76,280
Cost of sales	4	(32,266)	(24,650)
Gross profit		**57,307**	**51,630**
Administrative expenses	4	(41,074)	(37,917)
Operating profit		**16,233**	**13,713**
Analysed as:			
Earnings before interest, tax, depreciation, amortisation, acquisition costs, share based payments and gain on revaluation of contingent consideration		**36,570**	**32,341**
Share based payments	27	(1,844)	(1,081)
Acquisition costs	6	(104)	(116)
Depreciation	4	(10,972)	(10,878)
Amortisation – acquired intangible assets	4	(5,558)	(5,354)
Amortisation – other intangible assets	4	(1,859)	(1,199)
Gain on revaluation of contingent consideration	30	-	870
Finance income	7	22	128
Finance costs	7	(1,601)	(1,687)
Profit before taxation		**14,654**	**13,024**
Taxation	9	(2,571)	(2,005)
Profit for the year attributable to equity holders of the parent		**12,083**	**11,019**
Other comprehensive income			
Amounts which may be reclassified to profit or loss			
Currency translation differences		22	10
Other comprehensive income for the year		**22**	**10**
Total comprehensive income for the year attributable to equity holders of the parent		**12,105**	**11,029**

	Note	2017	2016
Basic and diluted earnings per share			
Total operations			
Basic earnings per share	12	11.27 p	10.32 p
Diluted earnings per share	12	11.08 p	10.17 p

The following notes form part of the financial statements.

	Note	2017 £'000	2016 £'000
ASSETS			
Non-current assets			
Intangible assets – goodwill	13	62,000	61,123
Intangible assets – other	13	19,707	23,065
Lease deposits	14	2,760	2,760
Property, plant and equipment	16	35,049	36,045
		119,516	**122,993**
Current assets			
Cash and cash equivalents	18	8,906	10,341
Trade and other receivables	17	15,080	13,718
		23,986	**24,059**
Total assets		**143,502**	**147,052**
LIABILITIES			
Non-current liabilities			
Contingent consideration due on acquisitions	21	-	(2,068)
Non-current borrowings	22	(625)	(826)
Trade and other payables	20	(102)	(455)
Provisions	23	(1,721)	(1,879)
Deferred tax	10	(888)	(2,075)
		(3,336)	**(7,303)**
Current liabilities			
Contingent consideration due on acquisitions	21	(2,373)	(1,135)
Trade and other payables	19	(23,368)	(19,532)
Provisions	23	(38)	(211)
Current income tax liabilities		(2,000)	(1,504)
Current borrowings	22	(18,872)	(35,098)
		(46,651)	**(57,480)**
Total liabilities		**(49,987)**	**(64,783)**
Net assets		**93,515**	**82,269**
EQUITY			
Share capital	25	1,078	1,078
Own shares	26	(120)	(489)
Capital redemption reserve		1,200	1,200
Share premium		21,067	21,067
Merger reserve		4,983	4,983
Foreign currency translation reserve		(15)	(37)
Retained earnings		65,322	54,467
Total equity		**93,515**	**82,269**

These financial statements were approved by the board of directors and authorised for issue on 12 June 2017.
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 financial statements

Consolidated statement of cash flows. Year ended 31March 2017

	Note	2017 £'000	2016 £'000
Profit before taxation		**14,654**	**13,024**
Gain on revaluation of contingent consideration	30	-	(870)
Finance costs – net	7	1,579	1,559
Depreciation	4	10,972	10,878
Amortisation	4	7,417	6,553
Share based payments	27	1,844	1,081
Movement in trade receivables		837	(1,612)
Movement in trade payables		480	298
Cash flow from operations		**37,783**	**30,911**
Taxation paid		(3,874)	(4,311)
Net cash flow from operating activities		**33,909**	**26,600**
Cash flow from investing activities			
Purchase of property, plant and equipment	16	(10,189)	(12,385)
Capitalisation of development costs	13	(1,372)	(1,123)
Purchase of intangible assets	13	(1,845)	(1,207)
Payments for current period acquisitions net of cash acquired		(703)	(15,924)
Contingent consideration paid		(1,161)	(1,650)
Payment of deposits		-	(300)
Finance income received		22	33
Net cash used in investing activities		**(15,248)**	**(32,556)**
Cash flow from financing activities			
Issue of shares		1,064	91
Draw down of bank loans	22	-	16,500
Repayment of finance leases		(580)	(984)
Repayment of bank loans	22	(16,000)	(3,500)
Finance costs paid		(1,205)	(1,489)
Dividends paid	8	(3,375)	(2,668)
Net cash (used in)/received from financing activities		**(20,096)**	**7,950**
Net (decrease)/increase in cash and cash equivalents		**(1,435)**	**1,994**
Cash and cash equivalents at the beginning of the year		10,341	8,347
Cash and cash equivalents at the end of the year	18	**8,906**	**10,341**

The following notes form part of the financial statements.

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 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**
Profit in the year		-	-	-	-	-	-	-	12,083	12,083
Currency translation differences		-	-	-	22	-	-	-	-	22
Total comprehensive income		**-**	**-**	**-**	**22**	**-**	**-**	**-**	**12,083**	**12,105**
Dividends – final (paid)	8	-	-	-	-	-	-	-	(3,375)	(3,375)
Share based payments	27	-	-	-	-	-	-	-	1,844	1,844
Deferred tax on share based payments	10	-	-	-	-	-	-	-	(392)	(392)
Issue of own shares for option redemption	26	-	-	369	-	-	-	-	695	1,064
Total transactions with owners		**-**	**-**	**369**	**-**	**-**	**-**	**-**	**(1,228)**	**(859)**
Balance at 31 March 2017		**1,078**	**(70)**	**(50)**	**(15)**	**1,200**	**21,067**	**4,983**	**65,322**	**93,515**

The following notes form part of the 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 84 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:

- IAS 16 and IAS 38 - Amendments relating to Clarification of Acceptable Methods of Depreciation and Amortisation.
- IAS 27 - Amendments relating to Equity Method in Separate Financial Statements.
- IFRS 9 – Financial instruments.
- IFRS 10 and IAS 28 - Amendments relating to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- IFRS 11 - Amendments relating to Acquisitions of Interests in Joint Operations.
- Annual Improvements to IFRSs 2012 - 2014 cycle.

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

IFRS 15, Revenue from Contracts with Customers, becomes effective for the Group on 1 April 2018. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognised at the date of initial application (the cumulative catch-up transition method). It is expected that the Group will adopt the cumulative catch-up transition method.

The Group is currently performing a detailed analysis of the impact of IFRS 15 on all aspects of its business. The preliminary analysis has been substantially completed and the indications are that the vast majority of the Group's current accounting policies as regards revenue recognition will not change as a result of the adoption of IFRS 15.

The review has identified some minor areas in which adjustments may be required in revenue and cost recognition and in the related procedures and processes. The areas which are likely to be affected are in relation to set-up fees within the Cloud Services segment and revenue from domain registration within the Easyspace segment.

Cloud Services segment

Under IFRS 15 some set-up fees charged on contracts, which are currently recognised when the set-up is complete, will require to be spread over the life of the contract.

The impact of any changes, both individually and in aggregate are not expected to be material to the revenue or profits in any given financial year.

Easyspace segment

The total revenue from the provision of domain names is currently recognised at the point of sale when the title to the domain name passes to the customer. Under IFRS 15 this revenue will require to be split between the registration of the domain and the ongoing services, such as support and mail forwarding, which are provided by the company over the period of registration of the domain.

