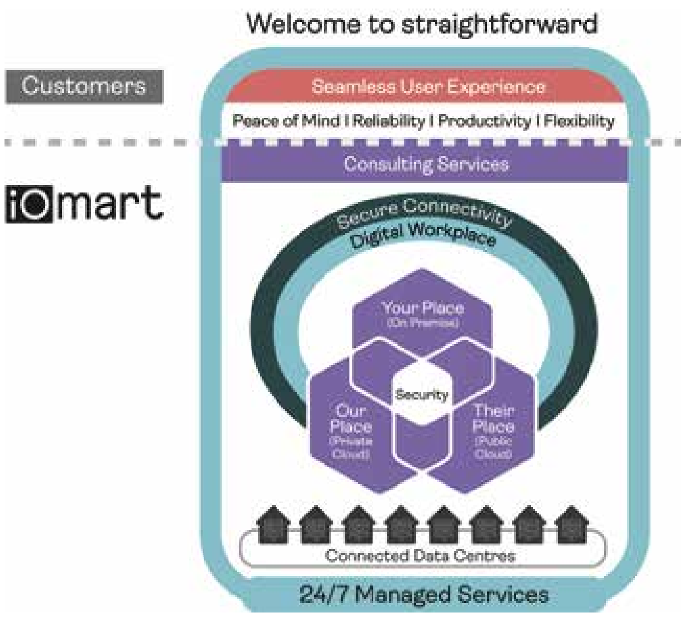
Annual Report and Financial Statements 2022

iomart

What we do

iomart is a leading provider of cloud hosting and managed services to UK SME and Large Enterprise businesses.

We make our customers unstoppable by helping them connect, secure and scale anytime, anywhere.



"iomart's given us exactly what we want, which is a personal relationship, and they know and understand our business."

David Bryce, Managing Director

"We are expected to be able to continue running the business in the event of an emergency, which means that our IT systems need to do the same. The fast and reliable software and service from iomart has enabled us to achieve and exceed this requirement."

Miguel Fiallos,
Head of Management Information Systems

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Revenue	£103.0m	2021 : £111.9m
% of recurring revenue	93%	2021 : 90%
Adjusted EBITDA	£38.0m	2021 : £41.4m
Adjusted profit before tax	£17.1m	2021 : £19.6m
Profit before tax	£12.2m	2021 : £12.5m
Adjusted diluted eps	12.0p	2021 : 14.4p
Basic eps	8.6p	2021 : 9.3p
Cash generation from operations	£37.9m	2021 : £43.7m
Proposed final dividend per share	3.6p	2021 : 4.5p

"We have made good progress on all aspects of our strategic growth plan and start the second year of this plan in an improved position. With an expanded offering and strengthened team, as well as an established reputation within the UK's cloud computing market place, we have a strong platform from which to return to a growth phase of the business.

We are mindful that the wider business environment continues to be challenging. As iomart has shown in the past, during periods of uncertainty, we have a robust business model and strong financial position to manage such short-term pressures. This is especially the case as the market for cloud computing solutions continues to offer long term growth and our strategic actions taken, together with our M&A plans, puts us in a stronger position to benefit from this over the coming year and beyond."

Reece Donovan, CEO

iomart

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Highlights

Financial Highlights

- The Group continues to benefit from a robust business model delivering very strong levels of recurring revenues, amounting to 93%[1] of Group revenues
- The reduction in Group revenue reflects lower non-recurring equipment and consultancy sales, along with lower customer renewal levels at the start of the year, which have since returned to normal levels
- Margins remain stable with adjusted EBITDA[2] margin and adjusted profit before tax[3] margin at 36.9% (2021: 37%) and 16.6% (2021: 17.5%), respectively. Absolute profit reductions simply follow the revenue profile in the year
- Strong cash generation from operations in the period of £37.9m with a consistent cash conversion[6] of 100% (2021: 106%)
- Year-end net debt[5] reduced to £41.3m, comfortable at 1.1 times adjusted EBITDA
- Successful refinancing with an increased £100m revolving bank facility from a new group of four leading banks, underpinning the Group's five-year growth strategy

Operational Highlights

- Launch of new brand and successful restructuring of the organisation to create a "one iomart" team
- Established a new product team and launched new solutions targeting new and existing customers in areas of Digital Workplace, Secure Connectivity and Managed Microsoft Azure
- New security alliance with cyber security specialists, e2e-assure, to deliver proactive 24/7 security operations centre services
- Enhancements made to core operational and service-based systems and tools, with a primary focus on improved levels of customer service excellence
- Strengthened commercial leadership with appointment of a new Chief Commercial Officer
- M&A - positive progress in evaluating targeted opportunities to further extend the Group's technology, product capabilities and routes to market, while enhancing revenue, profitability and EPS
- Continued delivery against our ESG programme

Statutory Equivalents

A full reconciliation between adjusted and statutory profit before tax is contained within this report on page 16. The largest item is the consistent add back of the non-cash amortisation of acquired intangible assets. The largest variance, year on year, is a £1.5m lower amortisation of acquired intangible assets as the amortisation periods expire on certain historic acquisitions.

[1] Recurring revenue is the revenue that repeats either under long-term contractual arrangement or on a rolling basis by predictable customer habit. % of recurring revenue is defined as recurring revenue (as disclosed in note 3) / revenue (as disclosed in the consolidated statement of comprehensive income)

[2] Throughout these financial statements adjusted EBITDA (as disclosed in the consolidated statement of comprehensive income) is earnings before interest, tax, depreciation and amortisation (EBITDA) before share-based payment charges, acquisition costs and gain on the revaluation of contingent consideration. Throughout these financial statements acquisition costs are defined as acquisition related costs and non-recurring acquisition integration costs.

[3] Throughout these financial statements adjusted profit before tax (as disclosed in the Chief Financial Officer's report) is profit before tax, amortisation charges on acquired intangible assets, share-based payment charges, acquisition costs, accelerated write off of arrangement fee on bank facility and gain on revaluation of contingent consideration.

[4] Throughout these financial statements adjusted diluted earnings per share is earnings before amortisation charges on acquired intangible assets, share-based payment charges, acquisition costs, accelerated write off of arrangement fee on bank facility, gain on revaluation of contingent consideration and the tax effect of adjusted items/weighted average number of ordinary shares - diluted (as disclosed in note 11).

[5] Net debt being outstanding bank loans, lease liabilities less cash and cash equivalents (as disclosed on page 18)

[6] Cash conversion is calculated as cash generation from operations (as disclosed in the consolidated statement of cashflows) divided by adjusted EBITDA.

Straightforward sustainability

Katrick Technologies

In the lead up to COP26, iomart supported green energy start up, Katrick Technologies, to test its innovative cooling systems in a live data centre environment. Test results from the prototype were encouraging and showed that the new heat removal system could have a potentially significant impact on the carbon footprint of the data centre industry.

Our data centres already run on 100% certified renewable electricity, but by working with companies like Katrick, we continue to explore new ways to innovate and reduce our overall energy consumption. As a result of this initial trial the project was awarded best use of emerging technology during the Digital City Festival 2022.

Empowering Women to Lead

This year also saw the beginning of our partnership with the Empowering Women to Lead programme. Focused on engaging and inspiring female leaders in the technology sector, iomart served as a headline partner in the Digital Transformation programme providing mentorship, coaching, and role modelling to a cohort of future leaders.

iomart's programme champion, Group Financial Reporting Manager, Victoria Cahill said: "We are by no means perfect and, as with our industry peers, we have some way to go before realising genuinely balanced representation across our business. But we can either point the finger elsewhere and blame broader sector challenges, or we can step up, be accountable, and try to do something about it. We choose the latter."

SmartSTEMs

Our work with SmartSTEMs UK children's charity is focused on engaging young people aged 10-14 years and opening their eyes to the possibility of a career in technology.

Our people have been recording videos and engaging in virtual classroom visits to speak to kids who otherwise might not have the opportunity to meet professionals in STEM careers. Following the early success of the partnership, we aim to expand it next year with an increase in activity including an in person event hosted jointly with SmartSTEMs.

Chairman's Statement

I am pleased to report that iomart (the "Group") has delivered a robust trading performance while executing on the first phase of its strategic growth plan. Whilst experiencing some revenue reductions, mainly in the first half of the year, we continue to deliver high levels of profitability and cash generation with many of our key financial metrics remaining stable throughout the year.

The start of the year saw the Board embark on a refreshed growth strategy to achieve an ambitious vision. The central pillars of this plan include the concept of 'one iomart' and the expansion of our offering to cover a wider portfolio of services to include hybrid cloud offerings. We are upscaling the business, we remain acquisitive and we remain ambitious. The full team are now very much focused on execution and it is pleasing to see good progress on the key milestones for the first year of the plan.

I would like to thank the iomart team for their hard work and commitment during the year. One of the strengths of the Group is the quality of its fantastic workforce. Investing in the workforce and their further development and support is one of the central tenets of our strategy.

I believe strongly that a culture of strong corporate governance is essential to our future growth. To enhance the balance and experience of the Board, we were delighted to announce in July the appointment of Andrew Taylor as a Non-Executive Director of the Company. Andrew adds additional sector skills to support our growth plans. We have also made good progress in strengthening iomart's environmental, social and governance ("ESG") credentials, recently completing a carbon neutral roadmap which will support our efforts to reduce further our overall emissions as we work towards achieving carbon neutrality. This roadmap and other ESG activities are detailed later in this report.

During the year we paid an interim dividend of 2.42p per share which was paid to shareholders in January 2022. In addition, the Board is now proposing to pay a final dividend of 3.60p per share taking the total for the year to 6.02p being at the maximum pay-out ratio under our stated dividend policy of paying up to 50% of adjusted diluted earnings per share. We believe this is appropriate given our funding position, robust business model, the low level of indebtedness within the Group and the fact we have not utilised any of the government furlough schemes during the Covid-19 pandemic.

I was appointed to the Board of iomart in 2016 and took over as Chairman in August 2018. It has been both a privilege and a pleasure to serve as iomart's Chairman. With iomart now well progressed on a clear path to growth, I have decided not to stand for re-election at the forthcoming Annual General Meeting and will leave the Board at that time. I thank you for your support during my years on the Board. The search for my successor is progressing and the Board aim is to announce that appointment by the time of the AGM. I look forward to hearing of the continued success of the Group in future years.

Ian Steele

Non-Executive Chairman

14 June 2022

Who is iomart ?

UK headquartered cloud computing and managed services business

£103m turnover (FY22) and market leading profitability

Cloud services
(89% group revenue)

Domain & Web hosting
(11% group revenue)

Delivering cyber security, hybrid cloud, secure connectivity, data management and digital workplace

400 strong team in the UK and a small operation in the USA

93% recurring revenue and strong cash generation

13 UK data centres connected with 2500km private network infrastructure, and 25 global points of presence

Two decades of experience delivering 24/7 managed services to organisations headquartered in the UK

Proactive M&A strategy with 21 acquisitions in the past 12 years

Listed on the AIM market of the London Stock Exchange

Chief Executive Officer's Report

Introduction

I am encouraged by the progress we have made during the year and pleased to be reporting financial results in line with current market expectations, delivering revenue of £103.0m (2021: £111.9m), adjusted EBITDA(1) of £38.0m (2021: £41.4m) adjusted profit before tax(2) of £17.1m (2021: £19.6m) and profit before tax of £12.2m (2021: £12.5m). We continue to benefit from the highly recurring nature of our business model, with 93% of revenue in the year recurring and remain strongly cash-generative.

The 8% year on year reduction in revenue reflects lower non-recurring revenue and consultancy sales, along with the impact of lower customer renewals we experienced in the first half of the year which have subsequently returned to normal levels. Our profitability metrics have remained stable with adjusted EBITDA margins at 36.9% (2021: 37.0%) and adjusted profit before tax at 16.6% (2021: 17.5%) of group revenue meaning the absolute reductions simply follow the revenue profile in the year. The net debt position of the Group at the end of the year was £41.3m (2021: £54.6m) being a reduction of £13.3m following strong cash generation in the year, including a 100% EBITDA to operating cash flow conversion ratio.

Our team has been very focused on the execution of our strategic plan achieving all the key objectives outlined at the start of the year. We have launched a number of new solutions, entered into an exciting alliance to accelerate our managed cyber security offering, reshaped the commercial team, and invested in our customer service tools, resources and people.

The successful refinancing of our revolving bank facility in December 2021 with four new banks underpins our five-year plan and M&A ambitions, and this ongoing support from top tier global financial institutions is a clear endorsement of our strategy.

After more than six years of first class commitment and service, the latter four years as Chairman, Ian Steele has decided not to stand for re-election 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.