As with the Cloud Services segment, the impact of any changes, both individually and in aggregate are not expected to be material to the revenue or profits in any given financial year.

Non-recurring segment

The current accounting policies within the non-recurring segment comply fully with IFRS 15, and as such, no adjustments will be required.

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.

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 2017. 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.

2. ACCOUNTING POLICIES (CONTINUED)

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

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

Revenue

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

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

Easyspace

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

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.

Non-recurring

This operating segment provides data storage, backup and virtualisation solutions. Revenue from the supply of hardware or software, and the provision of services in respect of installation or training, is recognised when delivery and installation of the equipment is completed. Revenue from the sale of cloud computing facilities and support services is spread evenly over the period of the agreement and only after the service has been established. Any unearned portion of revenue is included in payables as deferred revenue.

Interest

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

Intangible assets

Goodwill

Goodwill arising on consolidation is capitalised in 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.

2. ACCOUNTING POLICIES (CONTINUED)

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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

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 determine a suitable interest rate to calculate the present value of the future cash flows. Discount factors are determined for each cash generating unit to reflect the underlying risks involved. The future cash flows used in the calculation are based on the Group's latest approved budget.

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

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

Leased assets

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

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

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

Lease deposits

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

Borrowings

Borrowings are initially stated at fair value after deduction of any issue costs. The carrying amount is increased by the finance costs in respect of the accounting period and reduced by payments made in the period. Borrowings are subsequently stated at amortised cost, any difference between the periods (net of transaction costs) and the redemption value is recognised through profit or loss over the period of the borrowings using the effective interest method. Where borrowings are repaid early and new loan facilities agreed the terms of each loan facility are compared. Where the terms of the new borrowings are significantly different from those of the previous borrowings, the previous borrowings are treated as extinguished rather than modified as prescribed under IAS 39.

Reinstatement costs

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past 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.

2. ACCOUNTING POLICIES (CONTINUED)

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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

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

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

All share-based remuneration plans are ultimately recognised as an expense through profit or loss with a corresponding credit to 'retained earnings'.

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

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

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

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

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 7 to 15. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Director's Report on pages 7 to 10.

In addition, Note 30 to the financial statements includes 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 £18.5m is drawn down at the year end and which is available until June 2019. The net debt balances at the end of the period stood at £10.6m (2016: £25.6m) 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.

3. SEGMENTAL ANALYSIS

The chief operating decision-maker has been identified as the Chief Executive Officer ("CEO") of the Company. The Group has three operating segments and the CEO reviews the Group's internal reporting which recognises these three 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 three operating and reportable segments. In the previous year there were only two segments. During the year the Group acquired Cristie Data. Unlike the other operations in the Group, Cristie Data has largely non-recurring revenue and therefore this has been included in a separate segment.

- Easyspace – this segment provides a range of shared hosting and domain registration services to micro and SME companies.
- 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 including iomart Cloud, RapidSwitch, Redstation, Backup Technology and SystemsUp.
- Non-recurring – this segment provides data storage, backup and virtualisation solutions across a range of sectors, from SMEs to large enterprises, encompassing both public and private sector.

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 three 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

	2017			2016		
	External £'000	**Internal £'000**	**Total £'000**	**External £'000**	**Internal £'000**	**Total £'000**
Easyspace	13,249	12	13,261	10,883	-	10,883
Cloud Services	72,685	1,538	74,223	65,397	1,114	66,511
Non-recurring	3,639	-	3,639	-	-	-
	89,573	**1,550**	**91,123**	**76,280**	**1,114**	**77,394**

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

	2017 £'000	**2016 £'000**
United Kingdom	75,163	64,218
Rest of the World	14,410	12,062
Revenue from operations	**89,573**	**76,280**

3. SEGMENTAL ANALYSIS (CONTINUED)

Profit by Operating Segment

	2017			2016		
	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	6,244	(948)	5,296	5,094	(815)	4,279
Cloud Services	33,680	(17,120)	16,560	31,084	(16,616)	14,468
Non-recurring	326	(321)	5	-	-	-
Group overheads	(3,680)	-	(3,680)	(3,837)	-	(3,837)
Acquisition costs	-	(104)	(104)	-	(116)	(116)
Share based payments	-	(1,844)	(1,844)	-	(1,081)	(1,081)
Profit before tax and interest	36,570	(20,337)	16,233	32,341	(18,628)	13,713
Gain on revaluation of contingent consideration			-			870
Group interest and tax			(4,150)			(3,564)
Profit for the year	**36,570**	**(20,337)**	**12,083**	**32,341**	**(18,628)**	**11,019**

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:

	2017 £'000	2016 £'000
Staff costs excluding development costs capitalised and research and development costs written off profit or loss	19,184	16,751
Depreciation of property, plant and equipment		
- Owned assets	10,495	10,171
- Leased assets	477	707
Property, plant and equipment hire		
- Land and buildings	2,623	2,714
- Plant and machinery	76	91
Amortisation of intangible assets		
- Acquired intangible assets	5,558	5,354
- Other intangible assets	1,859	1,199
R&D expensed to profit or loss	74	168
Marketing and sales	1,399	1,429
Bad debt expense	622	513
Exchange gain	(524)	(39)
Premises and office	5,736	5,744

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

Auditors' remuneration	2017 £'000	2016 £'000
Audit services:		
- Fees payable for the audit of the consolidation and the parent company accounts	55	50
- Fees payable for audit of subsidiaries, pursuant to legislation	77	66
Non-audit services:		
- Assurance service fees	6	19
- Tax advisory	23	-
- Tax compliance	50	50
	211	**185**

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2017 £'000	2016 £'000
Directors' emoluments		
Aggregate emoluments	1,348	1,408
Pension contributions to personal money purchase schemes	-	38
Share based payments	819	655
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments	565	596
Pension contributions to personal money purchase schemes	-	-

During the year the Company did not make any personal pension contributions to personal pension schemes of the directors (2016: 2).

The aggregate amount of gains realised by directors on the exercise of share options during the year was £161,600 (2016: £98,200).

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 22 to 27.

	2017 No.	2016 No.
Average number of persons employed by the Group (including directors):		
Technical	242	224
Sales and marketing	99	97
Administration	46	55
	387	**376**

	2017 £'000	2016 £'000
Staff costs of the Group during the year in respect of employees and directors were:		
Wages and salaries	16,739	15,194
Social security costs	1,726	1,612
Pension costs	172	155
Share based payments	1,844	1,081
	20,481	**18,042**

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 22 to 27. 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

	2017 £'000	2016 £'000
Professional fees	99	263
Non-recurring integration costs:		
- Onerous lease provisions	-	(169)
- Other	5	22
Total acquisition costs	**104**	**116**

During the year costs of £99,000 (2016: £263,000) were incurred in respect of professional fees on acquisitions and £5,000 (2016: £22,000) other costs directly related to the integration of acquisitions into the Group were also incurred. In the previous year a one-off credit of £169,000 was earned in relation to provisions (note 23).

7. NET FINANCE COST

	2017 £'000	2016 £'000
Finance income:		
Bank interest receivable	22	21
Other interest income	-	107
Finance income for the year	**22**	**128**
Finance expenses:		
Bank loan	(1,131)	(1,109)
Finance leases	(172)	(251)
Other interest charges	(52)	(62)
	(1,355)	(1,422)
Items affecting adjusted profit before tax calculation:		
Mark to market interest adjustment	84	64
Accelerated write off of arrangement fees on restructuring of facility	-	(177)
Finance charge on contingent consideration on business combinations	(330)	(152)
Finance expense for the year	**(1,601)**	**(1,687)**
Net finance cost	**(1,579)**	**(1,559)**

Included in other interest income is £nil (2016: £95,000) in respect of leasehold deposits and £nil (2016: £12,000) other interest.

8. DIVIDENDS ON SHARES CLASSED AS EQUITY

	2017 Pence per share	2017 £'000	2016 Pence per share	2016 £'000
Paid during the year:				
Final dividend				
Equity dividends on ordinary shares	3.15p	3,375	2.50p	2,668

The directors have recommended a final dividend for the year ended 31 March 2017 of 6.00p per share (2016: 3.15p per share). Subject to shareholder approval this proposed final dividend would be payable on 6 September 2017 to shareholders on the register as of 11 August 2017.

9. TAXATION

	2017 £'000	2016 £'000
Tax charge for the year	(4,349)	(3,663)
Adjustment relating to prior years	(12)	52
Total current taxation charge	**(4,361)**	**(3,611)**
Origination and reversal of temporary differences	1,751	1,482
Adjustment relating to prior years	227	31
Effect of different statutory tax rates of overseas jurisdictions	27	61
Effect of changes in tax rates	(215)	32
Total deferred taxation credit	**1,790**	**1,606**
Total taxation charge	**(2,571)**	**(2,005)**

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:

	2017 £'000	2016 £'000
Profit before tax	14,654	13,024
Tax charge @ 20% (2016 – 20%)	2,931	2,605
Expenses disallowed for tax purposes	134	67
Non-taxable income	-	(174)
Adjustments in current tax relating to prior years	12	(52)
Effect of different statutory tax rates of overseas jurisdictions	5	(53)
Movement in deferred tax relating to changes in tax rates	215	(32)
Effect of research and development tax reliefs	(326)	(335)
Tax effect of share based remuneration	(151)	(206)
Movement in unprovided deferred tax related to development costs	(13)	228
Movement in unprovided deferred tax related to property, plant and equipment	(9)	(12)
Movement in deferred tax relating to prior years	(227)	(31)
Taxation charge for the year	**2,571**	**2,005**

The weighted average applicable tax rate for the year ended 31 March 2017 was 20% (2016: 20%). The total current corporation tax charge for the year of £4,349,000 (2016: £3,663,000) on operations represents 29.7% (2016: 28.1%) of the Group profit before tax of £14,654,000 (2016: £13,024,000). 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 17.5% (2016: 15.4%). The increase of 2.1% is mainly due to the reduction in future corporation rates which has had an adverse impact on the deferred tax charge relating to our deferred tax assets, a prior year adjustment in deferred tax relating to the lower availability of capital allowances than previously anticipated and the absence of non-taxable income in the year when in the previous year the gain on the revaluation of contingent consideration was non-taxable. This has been partially offset by a prior year adjustment in deferred tax relating to share based payments and the absence of a deferred tax charge relating to development costs in the current year following the initial recognition of a deferred tax liability in the prior year.

A number of changes to the UK Corporation tax system were announced in the March 2016 Budget Statement with the main rate of corporation tax reduced from 18% to 17% 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:

	2017		2016	
	Deferred tax Recognised £'000	Deferred tax Unrecognised £'000	Deferred tax Recognised £'000	Deferred tax Unrecognised £'000
Share based remuneration	1,135	-	1,010	-
Capital allowances temporary differences	1,181	-	1,103	-
Deferred tax on development costs	(311)	-	(195)	-
Deferred tax on acquired assets with no capital allowances	(326)	-	(442)	-
Deferred tax on customer relationships	(2,567)	-	(3,551)	-
Deferred tax liability	**(888)**	**-**	**(2,075)**	-

At the year end, the Group had no unused tax losses (2016: £nil) 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 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)**
Acquired on acquisition of subsidiary	-	-	(14)	-	-	(186)	**(200)**
Charged to equity	-	(392)	-	-	-	-	**(392)**
(Charged)/credited to statement of comprehensive income	-	546	321	(116)	108	1,108	**1,967**
Effect of different tax rates of overseas jurisdictions	-	-	-	-	-	27	**27**
Effect of changes in tax rates	-	(29)	(229)	-	8	35	**(215)**
Balance at 31 March 2017	**-**	**1,135**	**1,181**	**(311)**	**(326)**	**(2,567)**	**(888)**

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

Cristie Data Limited

The Group acquired 100% of the issued share capital of Cristie Data Limited ("Cristie") on 25 August 2016.

Cristie is a Stroud based data storage, backup and virtualisation solutions provider, which has operated across all sectors of industry from SMEs to large enterprises, and public sector to private sector for over 40 years. Cristie is particularly active in the education and health sectors, which offers the opportunity for the Group to increase its presence in these areas. The acquisition is in line with the Group's strategy to grow its operations both organically and by acquisition.

During the current period the Group incurred £99,000 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 2017.

The following table summarises the consideration to acquire Cristie 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	3,104
Trade and other receivables	2,226
Property, plant and equipment	206
Intangible assets	982
Trade and other payables	(3,358)
Current borrowings	(25)
Current income tax liabilities	(33)
Deferred tax liability	(200)
Identifiable net assets	**2,902**
Goodwill	877
Total consideration	**3,779**
Satisfied by:	
Cash – paid on acquisition	3,779
Total consideration to be transferred	**3,779**

The agreed purchase price for the shares, on a cash-free, debt-free, normalised working capital basis was £1,250,000. On the date of the acquisition a payment of £3,779,000 was made in cash, including an amount of £2,529,000 in settlement in respect of the additional debt assumed, cash acquired and normalised working capital position of Cristie at completion.

The goodwill arising on the acquisition of Cristie 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 Cristie Data is not actively advertised or promoted, with the majority of Cristie's business being generated from existing customers, by word of mouth or from attendance at trade exhibitions. Cristie's privacy policy includes a commitment not to sell, distribute or lease any personal information it holds on customers unless the customer's permission is given. 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.

11. ACQUISITIONS (CONTINUED)

Cristie Data Limited (continued)

The fair value included in respect of the acquired customer relationships intangible asset is £982,000.

To estimate the fair value of the customer relationships intangible asset, a discounted cash flow method, specifically the income approach, was used with reference to the directors' estimates of the level of revenue which will be generated from them. A post-tax discount rate of 11.22% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 5 years. The fair value of the financial assets acquired includes trade receivables with a fair value of £496,000. The gross amount due under contracts is £500,000 of which £4,000 are expected to be uncollectable.

Provisional fair values of the acquired assets and liabilities, including goodwill, were reported in the interim report for the 6 months ended 30 September 2016. Following a detailed review of Cristie's accounting policies in respect of revenue recognition, the policy relating to the sale of third party maintenance and support contracts was changed to defer the revenue over the life of the contract, in compliance with FRS 101, rather than recognising it in full when the sale was completed. The treatment of the cost of purchasing the third party maintenance and support contracts, which was previously expensed in full when paid, has also been changed to spread the costs over the life of the contract, with the deferred element of the cost being included in receivables.

These adjustments have been reflected in the table of net assets acquired and liabilities assumed with trade and other payables being increased by £1,997,000, offset by an increase of £1,655,000 in trade and other receivables, and a reduction in current income tax liabilities of £66,000, to give an increase in goodwill of £276,000.