With an expanded offering and strengthened team, as well as an established reputation within the UK's cloud computing market place, we have a strong position from which to return to a growth phase of the business.

Strategy

At the start of the year we announced our vision to position iomart for the next phase of its growth as a recognised leading secure hybrid cloud business. We were bold by stating our aspiration to become a £200m revenue business within five years. Underpinning this was a roadmap with a focus on three main activities:

- New services and geographies - focused on four new service areas – hybrid cloud, security, the future digital workplace and connectivity;
- Complementary acquisitions - to expand the customer base and to acquire new skillsets; and
- Protect and expand the existing base of run rate revenue and EBITDA which is underpinned by our existing core private cloud infrastructure and services.

We have made good progress on all aspects of our strategic growth plan and start the second year of this plan in an improved position as noted in each of the areas detailed below.

Team and brand

We started the year with a focus on brand development, new product launches and restructuring the organisation to create a "one iomart" team. Our new strapline "welcome to straightforward" encapsulates our mission to deliver a customer-focused service which makes the complicated world of secure hybrid cloud simple for our customers, gives them peace of mind, and allows them to focus on what's important to them.

Around "one iomart" we have included updates to our benefits package, formalised flexible working options and delivered a number of wellbeing, leadership, technical and management training programmes across the business and established a People Forum.

Strategy (continued)

New services and partnerships

We have established a new product team and have redefined and launched a number of new solution initiatives. These are targeted at both new customers and upselling and cross-selling to our existing customers. They include specific campaigns around the growth areas of Digital Workplace, Secure Connectivity and Managed Microsoft Azure. Pipelines are being developed from each of these campaigns and we are confident our refined approach will give a greater success rate. Further product releases will be made over the coming year.

During the year we were delighted to secure our first six figure annual recurring revenue customer for Managed Microsoft Azure following our successful sales campaign. The customer's IT workload will be deployed on Azure infrastructure on a managed basis over the next 4 years. A well-qualified pipeline of additional sales opportunities is building. We are now working closely with Microsoft and anticipate this relationship will continue to strengthen.

In March 2022 we announced a new security partnership with cyber security specialists, e2e-assure, to deliver proactive 24/7 security operations centre services. The move into the security market has been a long-standing ambition of iomart and is a key part of the growth strategy. This partnership enables us to enter the market in an appropriate manner.

These new initiatives complement and enhance our well established Private Cloud infrastructure, 24/7 service capability and deep expertise which remains at the heart of our Hybrid offering.

Commercial

We have strengthened our commercial leadership with the appointment of our new Chief Commercial Officer, in February 2022, who brings a fresh perspective and experience to drive our organic growth. We continue to believe that our existing large customer base represents a fertile sales ground for the Group and the widening of our solutions offering increases our relevance to a wider pool of new customers.

M&A

We plan to use selective M&A to augment our organic growth. As well as acquiring new customer bases operating in recurring revenue business models we also plan to strengthen our technology, solution offerings and route to market capabilities. We remain active in evaluating potential targets but the timing of M&A closure is hard to predict, and we will at all times maintain a structured and disciplined approach.

Market

The Covid-19 pandemic has created a challenging business environment but we have again proven during the last year a robustness to our business model and our team's adaptability. Covid-19 has seen the acceleration in the adoption of digital transformation and remote working, both of which are likely to enhance long-term drivers to the cloud but short-term we have seen a lack of larger-scale IT projects. It appears clear that the UK economy will experience some negative factors in the short-term, from intensifying inflationary pressures, supply chain challenges combined with geo-political uncertainties. While iomart will not be completely immune to this economic backdrop, the requirement for organisations to be supported with their hybrid cloud challenges will continue to grow for the foreseeable future.

The concept of "Cloud" computing is now globally recognised. The "public cloud" giants such as Amazon, Microsoft and Google have vastly contributed to this general awareness and consequently, as is well documented, have seen high growth globally as many organisations look for Cloud infrastructure and capabilities. The reality of the situation is that a vast majority of the world's IT infrastructure is complex and untidy in nature which means hybrid cloud models will remain a key market feature for many use cases. Even if businesses want to use Public Cloud infrastructure fully, many lack the detailed know-how, skills and resources required to manage all the elements. iomart is well positioned to meet this demand given our long established capability in designing and running private clouds and supporting on-premise solutions along with our plans to continue to complement this with skills and capabilities for public cloud provisioning and management.

With the insatiable growth in data requirements from across all industries, the demand for the three core building blocks of compute power, storage and connectivity continues to expand. Organisations are increasingly outsourcing these requirements to experts, who can help them navigate a constantly evolving and complex technical landscape, providing high levels of reliability, customer support, flexibility and technical knowledge. These requirements increasingly come with greater security and compliance needs.

No two organisations are the same, and therefore the cloud solution mix in the future will be unique and reflect the needs of an organisation at that time, especially for those organisations that are running established applications that are not public cloud compatible. Many customers are looking for a single point of accountability for all their cloud needs and iomart is well positioned to provide this service going forward, particularly for medium to large enterprises.

Commitment to ESG and sustainability

iomart believes that integrating environmental, social and governance ("ESG") considerations across our business enables us to accelerate our customers' success whilst looking after the environment and society. During the year, we partnered with Schneider Electric to establish carbon reduction targets and identify ways to reduce further our overall emissions as we work towards achieving carbon neutrality. This concluded with an alignment with the UK Government targets and a commitment to achieve Net Zero by 2050, and earlier, if possible.

We also made progress in other areas of ESG, which will enable us to better protect stakeholder interests and strengthen our business resilience.

Environmental

- Purchased Renewable Energy Guarantees of Origin ("REGO") certified renewable electricity across our UK data centre estate which reduces significantly our carbon emissions
- Improved our data centres efficiency by replacing older equipment with modern technology
- Installed Katrick Technologies' heat removal system' at our Glasgow data centre, with initial results showing a potential for up to 50% reduction in electrical power consumption

Social

- Revamped our brand values, with "People First" at the core
- Enhanced our employee benefits package
- Partnered with local charities that align with our brand focus and employees' interests, such as SmartSTEMs and Scotland's Empowering Women to Lead Digital Transformation leadership program
- Hosted Volunteer Days to serve the Glasgow and Manchester communities to deliver food and prep meals
- Roll-out of Leadership Programme across the Group
- Implemented a "People Forum" of cross group staff representatives, a first for the Group

Governance

- Added a fourth Non-Executive Director to the Board to support our growth strategy
- Engaged an external third party to lead an outsourced internal audit function

Operational Review

While all of our activities involve the provision of services from common infrastructure, we are organised into two operating segments, Cloud Services (£91.2m revenue) and Easyspace (£11.8m revenue).

Cloud Services

Within our Cloud Services division, we have three core offerings, recognising the differing complexity of the solutions designed and the level of ongoing managed services we provide being: iomart cloud managed services, self-managed infrastructure and non-recurring revenue. This means we are able to supply products and services across the full cloud spectrum and to do so using shared resources and common platforms across the Group.

iomart cloud managed services: £55.7m revenue (2021: £57.9m): provides fully managed, complex bespoke designs, resulting in resilient solutions involving various infrastructures. This has a wide range of offering across the full cloud spectrum from simpler colocation data centre services to a full 24/7 managed service complemented by all of our offering around back-up and disaster recovery. Over the long-term we anticipate this will be the highest growth area for iomart, supported by the market drivers described above. This is the part of the business on which new product service launches are focused because we believe "IT as a service" is what organisations are looking for to support their business objectives and that we are well placed to offer.

- Self-managed infrastructure: £28.4m revenue (2021: £30.3m): provides dedicated, physical, self-service servers to customers. We deliver many thousands of physical servers for our customers using highly automated systems and processes which we continue to develop and improve. Over the last three years we have seen reduction in revenues within this area especially from a long tail of smaller customers many of whom were within legacy brands. We will continue to allocate resources to ensure we provide this customer base with resilient, cost effective and increasingly automated solutions.

Cloud Services (continued)

- Non-recurring revenue: £7.1m (2021: £11.7m): relates primarily to on premise equipment and software reselling via our Cristie Data brand, plus consultancy projects. By their nature this activity is lower margin but we believe it to be relevant to our ability to offer support to our existing customer base and new customer wins. It is often these non-recurring activities that provide an interesting initial introduction to the wider iomart Group and evolve customers into a higher level of recurring services.

During the year ended 31 March 2022, Cloud Services revenues decreased by £8.7m (9%) to £91.2m (2021: £99.9m).

A fall in non-recurring activities accounted for a £4.6m drop in non-recurring revenue from lower equipment reselling which, coupled with a large scale consultancy project coming to an end which had contributed £1.3m of revenue in the prior year, had a disproportionate impact. However, we are pleased to report that we have commenced the new financial year with an increased order book and a sales team back at full strength.

Recurring revenue(3) reduced by £4.2m in the financial year, split equally between our core cloud managed services areas and self-managed infrastructure revenues, largely as a result of lower levels of renewals than usual at the start of the year as a result of, corporate ownership changes, lack of breadth in public cloud solutions and customer service. Renewals rates have subsequently returned to normal levels and we are confident the investments we have made into our customer support processes and the broadening of our solutions offering in the year will continue to bring positive results in this regard.

Cloud Services EBITDA (before share based payments, acquisition costs and central group overheads) was £36.6m being 40.2% of cloud services revenue (2021: £40.5m (40.5% of cloud services revenue)). The underlying profitability has been reasonably stable in the year with the reduction in absolute EBITDA reflecting the revenue trend in the year.

Easyspace

The global domain name and mass market hosting sector continues to grow, supported by the increasing importance of an internet presence and ecommerce for all areas of the economy, including the small and micro business community represented within our Easyspace division. This sector is increasingly dominated by a smaller number of large global operators and we recognised a long time ago that the marketing spends required to compete for new business in this specific area was not the best use of iomart's resources. The Easyspace segment has performed well during the year, delivering revenues and EBITDA (before share based payments, acquisition costs and central group overheads) of £11.8m (2021: £11.9m) and £5.7m (2021: £5.3m), respectively.

Infrastructure investment and energy pricing

Our UK owned infrastructure is an important part of the delivery of our recurring revenue services, an important differentiator in the market and allows more of the value add to be retained by iomart. We have a well maintained data centre estate as this is core to ensuring a resilient service.

In the year we concluded investments in a number of projects that overlapped the prior year end, including the replacement of the cooling system in our second largest data centre in London, and investment into next generation core routing technology which provides 100GB capacity on our network, with the ability to scale to 400GB. In the year the only other larger project initiated was the upgrade to our uninterruptible power systems ("UPS") in our core sites, which will be steadily rolled out over the next two years as part of our standard infrastructure spend, plus the electrical system upgrade in our London site. Given some of the lower revenue trends experienced we have also seen a lower level of spend in servers and storage systems linked to customer projects. In combination these factors have resulted in an overall equipment CAPEX spend at a lower level: £9.5m versus £15.2m in prior year.

We are proactively managing the inflation in energy prices. Although the current volatility of the energy markets may cause us to have to absorb some of the price fluctuations through the year, the core of our existing customer agreements, to varying degrees allow us to increase pricing, and some of this has already been invoked. In addition, any new business, contract renewals or shorter-term arrangements will be price adjusted at the appropriate time. We have various options to put in place hedging type arrangements within our electricity procurement to provide some certainty for our customers and our own planning.

Current trading and outlook

The first two months of the new financial year has seen financial results in line with internal expectations, consistent with our high recurring revenue business model which gives good visibility.

The focus for the coming year is the continued development of our sales pipeline, timely conversion of the opportunities created by new solution launches and the cyber security partnership, improvements made in our customer services, and our refreshed commercial leadership team.

Current trading and outlook (continued)

We are mindful that the wider business environment continues to be challenging. As iomart has shown in the past, during periods of uncertainty, we have a robust business model and strong financial position to manage such short-term pressures. This is especially the case as the market for cloud computing solutions continue to offer long-term growth and our strategic actions taken, together with our M&A plans, puts us in a stronger position to benefit from this over the coming year and beyond.

Reece Donovan
Chief Executive Officer
14 June 2022

Definition of alternative performance measures:

[1] Throughout these financial statements adjusted EBITDA (disclosed in the consolidated statement of comprehensive income) is earnings before interest, tax, depreciation and amortisation (EBITDA) before share-based payment charges, acquisition costs and gain on the 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 (disclosed on page 16) is profit before tax, amortisation charges on acquired intangible assets, share-based payment charges, acquisition costs, accelerated write off of arrangement fee on bank facility and gain on revaluation of contingent consideration

[3] Recurring revenue is the revenue that repeats either under long-term contractual arrangement or on a rolling basis by predictable customer habit. % of recurring revenue is defined as Recurring Revenue (as disclosed in note 3) / Revenue (as disclosed in the consolidated statement of comprehensive income)

Customer Spotlight

Shepherds Bush Housing Group

With an extremely tight timeline for cloud migration, Shepherds Bush Housing Group had a range of challenges to overcome during the course of their digital transformation. From tender to implementation, iomart was able to display a simple and straightforward approach that ensured Head of Project Management & Technology, Jatinder Grewall, could focus on the important day-to-day running of the organisation.