The fair values of the acquired assets and liabilities, including goodwill, are now final.

Cristie earned revenue of £3,639,000 and generated profits, before allocation of group overheads, share based payments and tax, of £235,000 in the period since acquisition.

United Communications Limited

The fair values of acquired assets and liabilities, including goodwill, previously disclosed as provisional for United Communications Limited have been finalised in the current period with no changes to the fair values disclosed in the Annual Report and Accounts 2016.

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 2016. The amounts include the results of the acquired business, 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 2017
	£'000
Revenue	91,262
Profit after tax for the year	11,939

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	2017 £'000	2016 £'000
Profit for the financial year and basic earnings attributed to ordinary shareholders	**12,083**	**11,019**
	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	(465)	(898)
Own shares held by Employee Benefit Trust	(141)	(141)
Weighted average number of ordinary shares - basic	**107,197**	**106,764**
Dilutive impact of share options	1,808	1,609
Weighted average number of ordinary shares - diluted	**109,005**	**108,373**
Basic earnings per share	11.27 p	10.32 p
Diluted earnings per share	11.08 p	10.17 p

Adjusted earnings per share	**2017 £'000**	**2016 £'000**
Profit for the financial year and basic earnings attributed to ordinary shareholders	12,083	11,019
- Amortisation of acquired intangible assets	5,558	5,354
- Acquisition costs	104	116
- Share based payments	1,844	1,081
- Mark to market interest adjustment	(84)	(64)
- Accelerated write off of arrangement fees	-	177
- Finance charge on contingent consideration	330	152
- Gain on revaluation of contingent consideration	-	(870)
- Tax impact of adjusted items	(1,313)	(1,311)
Adjusted profit for the financial year and adjusted earnings attributed to ordinary shareholders	**18,522**	**15,654**
Adjusted basic earnings per share	17.28 p	14.66 p
Adjusted diluted earnings per share	16.99 p	14.44 p

13. INTANGIBLE ASSETS

	Goodwill £'000	Development costs £'000	Customer relationships £'000	Software £'000	Beneficial contracts £'000	Domain names & IP addresses £'000	Total £'000
Cost							
At 1 April 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**
Additions	-	-		1,670	-	-	1,670
Currency translation differences	-	-	101	40	-	-	141
Acquired on acquisition of subsidiary	877	-	982	-	-	-	1,859
Development cost capitalised	-	1,372	-	-	-	-	1,372
At 31 March 2017	**62,000**	**6,204**	**35,965**	**4,847**	**86**	**280**	**109,382**
Accumulated amortisation:							
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)**
Currency translation differences	-	-	(77)	(29)	-	-	(106)
Charge for the year	-	(989)	(5,551)	(815)	(7)	(55)	(7,417)
At 31 March 2017	**-**	**(4,183)**	**(20,936)**	**(2,297)**	**(33)**	**(226)**	**(27,675)**
Carrying amount:							
At 31 March 2017	**62,000**	**2,021**	**15,029**	**2,550**	**53**	**54**	**81,707**
At 31 March 2016	61,123	1,638	19,574	1,684	60	109	84,188

Of the total additions in the year of £1,670,000 (2016: £1,020,000), £122,000 (2016: £297,000) was included in trade payables as unpaid invoices at the year end resulting in a net cash outflow of £175,000 (2016: net cash outflow £187,000) in trade payables. Consequently, the consolidated statement of cash flows discloses a figure of £1,845,000 (2016: £1,207,000) 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 £4.1m and a remaining useful life of 5 years; United Hosting with a net book value of £4.3m and a remaining useful life of 7 years; Melbourne Server Hosting with a net book value of £2.0m and a remaining useful life of 4 years; and ServerSpace with a net book value of £1.7m and remaining useful life of 6 years.

During the year, goodwill was reviewed for impairment in accordance with IAS 36 "Impairment of Assets". No impairment charges (2016: £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 Cristie Data acquisition has been allocated to the Non-recurring CGU as this is the CGU expected to benefit from the business combination.

13. INTANGIBLE ASSETS (CONTINUED)

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

Cash Generating Units (CGU)	2017 £'000	2016 £'000
Easyspace	23,210	23,210
Cloud Services	37,913	37,913
Non-recurring	877	-
	62,000	**61,123**

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	Non-recurring
Discount rate	13%	12%	14%
Average growth rate in years 3 to 5	2.5%	3.4%	2.5%
Future perpetuity rate	2.0%	2.0%	2.0%
Initial period for which cash flows are estimated (years)	2	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 (2016: £2,760,000) are made up of a rental deposit of £784,000 (2016: £784,000) and a reinstatement deposit of £1,976,000 (2016 £1,976,000). 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 deposits at the prevailing market rate and therefore they have 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 %	Ordinary share capital Owned by subsidiary undertakings %
Backup Technology Holdings Limited	England	Non-trading	100	-
Backup Technology Limited	England	Non-trading	-	100
Cristie Data Limited	England	Provision of data storage, backup and virtualisation solutions	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 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**
Additions in the year	-	647	697	8,115	231	-	9,690
Acquisition of subsidiary	-	-	-	179	27	-	206
Disposals in the year	-	(3)	-	(58)	-	-	(61)
Currency translation differences	-	-	-	125	-	-	125
At 31 March 2017	**2,062**	**7,967**	**21,169**	**55,603**	**2,614**	**68**	**89,483**
Accumulated depreciation:							
At 1 April 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)**
Charge for the year	(67)	(440)	(1,824)	(8,370)	(258)	(13)	(10,972)
Disposals in the year	-	3	-	58	-	-	61
Currency translation differences	-	-	-	(45)	-	-	(45)
At 31 March 2017	**(258)**	**(2,774)**	**(9,763)**	**(39,942)**	**(1,629)**	**(68)**	**(54,434)**
Carrying amount:							
At 31 March 2017	**1,804**	**5,193**	**11,406**	**15,661**	**985**	**-**	**35,049**
At 31 March 2016	1,871	4,986	12,533	15,657	985	13	36,045

The net book value of computer equipment held under finance lease at 31 March 2017 was £546,000 (2016: £930,000) and the net book value of datacentre equipment held under finance lease at 31 March 2017 was £456,000 (2016: £536,000).

Of the total additions in the year of £9,690,000 (2016: £11,883,000), none (2016: £97,000) were funded by finance leases and £1,256,000 (2016: £1,755,000) was included in trade payables as unpaid invoices at the year end resulting in a net decrease of £499,000 (2016: net decrease of £599,000) in trade payables. Consequently, the consolidated statement of cash flows discloses a figure of £10,189,000 (2016: £12,385,000) as the cash outflow in respect of property, plant and equipment additions in the year.

17. TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
Trade receivables	7,157	7,716
Less: Provision for impairment	(1,121)	(850)
Trade receivables (net)	**6,036**	**6,866**
Other receivables	553	619
Prepayments	7,889	5,819
Accrued income	602	414
Trade and other receivables	**15,080**	**13,718**

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 2017, £4,118,000 (2016: £4,460,000) of net trade receivables were fully performing. Net trade receivables of £1,918,000 (2016: £2,406,000) 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.

	2017 £'000	2016 £'000
Up to 3 months	1,887	2,349
Over 3 months but less than 6 months	-	57
Over 6 months but less than 1 year	31	-
Total unimpaired trade receivables which are past due	**1,918**	**2,406**

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

	2017 £'000	2016 £'000
Balance at start of the year	850	539
Increase in provision for receivables impairment	267	311
Fair value of trade receivable provision acquired during the year	4	-
Balance at end of year	**1,121**	**850**

18. CASH AND CASH EQUIVALENTS

	2017 £'000	2016 £'000
Cash at bank and on hand	8,906	10,341
Cash and cash equivalents	**8,906**	**10,341**

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 0.33% (2016: 0.50%).

19. TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Trade payables	(5,958)	(5,215)
Other taxation and social security	(2,385)	(1,823)
Accruals	(6,660)	(6,331)
Deferred income	(8,257)	(5,980)
Other creditors	(108)	(183)
Trade and other payables	**(23,368)**	**(19,532)**

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

	2017 £'000	2016 £'000
Trade payables	(102)	(455)
Non-current trade and other payables	**(102)**	**(455)**

21. CONTINGENT CONSIDERATION

	2017 £'000	2016 £'000
Contingent consideration due on acquisitions within one year:		
- Systems Up Limited	-	(135)
- United Communications Limited	(2,373)	(1,000)
	(2,373)	(1,135)
Contingent consideration due on acquisitions after more than one year:		
- United Communications Limited	-	(2,068)
	-	(2,068)
Total contingent consideration due on acquisitions	**(2,373)**	**(3,203)**

22. BORROWINGS

	2017 £'000	2016 £'000
Current:		
Obligations under finance leases	(233)	(573)
Bank loans	(18,639)	(34,525)
Current borrowings	**(18,872)**	**(35,098)**
Non-current:		
Obligations under finance leases	(625)	(826)
Bank loans	-	-
Total non-current borrowings	**(625)**	**(826)**
Total borrowings	**(19,497)**	**(35,924)**

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:

	2017			2016		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	233	81	314	573	130	703
Due between two and five years	541	170	711	587	237	824
Due after more than five years	84	3	87	239	24	263
	858	**254**	**1,112**	**1,399**	**391**	**1,790**

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 11.2% (2016: 9.9%). Lease payments are made on a monthly and quarterly basis. The future lease obligation of £1,112,000 (2016: £1,790,000) has a present value of £858,000 (2016: £1,399,000).

At the start of the year there was £34.5m outstanding on the multi option revolving credit facility and there were no drawdowns made from the facility during the year. Repayments totalling £16.0m were made resulting in a balance outstanding at the end of the year of £18.5m.

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 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 3.32% (2016: 3.17%).

22. BORROWINGS (CONTINUED)

The future loan obligations of £18,722,000 (2016: £34,907,000) equate to a present value of £18,315,000 (2016: £33,922,000). The capital element of the bank loans is £18,639,000 (2016: £34,525,000) and this differs from the net amount drawn down of £18,500,000 (2016: £34,500,000) due to an effective interest rate adjustment.

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

	2017			2016		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	18,639	83	18,722	34,525	382	34,907
Due between two and five years	-	-	-	-	-	-
	18,639	**83**	**18,722**	**34,525**	**382**	**34,907**

Analysis of change in net cash/(debt)	Cash and cash equivalents £'000	Bank loans £'000	Finance leases and hire purchase £'000	Total £'000
At 1 April 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 subsidiary	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)**
Repayment of bank loans	-	16,000	-	16,000
Impact of effective interest rate	-	(114)	-	(114)
Acquired on acquisition of subsidiaries	3,104	-	-	3,104
Currency translation differences	-	-	(39)	(39)
Cash flow	(4,539)	-	580	(3,959)
At 31 March 2017	**8,906**	**(18,639)**	**(858)**	**(10,591)**

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.

	2017 £'000	2016 £'000
Current:		
Onerous	(38)	(211)
Total current provisions	**(38)**	**(211)**
Non-current:		
Reinstatement	(1,721)	(1,668)
Onerous	-	(211)
Total non-current provisions	**(1,721)**	**(1,879)**
Total borrowings	**(1,759)**	**(2,090)**

23. PROVISIONS (CONTINUED)

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

	2017			2016		
	Reinstatement £'000	Onerous £'000	Total £'000	Reinstatement £'000	Onerous £'000	Total £'000
Balance at start of the year	(1,668)	(422)	(2,090)	(1,617)	(823)	(2,440)
Provision released during year	-	-	-	-	169	169
Reduction in provision	-	384	384	-	232	232
Unwinding of discount	(53)	-	(53)	(51)	-	(51)
	(1,721)	**(38)**	**(1,759)**	**(1,668)**	**(422)**	**(2,090)**

24. OPERATING LEASES

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

	2017		2016	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	1,934	76	2,406	76
Between two to five years	4,294	285	5,853	289
After five years	1,857	137	2,458	208
	8,085	**498**	**10,717**	**573**

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.

25. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
Authorised		
At 31 March 2015, 2016 and 2017	**200,000,000**	**2,000**
Called up, allotted and fully paid		
At 31 March 2015, 2016 and 2017	**107,803,006**	**1,078**

At 31 March 2017 the Company held 100,839 shares (2016: 846,636) as own shares in treasury which were accounted for in the Own Shares Treasury reserve and had a nominal value of £1,008 (2016: £8,466) and a market value of £298,988 (2016: £2,285,917). This represents 0.1% (2016: 0.8%) of the issued share capital as at 31 March 2017 excluding own shares.

At 31 March 2017 the Company held 140,773 shares (2016: 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 (2016: £1,408) and a market value of £417,392 (2016: £380,088). This represents 0.1% (2016: 0.1%) of the issued share capital as at 31 March 2017 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 2017 are fully paid.

26. OWN SHARES RESERVES

	Own shares EBT £'000	Own shares Treasury £'000	Own shares Total £'000
At 1 April 2015	**(70)**	**(468)**	**(538)**
Issue of own shares from Treasury for option redemption	-	49	49
At 31 March 2016	**(70)**	**(419)**	**(489)**
Issue of own shares from Treasury for option redemption	-	369	369
At 31 March 2017	**(70)**	**(50)**	**(120)**

During the year 745,797 (2016: 98,567) 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 £1,065,018 (2016: £91,374) was received. As a consequence, at 31 March 2017 the Company held 100,839 shares (2016: 846,636) in treasury with a carrying value of £49,915 (2016: £419,085) which were accounted for in Own Shares treasury reserve; and 140,773 shares (2016: 140,773) in the EBT with a carrying value of £69,982 (2016: £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; an 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 745,797 ordinary shares (2016: 98,567) were exercised and the average market price at the exercise dates was 286.1p (2016: 265.5p). Options over 602,228 ordinary shares (2016: 843,385) were granted under the unapproved share option scheme with an average exercise price of 1.0p (2016: 108.9p) and no options over ordinary shares were granted under the sharesave scheme (2016: 225,764 options granted with an average exercise price of 194.8p). Options over 473,750 ordinary shares (2016: 35,417) lapsed under the unapproved share option scheme with an average exercise price of 184.3p (2016: 118.5p), no options lapsed over shares under the EMI scheme (2016: 16,666 shares with an average exercise price of 87.5p); and options over 51,853 (2016: 62,330) lapsed under the sharesave scheme with an average exercise price of 193.9p (2016: 192.2p).