Shepherds Bush provide housing for those most in need. They have 5,000 homes, throughout nine boroughs in west London, supporting people from all walks of life with a diverse range of needs. Their aim is to provide their customers with accommodation they're proud to call home.

Because their day-to-day work is critical, we wanted to make sure their cloud migration just worked. So they could continue to provide housing and support to their customers uninterrupted.

"The feeling we got from the first session we had with iomart was that they were a very 'can do' company."

"When speaking to other companies they all spoke in very general terms, nothing specific. It all sounds good but it was difficult to understand exactly what they were trying to sell us. With iomart though it was all very clear, concise and to the point."

Despite what Jatinder described as an "aggressive timeline", iomart delivered exactly what they said they'd deliver, exactly when they said they'd deliver it.

"We set an aggressive timeline for migration and we wanted everything done in a fairly short period. We expected iomart to come back to say they couldn't do it but they didn't. They put the resources in place to get the job done to our timelines. There weren't really any issues with the migration and it caused us far fewer headaches internally than we had expected."

"The delivery was spot on and I don't think I could have asked for anything more."

Chief Financial Officer's Report

Financial Review

Key Performance Indicators	2022	2021
Revenue	£103.0m	£111.9m
% of recurring revenue [1]	93%	90%
Gross profit % [2]	59.5%	60.5%
Adjusted EBITDA [3]	£38.0m	£41.4m
Adjusted EBITDA margin % [4]	36.9%	37.0%
Adjusted profit before tax [5]	£17.1m	£19.6m
Adjusted profit before tax margin % [6]	16.6%	17.5%
Profit before tax	£12.2m	£12.5m
Profit before tax margin % [7]	11.8%	11.1%
Basic earnings per share	8.6p	9.3p
Adjusted earnings per share (diluted) [8]	12.0p	14.4p
Cash flow from operations / Adjusted EBITDA % [9]	100%	106%
Net debt / Adjusted EBITDA leverage ratio [10]	1.1	1.3

See page 19 for definition of alternative performance measures

Revenue

Overall revenue from our operations reduced by 8% to £103.0m (2021: £111.9m). We saw a greater share of recurring revenue at 93% (2021: 90%) compared to prior years as non-recurring activity levels reduced by a disproportionate level. We remain focussed on retaining our recurring revenue business model with the combination of multi-year contracts and payments in advance providing us with good revenue visibility.

Cloud Services

The following is the disaggregation of Cloud Services revenues of £91.2m (2021: £99.9m):

Disaggregation of Cloud Services revenue	2022 £'000	2021 £'000
Cloud managed services	55,745	57,961
Self-managed infrastructure	28,363	30,311
Non-recurring revenue	7,128	11,672
	91,236	**99,944**

Cloud Services (continued)

Cloud managed services (recurring revenue)

The main driver for the £2.2m (4%) lower revenue experienced in the year was a lower level of customer renewals, primarily in the first half. We saw an improvement in the renewals in the second half of the year but by then the cumulative revenue impact had heavily influenced the full year result. This does however ensure a more normalised renewal level as we start our new financial year and a more solid revenue base as we await the layering on from forecasted higher order bookings from pipeline opportunities generated by additional product launch already underway and the refreshed commercial team.

Self-managed infrastructure (recurring revenue)

In the year the self-managed infrastructure revenue reduction was £1.9m (6%), largely attributable to a reduction in number of our long tail of smaller customers. While still a reduction in organic revenue, the pace has slowed from the previous two years which is somewhat encouraging especially given this area of the business typically has above average profitability.

Non-recurring revenue

Of the lower revenue contribution in this year £1.8m comes from lower consultancy income, including the impact of one large consultancy project which came to an end in December 2020 and was not repeated. In addition, £2.7m can be attributed to lower one-off hardware and software reselling. This area of our activity continued to see slower decision making on larger hardware refresh projects than normal, longer lead times for equipment components, and also to some degree we were impacted by reduced sales heads in the Cristie Data sales force at the start of the year which only returned to full strength in the second half. Some of these factors are timing related and we start the new financial year with a non-recurring order book £0.7m higher than last year.

Easyspace

Our Easyspace segment has performed well over the year with revenues reducing by only £0.1m to £11.8m (2021: £11.9m). The domain name and web hosting business is an area in which we do not invest heavily but it was pleasing to see a solid performance with high level of renewals from our base of 65,000 customers. The activity remains highly profitable and cash generative.

Business model

Our business model in both segments generally involves the provision of cloud and managed hosting services from our data centres, delivering the computing power, storage, and network capability our customers require for the operation of their own businesses. We have invested in an estate of data centres, an extensive fibre network and for each customer the servers, routers, firewalls and other assets that are necessary to create the IT infrastructure they require. These resources, along with the associated staff, are shared across most of our revenue streams. Customers pay us for the provision of that infrastructure, with the potential to add 3rd party technology and various degrees of a managed services wrapper.

Larger customers tend to have multi-year contracts for complex cloud solutions, which are invoiced and paid on a monthly basis. Many of our smaller customers pay in advance for the provision of services which results in a substantial sum of deferred revenue, which is then recognised over the period of the service provision. A significant proportion of our revenue is therefore recurring and the combination of multi-year contracts and payment in advance provides us with strong revenue visibility.

Gross Profit

Gross profit in the year, which is calculated by deducting from revenue variable cost of sales such as power, software licences, connectivity charges, domain costs, public cloud costs, sales commission, the relatively fixed costs of operating our data centres plus, for non-recurring revenue, the cost of hardware and software sold, reduced by £6.3m to £61.3m (2021: £67.6m). In percentage terms, gross margin[2] was broadly stable at 59.5% (2021: 60.5%), however, the movement in the year is a combination of a reduction in on-premise hardware and software solution sales which are typically lower gross margin given the inclusion of the reselling element of their solutions, offset by initial lower contribution levels on some of the new business won compared to margins from some of the self-managed infrastructure only deal of earlier years.

We have not seen any significant individual price change in any of the components of the purchased cost base in the last 12 months, although as more complex solutions are designed for customers we generally see more bought in recurring costs being introduced to our cost of sales including consumption of public cloud resources.

Adjusted EBITDA[3]

The Group's adjusted EBITDA reduced by 8% to £38.0m (2021: £41.4m) which in adjusted EBITDA margin[4] terms translates to 36.9% (2021: 37.0%). The administration expense (before depreciation, amortisation, share based payment charges and acquisition cost) of £23.3m is £2.9m lower than the previous year comparative. An element of this reflects the secured synergy savings achieved from the two bolt on acquisitions in February and March 2020 and some relates to the specific timings of staff adjustments in our team as, like the wider sector, we saw a period of higher staff attrition and recruitment activity in the first half of the year.

Adjusted EBITDA (continued)

The Cloud Services segment saw a 9% reduction in adjusted EBITDA to £36.6m (2021: £40.5m). In percentage terms the Cloud Services margin decreased slightly to 40.2% (2021: 40.5%). The Easyspace segment's adjusted EBITDA was £5.7m (2021: £5.3m) reflecting the stable revenue performance in the year with the increase in profitability reflecting the specific bundle of packages sold to hosting customers. In percentage terms the adjusted EBITDA margin increased to 48.2% (2021: 44.8%).

Group overheads remained stable at £4.3m (2021: £4.4m). These are costs which are not allocated to segments, including 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.

Adjusted profit before tax[5]

The depreciation charge of £16.3m (2021: £16.9m) has reduced by £0.6m in the year but as a percentage of recurring revenue is 17.0% which is broadly consistent with prior year of 16.8%.

The charge for amortisation of intangibles, excluding amortisation of intangible assets resulting from acquisitions ("amortisation of acquired intangible assets"), of £2.6m (2021: £2.9m) has dropped slightly year on year.

Finance costs (including accelerated write off of arrangements fee on bank facility) of £2.1m (2021: £2.0m), has been stable. This includes 4 months from the new revolving loan facility which has a slightly higher bank margin but overall small savings was achieved because of the lower overall debt levels. Our revolving credit facility has a borrowing cost at the Group's current leverage levels of 180 basis points over SONIA.

After deducting the charges for depreciation, amortisation (excluding the charges for the amortisation of acquired intangible assets) and finance costs from the adjusted EBITDA, the Group's adjusted profit before tax reduced to £17.1m (2021: £19.6m), representing an adjusted profit before tax margin[6] of 16.6% (2021: 17.5%).

Profit before tax

The measure of adjusted profit before tax is an alternative profit 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	2022 £'000	2021 £'000
Adjusted profit before tax[5]	**17,109**	**19,628**
Less: Amortisation of acquired intangible assets	(4,044)	(5,457)
Less: Acquisition costs	(315)	(493)
Less: Share-based payments	(480)	(1,247)
Less: Accelerated write off of arrangement fee on bank facility	(102)	-
Add: Gain on revaluation of contingent consideration	-	33
Profit before tax	**12,168**	**12,464**

The adjusting items are: charges for the amortisation of acquired intangible assets of £4.0m (2021 £5.5m) with the reduction being from expiry of the amortisation charge on earlier acquisitions; acquisition costs of £0.3m (2021: £0.5m) and share-based payment charges of £0.5m (2021: £1.2m) with the reduction due to options lapsed in the period and the lower closing share price.

In addition, in the current year the successful refinancing required £0.1m of previously deferred arrangement fees to be written off early. During the year to 31 March 2021 there was a very small gain on contingent consideration for previous acquisitions.

After deducting these items from the adjusted profit before tax, the reported profit before tax was fairly stable at £12.2m (2021: £12.5m). In percentage terms the profit before tax margin[7] was an increase to 11.8% (2021: 11.1%) fully driven by the continued reduction in the amortisation of acquired intangible assets and lower share based payment charge, offsetting fully the impact of the lower trading result in the year.

Taxation

The tax charge for the year is £2.8m (2021: £2.3m). The tax charge for the year is made up of a corporation tax charge of £1.1m (2021: £3.5m) with a deferred tax charge of £1.7m (2021: £1.2m credit). The effective rate of tax for the year is 22.8% (2021: 18.1%). The future increase to a 25% UK corporation tax rate has been reflected, for this first time, on the deferred tax balances. In prior year the change in tax rate was not substantively enacted meaning the deferred tax balances were calculated with a 19% rate. The increase in the effective tax rate in the year to above the current UK headline corporation tax rate is a function of the greater impact from the tax accounting on share based payments offset partially by the positive effect of the higher "super deduction" available for capital investments. Given iomart is very much a UK business then the UK headline corporate tax is still considered a reasonable recurring effective tax rate for underlying profits. Further explanation of the tax charge for the year is given in note 9.

Profit for the year

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 £9.4m (2021: £10.2m).

Earnings per share

The calculation of both adjusted earnings per share and basic earnings per share is included at note 11.

Basic earnings per share from continuing operations was 8.6p (2021: 9.3p), a reduction of 7.5%.

Adjusted diluted earnings per share[8], based on profit for the year attributed to ordinary shareholders before amortisation charges of acquired intangible assets, acquisition costs, share-based payment charges, accelerated write off of arrangement fee on bank facility, the gain on the revaluation of contingent consideration, and the tax effect of these items was 12.0p (2021: 14.4p), a reduction of 16.7%.

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.

Dividends

Our dividend policy, which has been in place for several years now, is based on the profitability of the business in the period measured with reference to the adjusted diluted earnings per share we deliver in a financial year. For the last few years we have been paying dividends at the maximum level allowed by our stated policy. The current policy is a maximum pay-out policy of 50% of adjusted diluted earnings per share. The Directors are proposing a final dividend of 3.60p (2021:4.50p) which is at maximum level set by the dividend policy which we believe is fully appropriate given the recurring revenue nature of the Group, the level of operating cash which we deliver, the low level of indebtedness within the Group and the fact we have not utilised any of the government furlough schemes. As a result, along with the interim dividend of 2.42p (2021: 2.60p), which was paid in January 2022, the total dividend for the year is 6.02p (2021: 7.10p), a reduction reflecting the movement in the adjusted diluted earnings per share.

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 £37.9m (2021: £43.7m) which represents a 100% conversion[9] of adjusted EBITDA (2021: 106%). The higher headline conversion ratio in prior year was augmented by a £2.3m cash deposit returned by our landlord as part of the negotiation of the extension of the London data centre lease. Normalising for this item takes the EBITDA conversion to cash ratio to 100% in the prior year.

Cash payments for corporation taxation in the year fell to £2.5m (2021: £3.6m), resulting in net cash flow from operating activities in the year of £35.4m (2021: £40.1m).

Cash flow from investing activities

Our strategy is to continue to reinvest some of our strong operating cash flow we generate back into the business both in the form of internal investments into our UK infrastructure but also in the continuation of our disciplined acquisition strategy. The Group invested a total of £10.2m (2021: £19.2m) during the year. This was a relatively low level as there was no M&A type payments and generally our CAPEX was lower reflecting some of the activity levels.

The Group continues to invest in property, plant and equipment through expenditure on data centres and on equipment required to provide managed services to both its existing and new customers. As a result, the Group spent £9.5m (2021: £15.2m) on assets, net of related lease drawdowns, trade creditor movements and non-cash reinstatement provisions. Most of the expenditure in the year was on operational items such as servers and storage to support customer deployments. Project type capital expenditure on the infrastructure was at a similar level to last year at around £4.0m. This included the final payments associated with the investment in the London data centre chiller replacement and the initial works on the electrical systems at the same site.

Expenditure was also incurred on development costs of £1.4m (2021: £1.3m) and on intangible assets of £0.1m (2021: £0.6m). We sold our Leeds office during the year which created £0.7m of sales proceeds (2021: £nil).

We made no acquisitions in the last year and had no M&A related payment. In prior year we incurred £2.4m of expenditure in respect of contingent consideration due on previous year acquisitions. As we have outlined in our strategy we do expect M&A activity will continue to support and accelerate our organic growth ambitions over the coming five years.

Cash flow from financing activities

In the prior year loan drawdowns of £1.2m were made from the revolving credit facility to fund the payment of contingent consideration due on acquisitions. In the current year there was no such loan drawdowns other than the initial drawdown on our new bank facility to repay the Bank of Scotland revolving loan which was refinanced (see below).

Bank loan repayments of £18.8m (2021: £1.2m) were made in the year reducing significantly the closing drawn bank loan to £34.0m (2021: £52.8m). Cash received in the year from issue of shares was only £4k (2021: £0.4m). We also made dividend payments of £7.6m (2021: £7.1m); paid finance costs of £2.1m (2021: £1.1m) which included £1.0m of arrangement and professional fees associated with the new bank facility and made lease repayments of £4.4.m (2021: £5.4m).

Net cash flow

As a consequence of the above component elements and especially our high bank loan repayment in the year, our overall cash position was an outflow of £7.7m (2021: £7.5m inflow) which resulted in cash and cash equivalent balances at the end of the year of £15.3m (2021: £23.0m).

Net Debt

The net debt position of the Group at the end of the year was £41.3m (2021: £54.6m) as shown below. The net debt position represents a multiple of 1.1 times[10] our adjusted EBITDA (2021: 1.3 times) which we believe is a comfortable level of debt to carry given the recurring revenue business model and strong cash generation in the business.

	2022 £’000	**2021 £’000**
Bank revolver loan	34,000	52,791
Lease liabilities	22,623	24,867
Less: cash and cash equivalents	(15,332)	(23,038)
Net Debt	**41,291**	**54,620**

Net Debt (continued)

On 2 December 2021, we successfully refinanced and increased the Group's existing single bank Revolving Credit Facility of £80m that was due to mature on 30 September 2022. The new £100m Revolving Credit Facility ("RCF") was provided by a new four bank group consisting of HSBC, Royal Bank of Scotland, Bank of Ireland and Clydesdale Bank.

The new facility has an initial maturity date of 30 June 2025, with a 12-month extension option and benefits from a £50m Accordion Facility. The RCF has a borrowing cost at the Group's current leverage levels of 180 basis points over SONIA, compared to 150 basis points over LIBOR on the prior facility. An arrangement fee was paid upfront in addition to a commitment fee on the undrawn portion of the new RCF on equivalent terms to the previous facility. The RCF and the Accordion Facility (if exercised) provide the Group with additional liquidity which will be used for general business purposes and to fund investments, in accordance with the Group's five-year strategic plan.

The decrease in the lease liability to £22.6m (2021: £24.9m) reflected expected payments on property arrangements and that there were no material revisions to existing leases.

Exposure to credit and liquidity risks

Disclosures relating to our exposure to credit and liquidity risks are outlined in note 28.

Financial position

The strength of our business model, with high recurring revenue, low customer concentration across wide sectors and a positive cash cycle is well established and creates a very strong financial position. The Group continues to generate substantial amounts of operating cash. The generation of that cash flow, together with the committed bank loan facility for acquisitions, capital expenditure and general business purposes, means that the Group has the liquidity it requires to continue its growth through both organic and acquisitive means.

Scott Cu

Scott Cunningham
Chief Financial Officer
14 June 2022

Definition of alternative performance measures:

[1] Recurring revenue is the revenue that repeats either under long-term contractual arrangement or on a rolling basis by predictable customer habit. % of recurring revenue is defined as Recurring Revenue (as disclosed in note 3) / Revenue (as disclosed in the consolidated statement of comprehensive income)

[2] Gross profit margin % is defined as Gross Profit / Revenue as a % (both as disclosed in the consolidated statement of comprehensive income)

[3] Adjusted EBITDA (as disclosed in the consolidated statement of comprehensive income) is earnings before interest, tax, depreciation and amortisation (EBITDA) before share-based payment charges, acquisition costs and gain on the revaluation of contingent consideration. Throughout these financial statements acquisition costs are defined as acquisition related costs and non-recurring acquisition integration costs.

[4] Adjusted EBITDA margin % is defined as adjusted EBITDA (as disclosed in the consolidated statement of comprehensive income) / Revenue (as disclosed in the consolidated statement of comprehensive income) as a %

[5] Adjusted profit before tax (as disclosed on page 16) is profit before tax, amortisation charges on acquired intangible assets, share-based payment charges, acquisition costs, accelerated write off of arrangements fee on bank facility and gain on revaluation of contingent consideration.

[6] Adjusted profit before tax margin % is defined as adjusted profit before tax (as disclosed on page 16) / Revenue (as disclosed in the consolidated statement of comprehensive income) as a %

[7] Profit before tax margin % is defined as Profit before Tax / Revenue (both as disclosed in the consolidated statement of comprehensive income) as a %

[8] Adjusted diluted earnings per share is earnings before amortisation charges on acquired intangible assets, share-based payment charges, acquisition costs, accelerated write off of arrangement fee on bank facility and gain on revaluation of contingent consideration and the tax impact of adjusted items /weighted average number of ordinary shares – diluted (as disclosed in note 11)

[9] Cash flow from operations / Adjusted EBITDA % is defined as cash flow from operations (as disclosed in the consolidated statement of cash flows) / Adjusted EBITDA (as defined on page 12) as a %

[10] Net debt / Adjusted EBIDTA level ratio is defined as Net Debt (as disclosed on page 18) / Adjusted EBITDA (as disclosed in the consolidated statement of comprehensive income)

The Board of Directors, who are responsible for the Group's system of risk management and internal controls, have established systems to ensure that an appropriate level of oversight and control is provided to manage principal risks and uncertainties identified that could have a material impact on the Group's performance. The Group's systems of risk management and internal controls, which are reviewed for effectiveness by the Audit Committee and the Board, are designed to help the Group meet its business objectives by appropriately managing, rather than eliminating, the risks relating to those objectives.

Risk management approach

A risk management framework is in place which sets out the ongoing processes for the identification, assessment and management of risks, and for their ongoing monitoring and review. Effective risk management is essential to enable us to deliver on the Group's strategy and to achieve our operational objectives.

The risk management framework sets out our approach to risk management which is designed to support our identification of risks to the business. Once identified, risks are given a gross score, based on an approved risk scoring matrix, based on the Group's assessment of the likelihood and impact of the risk occurring. Each risk is assessed with a risk response and is re-assessed based on the strength of mitigating controls that are in place. This process is documented in our Group risk register which is reviewed formally each year by the Audit Committee.

In the current year, the Group has continued to apply its risk management framework and risk assessment process to monitor the relevant identified risks to the Group in order to execute and deliver the Group's strategy. The Executive Directors and senior management met to review the Group risk register and risk map during the year to review the identified significant risks, the probability of those risks occurring, their potential impact and the plans for managing and mitigating each of the identified risks. The Board and Executive team carried out a robust assessment of the Group's emerging risks taking into consideration internal and external insights to identify key emerging risks for further consideration, monitoring and action planning. Any emerging risks identified are captured on the Group's risk register. More details on the Group's control framework is provided in the Corporate Governance report on page 37 - 38 and details of financial risks are outlined in note 28.

Risk control assurance

As noted in the Corporate Governance report on page 38, in January 2022, Ernst and Young LLP ("EY) were appointed to resource an independent, outsourced internal audit function. EY developed an internal audit plan based on their review of our current risk management approach and Group's risk register and, following discussions with the external auditors, the Executive team and senior management, this plan has been approved by the Audit Committee, with the first review being performed in the first quarter of the new financial year.

The Group's internal control and risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against material misstatement or loss.

Principal risks and uncertainties

Through the above process, we have continued to identify similar potential material risks and uncertainties as reported in the prior year. While supply chain reliance had been identified in the prior period the unprecedented volatility of energy costs has merited this being identified separately. These risks are as follows:

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 or senior staff are not retained. 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. The Group also has the ability to manage and recruit resource across multiple locations which creates, to some degree, flexibility on where we recruit and how we deploy our resources.

Data centre operation

Any downtime experienced at our data centres 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 data centres continue to operate effectively. We also continually look at new innovations and technology within the sector that can help to deliver operational efficiency and effectiveness in line with our ISO50001 energy management system, and our obligations within the CRC Energy Efficiency Scheme.

Network

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. The service we provide to customers is dependent on the continued operation of our diverse fibre network which connects our data centre estate. Should the network fail, there would be an adverse impact on customers and any diminution in the level of service could have serious consequences for customer acquisition and retention. The Group has implemented a resilient network throughout its data centre estate with no single points of failure to ensure the likelihood of network failure is minimised.

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 to promote a culture within the organisation which embeds security across all of our operations. iomart continues to develop our security portfolio to equip our customers with the means to counter the types of security threats our clients face. We are enhancing our internal process improvement, security awareness and training to ensure we provide solutions which customers can rely on. The Group also carries specific insurance in relation to cyber related crime. Our contracts and associated schedules with customers make it clear where responsibilities lie in relation to the roles and responsibilities of each party for the Security of Data and Data Protection in general.

Competition

iomart operates in a competitive and fluid marketplace and while the Directors believe the Group enjoys significant strengths and advantages in competing for business, some of the competitors are significantly larger, allowing them to offer similar services for lower prices than the Group would be prepared to match, or launching new product offerings with significantly enhanced features. Consequently, these competitors could materially adversely impact the scale of the Group's revenues and its profitability. In response to this, we maintain a broad customer base, with currently no single customer with more than 2% of our annual revenue. We also mitigate the risk by establishing strong relationships with our customers, developing tailor-made and value-creating solutions and delivering excellent service performance while being cost competitive in our day to day business. Our development team are continually working towards both enhancing, and augmenting, the services we currently offer. Our recently established product board meets regularly to keep abreast of new technology which could enhance the Group's service portfolio.

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.

Volatility of energy prices

Due to recent unprecedented global events, the wholesale cost of energy has risen sharply and remains volatile. Our UK data centres are large consumers of electricity to power servers and provide cooling. Due to recent events our electricity costs will materially increase next year. If such costs are not passed onto customers or mitigated this could have an impact on profitability. The core of our existing customer agreements, to varying degrees, allow us to promptly increase pricing due to increases in energy costs. In addition, any new business, contract renewals or shorter-term arrangements also allow pricing to be increased. We work with our Energy Consultants, Schneider Electric, to put in place hedging type arrangements, so we have appropriate levels of certainty for our customers and our own planning.

Growth management

The Group seeks to achieve high levels of growth through a combination of 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, an 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 a stated strategy 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 an 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 cash flow. For each acquisition diligence and integration planning is undertaken and all potential synergies identified.