As disclosed in note 5, a share based payment charge of £1,844,000 (2016: £1,081,000) 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	**1 Apr 2016**	**24 Aug 2016**	**30 Sep 2016**	**22 Dec 2016**
Vesting date	**31 Mar 2019**	**31 Mar 2019**	**30 Sep 2017**	**30 Sep 2017**
Variables used				
Share price at grant date	265.0p	310.0p	278.3p	300.3p
Volatility	63%	64%	65%	64%
Dividend yield	0.93%	0.93%	0.93%	0.93%
Number of employees holding options/units	3	2	19	1
Option/award life (years)	10	10	10	10
Expected life (years)	3.25	3.83	3.0	3.0
Risk free rate	1.52%	0.69%	0.80%	1.43%
Expectations of meeting performance criteria	100%	100%	100%	100%
Fair value	**256.2p**	**298.2p**	**269.0p**	**291.0p**
Exercise price per share	1.0p	1.0p	1.0p	1.0p

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:

	2017		**2016**	
	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	84.55	3,597,404	71.17	2,741,235
Granted	1.00	602,228	127.04	1,069,149
Forfeited	185.26	(525,603)	154.12	(114,413)
Expired	-	-	-	-
Exercised	142.80	(745,797)	92.70	(98,567)
Outstanding at end of year	**34.45**	**2,928,232**	**84.55**	**3,597,404**
Exercisable at end of year	**33.56**	**1,764,040**	**64.11**	**2,093,537**

27. SHARE BASED PAYMENTS (CONTINUED)

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

		Share options – outstanding			Share options – exercisable		
	Range of exercise prices per share (p)	Outstanding shares	Weighted average exercise price per share (p)	Weighted average remaining contractual life (years)	Outstanding shares	Weighted average exercise price per share (p)	Weighted average remaining contractual life (years)
Enterprise management incentive scheme	43.5 – 87.5	260,813	66.92	2.6	260,813	66.92	2.6
Unapproved schemes	1.0 – 173.0	2,487,258	19.44	6.9	1,496,645	27.05	5.5
Sharesave scheme	191.4 – 194.8	180,161	194.68	1.9	6,582	191.40	0.3
As at 31 March 2017		**2,928,232**	**34.45**	**6.2**	**1,764,040**	**33.56**	**5.1**
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**

28. RELATED PARTY TRANSACTIONS

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

	2017 £'000	**2016 £'000**
Salaries and other short-term employee benefits	1,502	1,580
Post-employment benefits	-	38
Share-based payments	819	655
	2,321	**2,273**

Dividends paid to key management were as follows:

	2017 £'000	**2016 £'000**
Angus MacSween	535	425
Chris Batterham	3	2
Sarah Haran	62	49
Richard Logan	31	25
Ian Ritchie	5	4
Crawford Beveridge	1	1
Total dividends paid to directors	**637**	**506**

29. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

There were no contingent assets or liabilities as at 31 March 2017 (2016: nil).

(b) Commitments

Capital expenditure on software licences and property, plant and equipment committed by the Group at 31 March 2017 was £1,146,980 (2016: £1,306,000).

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
2017	
Non-current:	
Lease deposit	2,760
Current:	
Trade receivables	6,036
Cash and cash equivalents	8,906
Other receivables	553
Total for category	**18,255**
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**

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
2017				
Non-current:				
Trade payables	-	(102)	-	(102)
Finance leasing capital obligations	-	-	(625)	(625)
Current:				
Trade payables	-	(5,958)	-	(5,958)
Accruals	-	(6,616)	-	(6,616)
Bank loan	-	(18,639)	-	(18,639)
Contingent consideration due on acquisitions	(2,373)	-	-	(2,373)
Finance leasing capital obligations	-	-	(233)	(233)
Interest rate swap contract	(44)	-	-	(44)
Total for category	**(2,417)**	**(31,315)**	**(858)**	**(34,590)**
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)**

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 2017 £'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	(2,373)	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.	(330)
Interest rate swap contracts	(44)	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.	84
Total fair value	**(2,417)**			**Total net losses**	**(246)**

There have been no changes to valuation techniques or any amounts recognised through 'Other Comprehensive Income'. The £84,000 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	2017 £'000	2016 £'000
Balance at start of the year	(3,203)	(1,650)
Acquired through business combination	-	(3,921)
Settled in cash during the year	1,160	1,650
Recognised in profit or loss under:		
- Gain on revaluation of contingent consideration	-	870
- Finance costs	(330)	(152)
Balance at end of year	**(2,373)**	**(3,203)**
Total amount included in profit or loss on Level 3 instruments under gain on business combinations and finance costs	**(330)**	**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 £19.5m (2016: £35.9m) is shown. The Group has £41.5m (2016: £25.5m) 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. As a consequence, at 31 March 2017, £2m 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 £84,000 (2016: £64,000) which has been recognised in profit or loss for the year.

Currency risk

During the year the Group made payments totalling US$5.5m (2016: US$5.3m) and EUR€0.1m (2016: EUR€0.1m) to acquire domain names for its Easyspace segment and licences for its Cloud Services segment. In addition, the Group received US$3.5m (2016: US$3.3m) and EUR€0.4m (2016: EUR€0.7m) 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 (2016: none). Consequently, the fair value of currency contracts at the year end was £nil (2016: £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 £6,036,000 (2016: £6,866,000) which are stated net of applicable provisions and which represent the total amount exposed to credit risk. The lease deposits of £2,760,000 (2016: £2,760,000) are held in escrow accounts with the landlord's main UK bankers and the landlord is a major UK plc. The Group's cash at bank £8,906,000 (2016: £10,341,000) 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.

31. POST BALANCE SHEET EVENT

Acquisition - Dediserve Limited

The Group acquired 100% of the issued share capital of Dediserve Limited, ("Dediserve") on 17 May 2017 for €7.9m on a no debt, no cash, normalised working capital basis.

Dediserve is a company registered in the Republic of Ireland based in Dublin which provides cloud hosting services to over 1,500 customers from 10 locations world-wide. The acquisition is in line with the Group's strategy to grow its hosting operations both organically and by acquisition. It also provides the Group with an additional European Union place of operation.

The Group estimates that it will incur £400,000 of third party acquisition related costs in respect of this acquisition. These expenses will be included in administrative expenses in the Group's consolidated statement of comprehensive income for the period ended 31 March 2018.

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

	£'000
Recognised amounts of net assets acquired and liabilities assumed (provisional):	
Cash and cash equivalents	236
Trade and other receivables	190
Property, plant and equipment	779
Intangible assets	3,680
Trade and other payables	(384)
Borrowings	(279)
Current income tax liabilities	(108)
Deferred tax liability	(671)
Identifiable net assets	**3,443**
Goodwill	3,128
Total consideration	**6,571**
Satisfied by:	
Cash – paid on acquisition	6,485
Deferred consideration – payable	86
Total consideration transferred	**6,571**

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

The share purchase agreement, in respect of the acquisition of Dediserve, includes a provision under which the total consideration payable will be 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 €7,800,000 (£6,700,000) in cash and in addition an amount of €250,000 (£215,000) in cash was deducted as an interim settlement of the expected amount due in respect of the no debt, no cash, normalised working capital adjustment. An amount of €100,000 (£86,000) has been deferred and will be paid 6 months after the completion date or at the end of an operational handover period, whichever is sooner. The initial payment of €7,550,000 (£6,485,000) was funded by a draw down from the revolving credit facility of £6,485,000.

The goodwill arising on the acquisition of Dediserve is attributable to the premium payable for a pre-existing, well positioned business that has excellent growth prospects, together with the benefits to the Group in leveraging its worldwide presence, 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.

31. POST BALANCE SHEET EVENT (CONTINUED)

The name Dediserve is not actively advertised or promoted, with the majority of Dediserve's business being generated from existing customers or by word of mouth. Dediserve 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 £151,000. The gross amount due under contracts is £151,000, all of which is expected to be collectable.