Covid-19

The impact of Covid-19 on our business required us to reassess the impact of the global pandemic on our risk management and internal control environment. Our resilient business model, the diversity and limited concentration of our customer base and thus minimised industry exposure has reduced the impact that Covid-19 had on our business during the year. During the year, we continued to undertake regular risk assessments to monitor the impact of Covid-19 and the Executive team reviewed the guidance issued by the UK government on a regular basis, and adapted accordingly, to ensure the health and safety of our employees continued to be at the forefront of our response to the pandemic. We believe our risk assessment process still remains valid and new modes of operation, including remote working, have not diluted the strength of our control environment.

Stakeholder engagement is critical to the long-term success and sustainability of our business and the Board recognises its responsibility to take into consideration the needs and concerns of our key stakeholders as part of its discussion and decision-making processes. During the year, the Board and its Directors confirm they have acted in a way that promotes the success of iomart Group for the benefit of its members as a whole, and in doing so have had regard to the stakeholders and key matters set out in Section 172(1) (a) to (f) of the Companies Act 2006 ("Section 172").

The Board considers that the Group's key stakeholders are its shareholders, employees, customers, suppliers and key partners and the environment. The Directors recognise that they are expected to take into account the interests of those stakeholders whilst prioritising the long-term success of the Group. This can mean that the interests of certain stakeholder groups in the short-term may need to be balanced against such long-term success.

The Board view the key stakeholders and principal methods of engagement as shown in the table below. In all cases, the level of engagement informs the Board, both in relation to stakeholder concerns and the likely impact on decision-making. The Board uses its monthly board meetings as a mechanism to address and meet its obligations under Section 172.

Stakeholder Group	**How we engaged in 2021/2022**
Shareholders	The Board engages with shareholders throughout the year through the annual and half year results, trading updates, regulatory news service announcements, the Annual General Meeting, the investor roadshows and the investor pages on the iomart Group website. In the current year, the Board continued to adapt any methods of communication as required to comply with Covid-19 government guidance. The Board receives detailed feedback reports via our various advisors, on views of shareholders and covering analysts. Throughout the year the Board have maintained open and effective engagement with shareholders and investors on key topics such as strategy, environmental, social and governance ("ESG") and business performance. A Capital Markets Day was undertaken in May 2021 to present the Group's strategic plans to shareholders and investors. In the current year, we have continued to use 'Reach', an investor communication service aimed at assisting companies to deliver non-regulatory news, to announce the appointment of our Chief Commercial Officer, carbon reducing technology implemented at our Glasgow data centre in partnership with Katrick Technologies and our new security partnership with cyber security specialists, e2e-assure.
Employees	Our culture defines the behaviours we all hold ourselves to account on and helps drive our strategy of building a high performance team. Our core values are: • **People first** – our people are at the heart of everything we do. We support them to anticipate our customers' needs and exceed their expectations; • **One team** – we work together to achieve great things and treat each other with respect; • **Be curious** – we will always strive to improve and challenge the status quo; • **Be accountable** – we take ownership of what we do and how we do it. We will deliver on our promises and are open to feedback; and • **Be ambitious** – we take pride in and are passionate about our work and we insist on the highest standards from ourselves and others. In the current year, we have continued to engage with employees through wider communication channels to ensure employees are informed about business strategy and developments in real-time. Through the use of Yammer across the Group we connect leaders and employees to build communities, share knowledge (both formal and informal) and engage everyone to acknowledge new business wins and staff achievements in addition to promoting social events. We have encouraged the involvement of all employees from different functions, including the Board and Executive Team, to take part in Q&A video sessions which are shared with the wider Group to enhance the sharing of knowledge and information.

Stakeholder Group	How we engaged in 2021/2022 (continued)
Employees (continued)	The Board communicate to all employees through quarterly townhalls led by our CEO to provide updates on strategy, organisational change and answer any questions put forward by employees. iocomms was introduced by the marketing team in the year to allow more structured internal communications. iocomms is an email tool to communicate and engage with all employees and has been used in the year to introduce new employees and members of the Executive team, to give internal updates, external news updates and to involve employees in various fun and interactive events throughout the year including Christmas and Valentine's Day competitions. The Board continues to receive monthly HR updates covering key employee matters and developments. By maintaining a rotational schedule, which sees department heads present at Board meetings, and the sharing of regular internal staff publications and newsletters sent to all employees, the Board is well connected to the wider employee base.
Customers	The Group places customers at the heart of our business and strategy and has continued to focus on this ethos throughout the Covid-19 pandemic to ensure we support our customers. All our teams are focused on regular communication with customers to ensure we fulfil our customers' product and service requirements and to deliver excellent customer service. We ensure that our customers have the opportunity to speak to their support team, account manager or a member of senior management throughout each stage of their customer journey with iomart. For more details on how the Group engages with customers, see the Directors' report on page 50. In February 2022, we hosted our first webinar on Disaster Recovery which was well received and we aim to continue to host webinars covering hot topics in the coming year. In March 2022, we hosted a stand at Cloud Expo Europe, a technology event held in London, to connect with existing and prospective customers, technologists and business leaders to help engage in conversations on their digital transformation journeys.
Suppliers and key partners	Open and honest engagement and relationships with our suppliers and subcontractors is critical to the delivery of our business model and long-term strategy. The Group has a number of key strategic partners that we engage with to support delivery of our business in a number of key areas including IT infrastructure and communication products and services, software, provision of power and our landlords on leased property. Our teams and employees interact with our strategic partners and all other suppliers on a regular basis to strengthen trading relationships and to ensure that the supply chain function continues to operate well to support the business. The CEO and CFO continue to engage with a number of key strategic partners to ensure we monitor the quality of our suppliers to optimise operational efficiency, ensure we receive the best level of service and continue to contract on favourable terms to support the business. For more details on how the Group engages with suppliers, see the Directors' report on page 50.
Environment	The Group recognises the environmental impacts arising from our business activities and is committed to reducing these through effective environmental management. The Group operates a number of data centres throughout the UK and we operate our data centres in a way intended to reduce the impact on our local environment, including the usage of energy and greenhouse gas emissions. The Company participates in the Energy Saving Opportunities Scheme (ESOS) and meets the requirements of the Streamlined Energy and Carbon Reporting (SECR) regulations (see pages 50 to 52 for our SECR reporting and details on our energy efficiency actions in the year). The Board receive regular management reports on energy performance and outputs of our data centres to demonstrate our commitment to ESOS and SECR and is committed to developing the reporting of emissions across the Group with the intention to further improve environmental performance of our key data centre locations. The Board also receive updates on compliance with ISO standards, environmental and energy efficiency management policies and updates on improvement activities through monthly Board reporting.

The following table covers the key decisions made during the year and the stakeholder group(s) impacted by these decisions.

Key Impact	Key decisions made	Key Stakeholder Group impacted
Long term strategy and performance of the Group	In April 2021, the Board approved the Group's long-term strategic plan for the next five years. In the current year, the Board and Senior Management attended a strategy day in January 2022 to monitor progress against the strategic plan and continue to consider the potential impact that the Group's growth plans might have on its key stakeholders to ensure that there is a healthy balance between growth, shareholder returns, internal and external factors and wider stakeholder considerations. In early September 2021 the Company, working alongside a brand agency, launched a new brand strategy and brand identity to support our growth plans which focuses on making life easier for our customers, with the strapline "welcome to straightforward". This strapline encapsulates our mission to deliver a customer-focused service which makes the complicated world of secure hybrid cloud simple for our customers, gives them peace of mind, and allows them to focus on what's important to them. The new brand strategy was supported by a successful brand launch event held at an external location in Glasgow attended by employees and business partners, alongside external media campaigns to launch the new brand and a refreshed iomart website. The launch of the new iomart brand was well received by all stakeholders and provides a strong foundation for current and future growth initiatives. In the current year, the Board approved the establishment of a new product team and have redefined and launched a number of new product initiatives targeted at both new customers and upselling and cross-selling to our existing customers. As noted in the CEO report, they include specific campaigns around the growth areas of Digital Workplace, Secure Connectivity and Managed Microsoft Azure. The Board approved the Group's 2022/23 financial budget and forecasts to 2027. The budget was developed by the Executive team and senior management through a detailed bottom-up approach to set annual targets taking into consideration the strategic plan and any specific priorities and challenges faced by the Group. The Board considered the potential impact on our key stakeholders to ensure that the budget achieved a responsible balance between operating performance and short and long-term considerations that matter to our key stakeholders. The Board continues to monitor the trading performance of the Group, on a monthly basis, through detailed Board reports provided by the CFO covering trading in the month and year to date, with performance monitored against budget and the previous financial year. In addition, at each Board meeting, the Board receives a detailed CEO report covering performance, external market and sales, people, marketing and communications, operations, M&A and risk updates. The Board reviews the Nomination Committees assessment of the current and future composition of the Board, with a focus on diversity, skills and succession planning. In the current year, the Company appointed Ben Savage, Chief Commercial Officer to strengthen our sales strategy and relationships with our key stakeholders.	Shareholders, Employees, Customers, Suppliers, Environment

Key Impact	Key decisions made	Key Stakeholder Group impacted
Response to Covid-19	The Board has continued to focus on the impact of Covid-19 and to support the new hybrid working model adopted by the Group to ensure that all employees are safe and supported when in the office and at home; to ensure that the business continues to operate to the highest standards for the benefit of all stakeholders; and to protect and enhance the long-term future of the business. The Board focus has been to ensure that the needs of our key stakeholders are met whilst ensuring a balance between short-term financial impact and longer-term business resilience. There has continued to be a clear focus on monitoring of cash flow and strong cash management with monthly reporting to the Board. The Board continued to support the decision not to apply for financial support through the government's furlough scheme and to continue to support a small number of affected employees. As noted in the CEO's report on page 9 and the Principal Risks and Uncertainties on page 22, the Board has continued throughout the year to formally consider the ongoing risks as a result of Covid-19 on the business and our key stakeholders.	Shareholders, Employees, Customers, Suppliers
Financing and capital spend	In the current year, the Board approved the increased £100m revolving bank facility and related terms to underpin the Group's growth strategy. As part of the monthly Board reporting, the board receives reporting on compliance with loan covenants. The Board reviews the dividend policy and approved the interim and annual dividends taking into account the results and financial position of the Group.	Shareholders, Customers
Employees and culture	The Board seeks to ensure that the Group's staff policies and processes are aligned with the Company's core values and promote the long-term strategy of the Group. In addition, the Board continues to make decisions that encourage improvements in systems, processes and benefits which impact our employees. During the year, we completed an employee engagement survey to encourage feedback across the organisation on various aspects of the Group and drive cultural alignment with our core values and our focus on building a learning culture. In addition, it ensures areas of importance highlighted by employees are considered and reflected in future decisions and communications. The results of our interaction with employees were reviewed by the Executive team and the Board to develop actions and resulted in the continuation of a number of existing initiatives to support our employees and the launch of a number of new programmes outlined below. The Company has continued to strengthen our focus on ensuring the health and wellbeing of our employees to ensure we support our employees throughout, not just the Covid-19 pandemic, but also support hybrid working patterns post pandemic to ensure mental health remains a focus. In August 2021, the Company expanded the benefits packages to employees to further enhance our employee offering.	Shareholders, Employees

<table>
<tr><th>Key Impact</th><th>Key decisions made</th><th>Key Stakeholder Group impacted</th></tr>
<tr><td>Employees and culture (continued)</td><td>In the prior year, the Board supported a number of key initiatives which have continued throughout the current year including:
An employee assistance programme with a third party provider, Health Assured, offering free counselling support available 24/7 for all employees and their families;
All employees have access to Health Assured's 'My Healthy Advantage' phone app giving access to, among other things, mindfulness videos, mini health checks, health coaching and healthy eating guidance.
We have continued our partnership with a charity, Mindapples, as part of our employee wellbeing programme. Mindapples help to improve mental health and help people take better care of their minds improving resilience and productivity. During the year Mindapples has delivered sessions to our staff and managers including, for example, 'change habits,' 'be productive' and 'keep calm and handle pressure' sessions to support staff wellbeing which will continue through the coming year.
In the current year, the Board supported the launch of our 'People First Forum' which brings together people champions from across the organisation to provide an open forum to listen to the things that matter to our people, share insights and make recommendations for improvements. The first meeting was held in February 2022 and driving recommendations and changes will be a key focus in the coming year.

We have also increased our focus and investment in the training and development of our staff with a number of staff attending external training workshops and vendor training in the year. In addition, we have enrolled a number of our managers on a Leadership Development course, led by an external consultancy firm, to develop their leadership skills. Leadership teams have all been set challenges with a view to supporting the Board and Executive team in making improvements across the organisation. In May 2022, the Group have created a Senior Leadership Team to focus on supporting the Executive team to deliver the Group's strategy.