The fair value included in respect of the acquired customer relationships intangible asset is £3,680,000.

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 13.61% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 8 years.

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 2017 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 as set out on page 30, 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 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 2017.

Grant Thornton UK LLP

Robert Hannah
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
12 June 2017

STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	Note	2017 £'000	2016 £'000
ASSETS			
Non-current assets			
Investments	3	107,374	102,693
		107,374	**102,693**
Current Assets			
Debtors	4	4,785	39,954
Cash at bank and in hand		7,195	8,930
		11,980	**48,884**
Creditors: amounts falling due within one year	6	**(46,153)**	**(79,208)**
Net current liabilities		**(34,173)**	**(30,324)**
Total assets less current liabilities		**73,201**	**72,369**
Creditors: amounts falling due after more than one year	7	**-**	**(2,068)**
NET ASSETS		**73,201**	**70,301**
EQUITY			
Called up share capital	10	1,078	1,078
Own shares	11	(120)	(489)
Capital redemption reserve		1,200	1,200
Share premium account		21,067	21,067
Merger reserve		4,983	4,983
Profit and loss account		44,993	42,462
SHAREHOLDERS' FUNDS		**73,201**	**70,301**

As permitted by section 408(3) of the Companies Act 2006, no profit and loss account of the company is presented. The profit for the financial year, dealt with in the profit and loss account of the company was £3,759,000 (2016: £4,905,000).

These financial statements were approved by the board of directors and authorised for issue on 12 June 2017.
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 financial statements

STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2017

Changes in equity	Note	Share capital £'000	Own shares EBT £'000	Own shares Treasury £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 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	12	-	-	-	-	-	-	1,081	1,081
Deferred tax on share based payments	5	-	-	-	-	-	-	57	57
Issue of own shares for option redemption	11	-	-	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**
Profit in the year		-	-	-	-	-	-	3,759	3,759
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**3,759**	**3,759**
Dividends – final (paid)		-	-	-	-	-	-	(3,375)	(3,375)
Share based payments	12	-	-	-	-	-	-	1,844	1,844
Deferred tax on share based payments	5	-	-	-	-	-	-	(392)	(392)
Issue of own shares for option redemption	11	-	-	369	-	-	-	695	1,064
Total transactions with owners		**-**	**-**	**369**	**-**	**-**	**-**	**(1,228)**	**(859)**
Balance at 31 March 2017		**1,078**	**(70)**	**(50)**	**1,200**	**21,067**	**4,983**	**44,993**	**73,201**

The following notes form part of the 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 84 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 (£).

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. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2016	102,693
Additions	3,779
Share based payment (note 12)	902
Cost at 31 March 2017	**107,374**
Net book value of Investments at 31 March 2017	**107,374**
Net book value of Investments at 31 March 2016	102,693

All of the above investments are unlisted.

3. 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
Cristie Data Limited	England	Provision of data storage, backup and virtualisation solutions	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

4. DEBTORS

	2017 £'000	2016 £'000
Prepayments and accrued income	209	356
Other debtors	-	61
Deferred taxation (note 5)	1,135	1,010
Current income tax	2,207	2,357
Other taxation and social security	612	450
Amounts owed by subsidiary undertakings	622	35,720
	4,785	**39,954**

5. DEFERRED TAXATION

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

	2017		2016	
	Recognised £'000	Unrecognised £'000	Recognised £'000	Unrecognised £'000
Share based remuneration	1,135	-	1,010	-

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

	2017 £'000	2016 £'000
Balance brought forward	1,010	576
Profit and loss account movement arising during the year	517	377
Profit and loss account reserve movement during the year	(392)	57
Balance carried forward	**1,135**	**1,010**

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

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Trade creditors	96	105
Other taxation and social security	76	65
Accruals and deferred income	1,038	1,270
Contingent consideration due on acquisitions (note 8)	2,373	1,135
Current borrowings (note 9)	18,639	34,525
Amounts owed to subsidiary undertakings	23,931	42,108
	46,153	**79,208**

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

	2017 £'000	2016 £'000
Contingent consideration due on acquisitions (note 8)	-	2,068
	-	**2,068**

8. CONTINGENT CONSIDERATION

	2017 £'000	2016 £'000
Contingent consideration due on acquisitions within one year:		
- Systems Up Limited	-	(135)
- United Communications Limited	(2,373)	(1,000)
	(2,373)	(1,135)
Contingent consideration due on acquisitions after more than one year:		
- United Communications Limited	-	(2,068)
	-	(2,068)
Total contingent consideration due on acquisitions	**(2,373)**	**(3,203)**

9. BORROWINGS

	2017 £'000	2016 £'000
Current:		
Bank loans	(18,639)	(34,525)
Current borrowings	**(18,639)**	**(34,525)**
Non-current:		
Bank loans	-	-
Total non-current borrowings	-	-
Total borrowings	**(18,639)**	**(34,525)**

The carrying amount of borrowings approximates to their fair value.

The future loan obligations of £18,722,000 (2016: £34,907,000) equate to a present value of £18,315,000 (2016: £33,922,000). The capital element of the bank loans is £18,639,000 (2016: £34,525,000) and this differs from the net amount drawn down of £18,500,000 (2016: £34,500,000) due to an effective interest rate adjustment.

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

	2017			2016		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	18,639	83	18,722	34,525	382	34,907
Due between two and five years	-	-	-	-	-	-
	18,639	**83**	**18,722**	**34,525**	**382**	**34,907**

10. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
Authorised		
At 31 March 2015, 2016 and 2017	**200,000,000**	**2,000**
Called up, allotted and fully paid		
At 31 March 2015, 2016 and 2017	**107,803,006**	**1,078**

At 31 March 2017 the Company held 100,839 shares (2016: 846,636) as own shares in treasury which were accounted for in the Own Shares Treasury reserve and had a nominal value of £1,008 (2016: £8,466) and a market value of £298,988 (2016: £2,285,917). This represents 0.1% (2016: 0.8%) of the issued share capital as at 31 March 2017 excluding own shares.

At 31 March 2017 the Company held 140,773 shares (2016: 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 (2016: £1,408) and a market value of £417,392 (2016: £380,088). This represents 0.1% (2016: 0.1%) of the issued share capital as at 31 March 2017 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 2017 are fully paid.

11. OWN SHARES RESERVES

	Own shares EBT £'000	Own shares Treasury £'000	Own shares Total £'000
At 1 April 2015	**(70)**	**(468)**	**(538)**
Issue of own shares from Treasury for option redemption	-	49	49
At 31 March 2016	**(70)**	**(419)**	**(489)**
Issue of own shares from Treasury for option redemption	-	369	369
At 31 March 2017	**(70)**	**(50)**	**(120)**

During the year 745,797 (2016: 98,567) 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 £1,065,018 (2016: £91,374) was received. As a consequence, at 31 March 2017 the Company held 100,839 shares (2016: 846,636) in treasury with a carrying value of £49,915 (2016: £419,085) which were accounted for in Own Shares treasury reserve; and 140,773 shares (2016: 140,773) in the EBT with a carrying value of £69,982 (2016: £69,982) which were accounted for in the Own Shares EBT reserve.

12. 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 £1,844,000 (2016: £1,081,000) by;

1) taking the charge in relation to employees of the parent company through the parent company statement of comprehensive income £942,000 (2016: £682,000),

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 £902,000 (2016: £399,000).