During the year, the Remuneration Committee has continued to make recommendations to the Board on the remuneration packages, including annual bonuses and salary review, for the Executive Directors and long-term incentive plans. The Board approved the launch of the new employee SAYE scheme in March 2022.</td><td>Shareholders, Employees</td></tr>
<tr><td>Governance, regulatory requirements and risk</td><td>The Board reviews and approves the results announcements and trading updates, the half year report and annual report and the AGM statement. The Board receives regular briefings from the Chairman, CEO and CFO and the Group's brokers and public relations advisers.

Through the half year and annual year end results process and the investor roadshows, the Board are in communication with analysts and advisors to help understand shareholder views which contributes to the Group's strategy and decision making. In the current year, the Chairman met face to face with a number of investors and external stakeholders. The CFO presents investor feedback results from the roadshows to the Board. A range of corporate information (including Group announcements) are available to all shareholders, investors and the public on the Group website investors.iomart.com.

The Board takes regulatory responsibilities seriously and is committed to ensuring that it is open and transparent with regulators. In November 2021, the Board met with our nominated adviser to obtain an update on changes to AIM rules and market abuse regulations to ensure iomart's compliance with requirements.</td><td>Shareholders, Employees, Customers, Suppliers, Environment</td></tr>
</table>

Key Impact	Key decisions made	Key Stakeholder Group impacted
Governance, regulatory requirements and risk (continued)	The Board undertakes a formal and rigorous evaluation of its own performance annually and that of its Committees and individual Directors. As noted in our Corporate Governance report on page 35, an internal evaluation of the Board was completed in February 2022. On 1 August 2021, the Board approved the appointment of Andrew Taylor as Non-Executive Director. As noted in Andrew's Board biography on page 31, Andrew brings a wealth of experience and additional sector skills to the Board. During the year, the Company led an internal audit tender and the Board approved the appointment of Ernst & Young LLP ("EY") as internal auditors in January 2022. Through outsourcing an internal audit function, the Company aims to bring an independent focus to our internal control framework and risk assessment process and to improve our control environment to support the future growth of the business. Over the coming months, we will work with EY to develop an internal audit plan that will be executed over 2022/23. The Board ensured they were fully informed on the impact of the war in Ukraine through the presentation of a detailed assessment of key risks and implications for the Group by the CFO which concluded that there is no exposure as we have no employees in Russia or Ukraine, no assets and only a small source of direct online revenue of less than £0.1m from customers with recognisable addresses in Russia.	
Social	The Board are very supportive of our focus on continuing to improve our environmental, social and governance ("ESG") footprint and have supported a number of key initiatives in the year. In December 2021, we were delighted to announce our sponsorship of the "Empowering Woman in Leadership" programme which is designed to address the lack of gender diversity in leadership roles across the technology profession in Scotland by supporting the creation of a community of empowered future female leaders. We are supporting the "Empowering Woman to Lead Digital Transformation" three month programme and look forward to working with the team to help play a role increasing diversity and championing the exceptional female leaders we have in our industry, as well as inspiring future generations to pursue a leadership role in technology. We have recently engaged with a local charity SmartSTEMs who organise and host events to inspire and engage young people aged 10-14 from underprivileged backgrounds with the range of careers in the four STEM pillars – Science, Technology, Engineering and Mathematics. Initially, we have engaged with SmartSTEMs to provide videos of our staff explaining their roles that are played to primary school children followed up by on-site school visits to allow the children to ask questions. We will continue to develop our relationship and contribution to SmartSTEMs over the coming year. Employee volunteering is championed by the Group and we work with an external company, Business Volunteers, to identify local charities where we can help make a difference. During the year, we held a number of staff volunteering days including staff in our Manchester office who prepared, cooked and served Christmas dinner to over 70 vulnerable people, staff in our Glasgow office volunteered outdoors at a local Community Garden Trust and our HR team in Glasgow worked with FareShare UK to help deliver food that would cook 40,000 meals for people in need.	Employees, Customers, Suppliers, Environment

Key Impact	Key decisions made	Key Stakeholder Group impacted
Environment	The Board is committed to demonstrating clear environmental policies to minimise the impact of our business operations on the local environment. In the prior year, the Board approved the commitment to procurement of Renewable Energy Guarantee of Origin ("REGO") certificates for our green energy procurement and we are pleased to report that all our UK data centres are now powered by REGO certified renewable energy significantly driving down our carbon emissions (see Greenhouse Gas reporting on page 50). In November 2021, we announced the implementation of a prototype passive cooling system in our Glasgow data centre in partnership with Katrick Technologies Ltd. The cooling system was installed in October 2021 and test results for the system indicate the system is performing better than expected with the potential for up to a 50% reduction in electrical power consumption by the site's cooling system, which will have a significant impact on the carbon footprint of the data centre industry as a whole. We are delighted that iomart and Katrick Technologies Ltd won 'Best Use of Emerging Technology' at the Digital City Awards in March 2022 as it recognises the work we are doing to help tackle not only our, but also the wider technology industries, carbon footprint. In the current year, the Board approved the appointment of Schneider Electric, our appointed energy management company, to develop a carbon roadmap which commenced in February 2022. The Company appointed a Sustainability Committee to drive this forward and the committee members have attended training sessions with Schneider Electric to improve our knowledge to support decision making on carbon reduction targets. For details of our commitment to reducing our carbon footprint, see our carbon emission reporting on pages 50 to 52.	Employees, Customers, Suppliers, Environment

The Strategic Report on pages 8 to 29 has been approved by the Board and is signed on its behalf:

Scott Cunningham

Chief Financial Officer

14 June 2022

REECE DONOVAN, CHIEF EXECUTIVE OFFICER

Date of appointment - October 2020

Background and experience

Reece has over 23 years' experience in the technology and telecommunication industries, with a demonstrable track record of achievement in roles both in the UK and internationally. Reece's most recent position, prior to joining iomart, was Chief Executive Officer at Nomad Digital, a provider of IP connectivity and digital solutions to the global transportation sector. Previous positions include Senior Vice-President Global Services for CSG International, a provider of software solutions to over 400 customers located in 120 countries and a number of management and operational roles across the technology, communications and consumer packaged goods industries at Steria plc, Xansa plc and Druid plc.

SCOTT CUNNINGHAM, CHIEF FINANCIAL OFFICER

Date of appointment - September 2018

Background and experience

Scott is a chartered accountant having trained with Arthur Andersen where he became a senior manager providing audit and transaction support services to both public and private companies. Leaving Arthur Andersen in 2001 Scott joined Clyde Blowers and performed a number of roles including Group Financial Controller for the Clyde Bergemann Power Group from 2003 to 2006. He became Director of Corporate Finance and Company Secretary for AIM listed InterBulk Group plc in February 2006 and in April 2007 Scott became Group Finance Director for InterBulk Group plc until it was successfully sold to Den Hartogh in March 2016. Immediately prior to joining iomart he was an Investment Director at Clyde Blowers Capital.

IAN STEELE, NON-EXECUTIVE CHAIRMAN

Date of appointment - June 2016 (appointed Chairman August 2018)

Committee Membership - Audit, Remuneration and Nomination (Chair)

Background and experience

Ian is a chartered accountant with over 35 years' experience in the corporate finance and advisory sector. During a 16-year career with Deloitte LLP, Ian undertook roles within corporate finance and global advisory services. In his final eight years before leaving Deloitte LLP in 2015, Ian sat on the UK board and fulfilled the role of senior partner for Scotland and Northern Ireland, as well as Head of Global Advisory Services for the Firm.

Ian took over the Chairmanship of iomart in August 2018. Ian will not stand for re-election at the forthcoming Annual General meeting.

External appointments

Ian is a Non-Executive Director of STV Group plc. He is also a member of the Constitutional Panel of The Institute of Chartered Accountants of Scotland.

ANGUS MACSWEEN, NON-EXECUTIVE DIRECTOR

Date of appointment - October 2020

Background and experience

Angus 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. Angus was Chief Executive Officer until he retired on 1 October 2020 and was appointed as a Non-Executive Director on the same day.

RICHARD MASTERS, NON-EXECUTIVE DIRECTOR

Date of appointment - June 2017

Committee Membership - Audit, Remuneration (Chair) and Nomination

Background and experience

Richard has over 30 years' experience in the legal profession and was managing partner of McGrigors LLP until April 2012 when it merged with Pinsent Masons LLP. He sat on the main board of Pinsent Masons until March 2017 and has held a number of roles in the business including corporate finance advisory services. He served as Head of Client Operations for Pinsent Masons for three years post-merger before being appointed as Executive Chairman of Complete Electronic Risk Compliance Limited, a Pinsent Masons LLP subsidiary which was sold to Dow Jones in February 2018. Richard was Chair of Scotland and Northern Ireland for Pinsent Masons from September 2017 until October 2019 when he retired.

External appointment

Richard is the Chief Executive Officer at the Faculty of Advocates and Faculty Services Limited.

KARYN LAMONT, NON-EXECUTIVE DIRECTOR

Date of appointment - February 2019

Committee Membership - Audit (Chair), Remuneration and Nomination

Background and experience

Karyn is a chartered accountant and former audit partner at PricewaterhouseCoopers LLP. She has over 25 years of experience, 13 years as an audit partner, and provided audit and other services to a range of clients across the UK's financial services sector, including outsourcing providers. Her specialist knowledge includes financial reporting, audit and controls, risk management, regulatory compliance and governance. Karyn left PricewaterhouseCoopers LLP in 2016.

External appointments

Karyn is a Non-Executive Director, and Audit Committee Chair, for The Scottish Investment Trust plc, Scottish Building Society, North American Income Trust plc and Scottish American Investment Trust plc.

ANDREW TAYLOR, NON-EXECUTIVE DIRECTOR

Date of appointment - 1 August 2021

Background and experience

Andrew has over 25 years' experience in the telecommunications industry, and has a demonstrable track record of achievement in previous roles, both in the UK and internationally. Andrew is the Chief Executive Officer of Gamma Communications plc, a leading provider of unified communication services to the business market in Western Europe.

Previously, Andrew was Chief Executive Officer of Nomad Digital, a provider of IP connectivity and digital solutions to the global transportation sector. Prior to his role at Nomad Digital, Andrew was Chief Executive Officer at Digicel, an international mobile phone network and home entertainment provider. Before joining Nomad Digital, Andrew was Chief Executive of Intec Telecom plc acquired by CSG in 2010), a global provider of operational and business software solutions to the telecommunications industry.

External appointment

Andrew is Chief Executive Officer of Gamma Communications plc.

On behalf of the Board, I am pleased to present our Corporate Governance report for the year ended 31 March 2022. As Chairman of the Board, I am responsible for ensuring that the Board operates effectively and that it continues to uphold a high standard of corporate governance with strong procedures and policies that are considered appropriate to the nature and size of the Group. The Board understands the importance of ensuring that there is a strong governance framework in place which underpins the Group's ability to achieve its strategic goals and aims to improve continually our processes and risk management to support the continued growth of the Company. The Board reviews governance arrangements on an ongoing basis to ensure that they remain fit for purpose and that our governance model continues to support our business.

The Company continues to adopt the QCA code and this report describes our approach to governance and how the principles of the QCA code have been fully complied with during the year. Our statement of compliance, required for AIM companies, can also be found on our website at investors.iomart.com/investors/corporate-governance.

Stakeholder engagement

Engagement with our stakeholders is critical to the long-term success of the Group and it is my role to manage the Board in the best interests of the Group's many stakeholders and be responsible for ensuring the Board's integrity and effectiveness. The Board recognises its responsibility to take into consideration the needs and concerns of all our stakeholders as part of our discussion and decision-making process and remains committed to strengthening business relationships.

The Board continues to have iomart's environmental, social and governance ("ESG") performance at the forefront of its agenda and we have continued to make improvements to our ESG strategy in the current year. Our reporting on ESG performance in the current year is covered in this Corporate Governance report, the Streamlined Energy and Carbon Reporting on pages 23 to 29 and the Directors report (including our Streamlined Energy and Carbon Reporting) on pages 48 to 52.

A culture of strong corporate governance is essential to our future growth and I am confident that our approach to governance provides a robust framework to support the achievement of our strategic plan.

Ian Steele

Non-Executive Chairman

14 June 2022

The Board

Role of the Board

The Board's principal role is to provide effective leadership of the Group and establish and align the Group's values, strategic plans and culture. The strategic report describes the business model on page 15 and explains the basis on which the Group generates value, and outlines the long-term strategy of the Group on pages 8 and 9.

It is the Board's role to ensure that the Group is managed for the long-term benefit of all its stakeholders and is responsible for delivering shareholder value by developing the Group's strategic plans. The Board ensures that obligations to all key stakeholders are met and that effective and efficient decision making is made incorporating the needs of our many stakeholders to drive and deliver its strategy in the best interest of all the Group's stakeholders.