13. INFORMATION REGARDING PARENT COMPANY EMPLOYEES

	2017 No.	2016 No.
Average number of persons employed by the Company (including directors):		
Technical	8	5
Sales and marketing	6	5
Administration	23	21
	37	**31**

	2017 £'000	2016 £'000
Staff costs of the Company during the year in respect of employees and directors were:		
Wages and salaries	2,025	2,077
Staff costs recharged to other group companies	(354)	(364)
Social security costs	265	353
Pension costs	19	25
Share based payments	942	682
	2,897	**2,773**

The company 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 22 to 27. 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. Details of director's emoluments are disclosed within note 5 of the Group financial statements.

14. 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.

15. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

There were no contingent assets or liabilities as at 31 March 2017 (2016: nil).

(b) Commitments

There are no commitments present as at 31 March 2017 (2016: nil).

16. POST BALANCE SHEET EVENT

On 17 May 2017 the Company acquired the entire share capital of Dediserve Limited. Further details of the acquisition have been given in note 31 of the Group financial statements.

17. ULTIMATE CONTROLLING PARTY

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

NOTICE IS HEREBY GIVEN that the 2017 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 23 August 2017 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 11 (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 2017.

2 To approve the report of the board to the members on directors' remuneration for the year ended 31 March 2017.

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

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

5 To reappoint Richard Masters (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 2017 of 6.00p per share payable on 6 September 2017 to shareholders on the register of members at the close of business on 11 August 2017.

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 £718,537.32 (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 £359,268.66 (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 £359,268.66),

provided that such authority, unless renewed, varied or revoked by the Company, shall expire on 23 November 2018 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 authorised pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authority given by resolution 8 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority be limited:

(a) to 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) to 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) to the allotment of equity securities or sale of treasury shares (otherwise than pursuant to paragraphs (a) and (b) above) up to an aggregate nominal amount of £53,890.30.

such authority to expire at the end of the next annual general meeting of the Company (or, if earlier, at the close of business on 23 November 2018) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the board of directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

10. THAT, subject to the passing of resolution 8, the directors of the Company are authorised in addition to any authority granted under resolution 9 to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authority given by resolution 8 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:

(a) limited to the allotment of equity securities up to a nominal amount of £53,890.30; and

(b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the board of directors of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

such authority to expire at the end of the next annual general meeting of the Company (or, if earlier, at the close of business on 23 November 2018) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the board of directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

11 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 10,778,059, representing 10% of the Company's issued ordinary share capital (excluding for these purposes the 22,408 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,
14 July 2017
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 21 August 2017) 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 21 August 2017; 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

1 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

2 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 2017 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 22 to 27. 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 Angus MacSween and Mr Richard Logan 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 Richard Masters was appointed on 20 June 2017 and accordingly offers himself for reappointment. The board of directors is satisfied that the performance of Mr Angus MacSween, Mr Richard Logan and Mr Richard Masters 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 Angus MacSween, Mr Richard Logan and Mr Richard Masters.

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

Mr Angus MacSween, 60, appointed 2000, founded iomart in December 1998 following 15 years spent creating and selling businesses in the telephony and internet sector. In 1984, after a short service commission in the Royal Navy, Angus started his first business selling telephone systems. He then grew and sold five profitable businesses – including Prestel, an online information division of BT, which he turned into one of the UK's first internet service providers. Following the sale of Teledata Limited, the UK's leading telephone information services company, to Scottish Telecom plc, Angus then spent two years on the executive of Scottish Telecom plc where he was responsible for the development of the company's internet division

Mr Richard Logan, 59, appointed 2006, is a chartered accountant, having qualified with Arthur Young in 1984. Richard then spent seven years with Ben Line Group Limited initially as Group treasurer and latterly as financial director of the main container shipping division. From 1992 to 2002 Richard served as finance director of Kingston SCL, 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 Limited, a technology company based in Scotland. Richard is a Non-Executive Director of Inspired Energy plc, an AIM listed energy procurement organisation.

Mr Richard Masters, 52, appointed 2017; has over 30 years' experience in the legal profession and was managing partner with McGrigors LLP until April 2012 when it merged with Pinsent Masons LLP. After the merger and until June 2015 he was Head of Client Operations for Pinsent Masons LLP, which was a main Board executive position, and then held a non-executive role through to May 2016. He is currently the Executive Chairman of Complete Electronic Risk Compliance Limited (Cerico), a Pinsent Masons LLP subsidiary, and has held this role since June 2016.

Resolution 6 – To declare a dividend 6.00p 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 6.00p per ordinary share, to be payable to shareholders registered at close of business on 11 August 2017.

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 £718,537.32 (representing 71,853,732 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 the 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 £359,268.66 (representing 35,926,866 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 23 November 2018 or, if earlier, at the conclusion of the next annual general meeting.

Special Resolutions

Resolutions 9, 10 and 11 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.

Resolutions 9 and 10 - Disapplication of statutory pre-emption rights
The Companies Act 2006 gives holders of ordinary shares, with limited but important exceptions, certain rights of pre-emption on the issue for cash of new ordinary shares or on the sale of any shares which the Company may hold in treasury following a purchase of its own shares. The directors of the Company believe that it is in the best interests of the Company that, as in previous years, the board of directors of the Company should have limited authority to allot some shares for cash or sell treasury shares without first having to offer such shares to existing shareholders. The directors' current authority expires at the close of the forthcoming annual general meeting. The authority sought by way of resolution 9 would expire at the earlier of the close of the next annual general meeting or 23 November 2018. The authority, if granted, will relate to the allotment of new ordinary shares or the sale of treasury shares in respect of (a) rights issues and similar offerings, where difficulties arise in offering shares to certain overseas shareholders, and in relation to fractional entitlements and certain other technical matters, (b) 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 cash dividend or dividends (if the Company offers shareholders the option of making an election of that nature and if relevant shareholders make such an election), and (c) generally to allotments (other than in respect of pre-emptive offerings) of ordinary shares or the sale of treasury shares having an aggregate nominal value not exceeding £53,890.30 (being equal to 5% 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).

Resolution 10, if approved, would give the directors of the Company an additional authority to issue ordinary shares, or sell treasury shares, for cash in connection with an acquisition or capital investment of kind contemplated by the Pre-Emption Group's Statement of Principles up to an additional aggregate nominal amount of £53,890.30 (being equal to 5% 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). The directors confirm that they will only allot shares pursuant to this authority where the allotment is in connection with an acquisition or specified capital investment (as defined in the Pre-Emption Group's Statement of Principles) which is announced contemporaneously with the allotment or sale, or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment of sale.
The powers given by resolutions 9 and 10 will, unless sooner revoked or renewed by the Company in a general meeting, last until the earlier of the close of the next annual general meeting or 23 November 2018.

Resolution 11 – 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 22,408 shares held by the Company in treasury) as at the date of the notice of this meeting.

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

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

In relation to any buy back, the maximum price per ordinary share at which the Company is authorised in terms of resolution 11 to effect that buy back is 5% above the average middle market price of an ordinary share for the five business days immediately preceding the date on which the buy back is effected.

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

Officers and Professional Advisers

Directors

Ian Ritchie CBE, FREng, FRSE, FBCS, CEng, BSc	Non executive chairman
Angus MacSween	Chief executive officer
Ian Steele BAcc, CA	Non executive director
Crawford Beveridge CBE	Non executive director
Richard Logan BA, CA	Finance 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 Brands

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