The Board is responsible for overseeing the Group's external financial and other reporting requirements and for ensuring that a robust framework of governance and controls exist which allow for the identification, assessment and management of internal controls and risk management to support the continued growth of the business.

There is an approved formal schedule of matters reserved for the Board which includes, but is not limited to:

- approval of strategic plans, annual financial budgets and business plans;
- approval of material acquisitions, contracts, major capital expenditure and disposal of major assets;
- changes relating to the Group's structure and shares;
- approval of the annual report and interim financial statements, trading statements, preliminary announcements and accounting policies;
- approving any significant funding facilities; and
- approval of the dividend policy at half-year and year end.

The Board meets regularly, usually monthly, to discuss and agree on the various matters brought before it, including the trading performance. Information of a sufficient quality is supplied to the Board in a timely manner. 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.

Board Structure and division of responsibilities

The Group is led by a strong and experienced Board of Directors which brings depth and diversity of expertise to the leadership of the Group. The Board has an appropriate balance of skills, experience and knowledge of the Group and its market to enable it to discharge its duties and responsibilities effectively. The Board recognises that to remain effective it must keep the composition of the Board under review to continue to ensure the right mix of skills and business experience to support the effective functioning of the Board, helping to ensure matters are fully debated and that no individual or group dominates the Board decision-making process.

Following the appointment of Andrew Taylor as Non-Executive Director, the Board now has seven members, comprising two Executive Directors being the Chief Executive Officer and Chief Financial Officer, the Non-Executive Chairman and four Non-Executive Directors. Board biographies of all Board members giving details of their experience are included on pages 30 and 31.

The responsibilities of the roles within the Board are set out below:

Chairman

The Chairman is responsible for the leadership and effectiveness of the Board and overall running of the Board, ensuring that all Directors receive sufficient and relevant information prior to meetings to allow independent judgement and bring effective challenge to decision making. The Chairman sets the Board agenda and chairs the Board meetings to encourage open and honest debate, constructive challenge of the Executive Directors and facilitate effective contribution of Non-Executive Directors. There is clear division of responsibility between the Chairman and Chief Executive Officer. The Chairman provides challenge to the Executive Directors and works closely with the Chief Executive Officer on key strategic decisions. The Chairman maintains and supports appropriate communication channels with shareholders as appropriate.

Chief Executive Officer and Chief Financial Officer

The Chief Executive Officer's responsibility is the leadership, management and overall control of the Group. Once the Board has approved the strategic plan and financial objectives, 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 Executive Committee which comprises the Chief Financial Officer and senior executives who manage the day-to-day operation of the Group's business.

The Chief Executive Officer is responsible for the running of the business and, along with the Chief Financial Officer, is responsible for the day to day financial and operational management of the Group in addition to approving budgets, monitoring the Group's principal risks and maintaining close contact with all key stakeholders. The Chief Executive Officer and Chief Financial Officer are supported by a highly committed and experienced senior management team, with the qualifications and experience necessary to run the Group and are responsible for monitoring the performance of the senior management team.

Overall, there is a clear division of responsibilities between the running of the Board and the Executives responsible for delivering on the Group's strategic plan, to ensure that no one person has unrestricted powers of decision.

Independent Non-Executive Directors

The Non-Executive Directors provide independent, constructive challenge to the Executive Directors and are responsible for bringing independent judgement and scrutiny to decisions taken by the Board. They strengthen governance through being members of the various Board Committees and help ensure that the Group's strategy is delivered within the Group's risk framework and internal control environment.

Company Secretary

The Company Secretary supports the Chairman and Chief Executive Officer on all matters of governance and is available to all Directors for advice and support. The Company Secretary is responsible to the Board for ensuring the Board procedures are properly complied with and that the discussions and decisions are appropriately minuted.

The Chairman and Non-Executive Directors hold other Directorships, as detailed in the Board biographies set out on pages 30 and 31. The Board has concluded that these other commitments do not detract from their ability to discharge their responsibilities effectively.

Independence

At the year end, the Board considers that all Non-Executive Directors serving are independent with the exception of Angus MacSween. Angus MacSween was appointed as a Non-Executive Director to the Board on 1 October 2020 after resigning as CEO and was not appointed to any of the Board's committees. Andrew Taylor, Non-Executive Director was appointed to the Board on 1 August 2021 bringing additional sector skills to support the execution of our strategic plan. This specific timing meant that from 1 April 2021 to 31 July 2021 the Board was split equally in number terms between independent and non-independent Directors, although the Chairman's casting vote, if required, ensured independence. The Board is satisfied with the balance between Executive and independent Non-Executive Directors which operated throughout the year.

Composition of and Appointments to the Board

The composition of the Board ensures an appropriate balance of Executive and Non-Executive Directors and when appointing new Directors to the Board there are formal, rigorous and transparent procedures in place to ensure 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 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.

Composition of and Appointments to the Board (continued)

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 in relation to changes in legislation and regulation relevant to the Group's business are provided to the Board by the Company Secretary, Chief Financial Officer and through the Board Committees.

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 members. New Directors are provided with an induction in order to introduce them to the operations and management of the business, key business and financial risks and the latest financial information about the Group.

Board Evaluation

The Board, led by the Chairman, undertakes a formal and rigorous evaluation of its own performance annually and that of its Committees and individual directors to identify areas for improvement. Each year a formal evaluation is conducted by means of a detailed questionnaire which is completed by each Director. The results of this process are collated by the Chairman and discussed by the Board collectively. The annual evaluation includes a review of the performance of individual Directors, including the Chairman, and the Board Committees. The most recent evaluation during the year concluded that the Board and the relevant Committee performance had been satisfactory. There are no outstanding actions from this year's process.

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	Nomination Committee
Reece Donovan – Chief Executive Officer	10 (10)	-	-	-
Scott Cunningham – Chief Financial Officer	10 (10)	-	-	-
Ian Steele – Non-Executive Chairman	10 (10)	4 (4)	3 (3)	2 (2)
Richard Masters – Non-Executive Director	10 (10)	4 (4)	3 (3)	2 (2)
Karyn Lamont – Non-Executive Director	10 (10)	4 (4)	3 (3)	2 (2)
Angus MacSween – Non-Executive Director	9 (10)	-	-	-
Andrew Taylor – Non-Executive Director	7 (7)	-	-	-

Figures in brackets indicate the maximum number of meetings in 2021/2022 for which the individual was a Board or Committee member.

In advance of all Board meetings the Directors are supplied with detailed and comprehensive board papers covering the Group's financial and operational performance. Where any Board member has been unable to attend Board or Committee meetings, their input has been provided to the Company Secretary or Chief Financial Officer ahead of the meeting. The relevant Chairman then provides a detailed briefing along with the minutes of the meeting following its conclusion.

Board Committees

The Board has established three committees to deal with specific aspects of the Board's affairs: Remuneration, Nomination and Audit Committees. Each Committee has formal terms of reference which were approved by the Board and can be found in the investor section of the Group's website. The terms of reference of each committee were reviewed and approved in the current year. The effectiveness of all Committees is reviewed as part of the Board evaluation exercise.

The Remuneration Committee

The Remuneration Committee is chaired by Richard Masters. Its other members are Ian Steele and Karyn Lamont.

The Executive Directors may be invited to attend meetings, where appropriate, except where matters under review by the Committee relate to them.

The Remuneration Committee oversees the Group's remuneration policy, strategy and implementation and is responsible for reviewing and making recommendations to the Board on the total remuneration packages of the Executive Directors which includes:

- making recommendations to the Board on the Group's policy on Directors' remuneration and 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 Group;
- ensuring that remuneration is in line with current industry practice; and
- reporting to the Board on all matters within its duties and responsibilities.

The Nomination Committee

The Nomination Committee is chaired by Ian Steele. Its other members are Richard Masters and Karyn Lamont.

The Nomination Committee considers the selection and re-appointment of Directors. Its terms of reference include:

reviewing the structure and composition of the Board;

- identifying and nominating for approval candidates to fill Board vacancies;
- evaluating the balance of skills, knowledge experience and diversity of the Board;
- review results of the Board performance evaluation process; and
- reporting to the Board on all matters within its duties and responsibilities.

In the current year, the Nomination Committee was responsible for recommending the appointment of Andrew Taylor, Non-Executive Director.

The Audit Committee

The Audit Committee is chaired by Karyn Lamont. Its other members are Ian Steele and Richard Masters.

The Audit Committee has recent and relevant experience and is authorised by the Board to conduct any activity within its terms of reference and to seek any information it requires from any employee.

During the year, the Audit Committee provided oversight of the financial reporting process to ensure information gives an accurate position of the Group's position, performance, business model and strategy. In addition, the Committee continued to oversee the risk management and internal control systems. The Audit Committee terms of reference 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 plan and scope for the year end audit of the Group and its subsidiaries;
- approval of internal audit plans and carrying out an annual assessment of the effectiveness of outsourcing the internal audit function in the overall context of the Group's risk management programme;
- the risk management framework and risk assessment 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 internal audit fees; and
- the formal engagement terms entered into with the external auditor.

The Audit Committee (continued)

In addition, the Audit Committee monitors the Group's arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and other areas including an external whistleblowing service to take calls from employees. For more details on the Group's whistleblowing policy, see page 39.

Significant areas considered by the Audit Committee in relation to the 2022 financial statements are set out below:

Areas of estimates*	Matter Considered and Role of the Committee
Impairment of goodwill	The Audit Committee considered the carrying value of goodwill at 31 March 2022. The Committee reviewed the validity of cash flow projections and the significant financial assumptions used, including the selection of appropriate discount rate and long-term growth rates. These projections and assumptions were further challenged through the use of sensitivity analysis. As set out in note 12 to the consolidated financial statements, no impairments of goodwill resulted from this exercise and the Committee did not consider that a reasonably possible change in the assumptions would cause an impairment to be recognised.

**In the prior year, the Audit Committee considered the impact of Covid-19 on the Group. During the year, the Board have continued to consider the impact of Covid-19 to monitor the business and the impact on our employees, but it is no longer considered a significant area for consideration by the Audit Committee given the impact of the pandemic is reducing globally and is not materially impacting the Group.*

At the invitation of the Committee, meetings may be attended by the Executive Directors. As appropriate, representatives of the external and internal auditors also attend meetings. The Chairman of the Committee also meets separately with senior management, the external auditors and internal auditors. The Company Secretary is Secretary of the Audit Committee.

The Chairman of the Audit Committee reports to the subsequent meeting of the Board on the Committee's work.

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. Deloitte LLP have confirmed to the Committee that, in relation to their services to the Group, 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 Deloitte LLP takes on any engagement for other services from the Group careful consideration is given as to whether the project could conflict with their role as auditor or impair their independence. In the year ended 31 March 2022, the only non-audit services performed by Deloitte LLP related to the interim review which is a permitted service.

Risk management and internal control

The approach to risk management and the principal risks themselves are set out on pages 20 to 22. 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.

The Board is responsible for the Group's system of internal control and risk management and for reviewing its effectiveness alongside the Audit Committee. The Directors have established a risk management framework and internal control environment to ensure that an appropriate level of oversight and control is provided. The Group's systems of risk management and internal control are designed to help the Group meet its business objectives by appropriately managing, rather than eliminating, the risks relating to those objectives. The controls can by their nature only provide reasonable, not absolute, assurance against material misstatement or loss.

Risk management and internal control (continued)

In the current year, the Group has continued to apply its risk management framework and risk assessment to monitor the relevant identified risks to the Group in order to execute and deliver the Group's strategy. The Executive Team reviewed the Group risk register and risk map during the year to review the identified significant risks, the probability of those risks occurring, their potential impact and the plans for managing and mitigating each of the risks identified. On an on-going basis, Executive Directors and senior management review the risks facing the business, including the impact of Covid-19 on the Group, and the controls established to minimise those risks and their effectiveness in operation. In the current year, the Board has continued to consider the risks of Covid-19 to the Group as noted in the Principal Risks and Uncertainties on page 22 and the Stakeholder Engagement report on page 26.

The key elements of the Group's overall control framework including:

- the Group's strategic plan and annual financial budget are reviewed and approved by the Board;
- financial results with comparisons to plan and forecast results are reported on monthly to the Board alongside operational reporting and 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; and
- the Group has a robust risk framework and risk assessment processes which are regularly reviewed. The Group has extensive internal quality assurance processes in place and appropriate ISO certifications (see our environmental reporting in the Directors' report for details).

In the current year, the Audit Committee ran an internal audit tender process to appoint an independent, outsourced internal audit resource to support further our risk management framework and assurance programme and in January 2022, appointed Ernst and Young LLP ("EY"). The activities of the internal audit function are governed by an internal audit charter which has been approved by the Audit Committee along with the internal audit plan for FY22-23. EY will attend all regular Audit Committee meetings during the year and meet with the Audit Committee chair independently on a regular basis.

Stakeholder engagement

The Group recognises that long-term success is underpinned by good relations with its key stakeholders, both internal and external, and seeks to take into account the needs of the Group's stakeholders as it discusses matters and makes decisions. The Board considers that the Group's key stakeholders are its shareholders, employees, customers, suppliers and key partners and the environment. During the year, the Board and its Directors confirm they have acted in a way that promotes the success of iomart Group for the benefit of its members as a whole, and in doing so have had regard to the stakeholders and key matters set out in Section 172 of the Companies Act 2006 as disclosed in our Stakeholder Engagement report on pages 23 to 29.

Relations with shareholders

Communication with shareholders is given high priority by the Board. The Group maintains a corporate website (www.iomart.com/investors) containing a wide range of information of interest to investors including publicly available financial information and news on the Group. As noted in our Stakeholder Engagement report on page 23, iomart is committed to listening to and communicating openly with its shareholders to ensure that the strategy, business model and performance are communicated. The Chief Executive Officer and Chief Financial Officer have regular dialogue with shareholders and analysts to discuss strategic and other issues including the Company's interim and annual financial results. Following major periods of communications, our advisers consolidate feedback, on an anonymised basis, from the relevant parties which then forms the basis of a briefing pack for the Board to ensure awareness of shareholder opinions.

The Group engages in full and open communication with both institutional and private investors and responds promptly to all queries received. The Group does this via investor roadshows, attending investor conferences and regular financial reporting and through the regulatory news service ("RNS") and press announcements. In conjunction with the Group's brokers and other financial and public relations advisers all relevant news is distributed in a timely fashion through appropriate channels to ensure shareholders are able to access material information on the Group's progress.

Relations with shareholders (continued)

The Board recognises the AGM as an important opportunity to meet shareholders and give them the opportunity to raise questions with the Board. Details of the resolutions being proposed at the AGM can be found on the Group's website. Shareholders are given notice of the AGM at least 21 days prior to the meeting. The Chairman aims to ensure that the Directors, including the Non-Executive Directors, are available at Annual General Meetings to answer questions.

Other Matters

Workforce engagement and promoting ethical business practices

We define corporate responsibility as ensuring that we have, or are developing sound policies, practices or programmes that address business transparency and ethics, workplace practices and employee relationships and customer consultation. In practice our commitment to corporate responsibility plays out in a wide variety of ways and includes our employee engagement programme, which is designed to foster an inclusive workplace by encouraging our people to continually improve performance in this area. Key practices include:

- *Anti-Bribery and Corruption* - The Group has a zero tolerance approach to bribery and corruption and is committed to ensuring it has appropriate processes in place to mitigate the risk of bribery and corruption. The Group has a formal business ethics and anti-bribery policy which is outlined in our employee handbook and on our corporate website available to all staff. Staff are required to complete appropriate training to ensure awareness of the Group's policies and what is acceptable business conduct and the policy on accepting gifts. On receipt of a gift of any value, staff are required to complete a gift register form which is submitted to the Executive team for approval.

- *Modern Slavery Act* - The Group is committed to conducting business responsibly and ensuring that our supply chain has ethical employment practices, working conditions and has procedures in place to prevent modern slavery or human trafficking. The Group has an anti-slavery and human trafficking policy in place supported by internal policies and processes to ensure the principles are adhered to. Our Modern Slavery statement, which is updated annually, details processes in place to help manage the risks outlined by the legislation is available on the iomart website.

- *Whistleblowing* - We recognise the importance of all of our employees and we respect the dignity and rights of all employees and provide 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 is committed to maintaining high ethical standards in all areas of work and practice and has a detailed whistleblowing policy in place, outlined in the employee handbook and available on our corporate website, for employees to access. There are various ways employees can report their concerns including access to the Executive team and the Audit Committee and access to third party independent advice at any stage.

- *Data Privacy policy* – The Group has a data protection policy and information security management systems in place to ensure we have appropriate data security systems and processes in place to protect our data and are fully accredited with ISO 27001 'Information Security Management Systems'.

- *Equal Opportunities* - 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 our Group. The Group does not tolerate any sexual, physical or mental harassment of its employees and we operate an equal opportunities policy that specifically prohibits discrimination on grounds of colour, ethnic origin, gender, age, religion, political or other opinion, disability, or sexual orientation. 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.

- *Diversity* – The Group seeks to have a workforce which is diverse and inclusive, that respects and values differences and encourages staff to perform at their maximum potential. By supporting and treating all people fairly and equally, we aim to create an inclusive and positive working environment for all employees to achieve their potential. In April 2022, we reported our 2nd gender pay report.

Re-election

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. The Articles of Association also stipulate that any new Directors, who were not appointed at the previous AGM, automatically retire at their first AGM and, if eligible, can seek re-appointment.

Reece Donovan will retire from office at the Company's forthcoming AGM and stand for re-appointment. Andrew Taylor, who was appointed to the Board on 1 August 2021, will seek appointment at the Company's forthcoming AGM.

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 8 to 29. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's Report on pages 14 to 19.

Note 28 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.

On 2 December 2021, the Group successfully refinanced and increased the Group's existing single bank Revolving Credit Facility of £80m that was due to mature on 30 September 2022. The new £100m Revolving Credit Facility ("RCF") was provided by a new four bank group consisting of HSBC, Royal Bank of Scotland, Bank of Ireland and Clydesdale Bank. The new facility has an initial maturity date of 30 June 2025, with a 12-month extension option and benefits from a £50m Accordion Facility. The RCF has a borrowing cost at the Group's current leverage levels of 180 basis points over SONIA, compared to 150 basis points over LIBOR on the prior facility. The RCF and the Accordion Facility (if exercised) provide the Group with additional liquidity which will be used for general business purposes and to fund investments, in accordance with the Group's five-year strategic plan. The Directors are of the opinion that the Group can operate within the current facility and comply with its bank covenants which consists of an interest cover and leverage cover ratio.

At the end of the financial year, the Group had net debt of £41.3m (2021: £54.6m) 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 considered the Group budgets and the cash flow forecasts for the next three financial years, and associated risks and the availability of bank and leasing facilities. We have run appropriate scenario and stress tests applying reasonable downside sensitivities and are confident we have the resources to meet our liabilities as they fall due.

After making enquiries, the Directors have a reasonable expectation that the Group will be able to meet its financial obligations and has adequate resources to continue in operational existence for the foreseeable future (being a period extending at least twelve months from the date of approval of these financial statements). For this reason they continue to adopt the going concern basis in preparing the financial statements.

AIM Rule Compliance Report

iomart Group plc is quoted on AIM and as a result the Group 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 Group'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 Group 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.

Directors' Remuneration Report for the year ended 31 March 2022

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2022 which sets out our Directors' Remuneration policy and its implementation including amounts earned by Directors in respect of the year ended 31 March 2022. In framing its remuneration policy, the Remuneration Committee has adopted the Quoted Companies Alliance ("QCA") Remuneration Code for Small and Mid-sized Quoted Companies to ensure that our remuneration policy both reflects our strategy and is aligned with the QCA Remuneration code and shareholders' interests.

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 2018 ("Code") issued by the Financial Reporting Council, however, we continue to provide additional remuneration disclosures over and above the AIM Rule 19 disclosure requirements 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 our annual general meeting in August 2022.

Remuneration Committee

The Committee is chaired by Richard Masters. Ian Steele, Non-Executive Chairman and Karyn Lamont, Non-Executive Director are also members of the Committee. There were no changes to the composition of the Remuneration Committee in the year. The Executive Directors 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 Company Secretary is secretary to the Committee.

The Committee has formal terms of reference which can be found in the investor section of the Group's website. The terms of reference have been reviewed and approved by the Board in the current year. The Committee makes recommendations to the Board, within its terms of reference, on the remuneration and other benefits, including bonuses and share options, of the Executive Directors.

The Committee met four times during the current year. The attendance record for those meetings is included in our Corporate Governance report on page 35.

The Remuneration Committee determines, on behalf of the Board, the Group's policy for executive remuneration and the individual remuneration packages for Executive Directors. Each year, the Remuneration Committee reviews the incentive and reward packages for the Executive Directors to ensure that they are aligned with the Group's strategic objectives and financial performance; are appropriate to attract, retain and motivate executive behaviour in support of the creation of shareholder value; and drive continued commitment of executives to the Group's success through appropriate incentive schemes. In considering the appropriateness of the remuneration policy, the Remuneration Committee considers the current and future business strategy, wider workforce remuneration policies and practices, and market practice in comparable organisations.

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 in the wider market, including at similar sized businesses. • Base salaries are reviewed annually. Where appropriate the Remuneration Committee considers independent expert advice when setting the level of reward packages. • The Executive Directors do not receive Directors' fees.	• The Committee generally reviews base salaries of the Executive Directors with effect from 1 April in each year. This year the decision has been taken to increase base salaries by 3% resulting in 1 April 2022 values being: • CEO – £309,000 CFO – £231,132 Executive Directors salary levels last year were left unchanged.	n/a
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 110% of base salary. • For achievement of target, bonus of 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 generally no bonuses payable if less than 90% of target is achieved.	• The level of Executive Directors' discretionary bonus payments is determined by a number of factors including the Group's financial performance (including adjusted EBITDA and free cash flow), its successful continuation of its organic and acquisitive strategy, and the individual's own performance (including specific ESG targets). • For the bonus for the financial year ended 31 March 2022 free cash flow and the individual's own performance were the key factors under the scheme influencing the payments approved by the Remuneration Committee.

Remuneration of Executive Directors (continued)

Element	**Overview of policy and structure**	**Opportunity**	**Performance measures**
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 nominal cost, 1p options. • Share options awarded will normally vest after the third anniversary of the date of grant. • Participants have 10 years from award to exercise.	• The maximum award under the performance share plan is 100% of base salary.	• The vesting of options is subject to the achievement of performance conditions. Normally vesting is also subject to continued employment. • Historically and for unvested options as at 31 March 2022 performance is currently assessed based on the achievement of profit targets in three years set with reference to our organic and acquisitive growth strategy and to ensure continued focus on driving profit performance. • Options awarded to Scott Cunningham and Reece Donovan in April 2021 will vest based on achievement of the Board approved budget for the financial year to 31 March 2024. • For options awarded to Scott Cunningham and Reece Donovan, subsequent to the year-end, the vesting criteria have been changed to include 50% based on relative TSR% performance against the AIM 100 Index over the period and 50% remaining based on profit targets. The Remuneration Committee believe this creates stronger shareholder alignment.
Pension	• The Company may make contributions towards an individual's personal pension arrangements or pay an equivalent cash allowance.	• The maximum contributions or allowance payable by the Company is 10% of basic salary. The CFO and the CEO received a cash allowance in the year ended 31 March 2022.	n/a

Remuneration of Executive Directors (continued)

Element	Overview of policy and structure	Opportunity	Performance measures
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. Other role-appropriate benefits may also be provided. • The Group operates a Sharesave scheme for all employees and Executive Directors are invited to participate.	n/a	n/a

Service contracts

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

Scott Cunningham	6 months
Reece Donovan	12 months

Non-Executive Directors have a 6 month notice period.

Chairman and Non-Executive Director fees

The fees paid to the Non-Executive Directors are determined by the Board. Non-Executive Directors are paid £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.

Non-Executive Directors are not entitled to receive any bonus or other benefits with the exception of Angus MacSween who retains private medical insurance. Non-Executive Directors are entitled to reasonable expenses incurred in the performance of their duties.

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

Directors' Remuneration for the year ended 31 March 2022

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

	Salary or fees	Bonus [3]	Benefits	Pension allowance	Year ended 31 March 2022 Total	Year ended 31 March 2021 Total
	£	£	£	£	£	£
Executive Directors						
Reece Donovan	300,000	132,000	2,920	30,000	**464,920**	524,670
Scott Cunningham	224,400	98,736	2,548	22,440	**348,124**	349,495
Non-Executive Directors						
Ian Steele	75,000	-	-	-	**75,000**	75,000
Richard Masters	45,000	-	-	-	**45,000**	45,000
Karyn Lamont	45,000	-	-	-	**45,000**	45,000
Angus MacSween [1]	40,000	-	2,795	-	**42,795**	206,475
Andrew Taylor [2]	26,807	-	-	-	**26,807**	-

[1] In the prior year, Angus MacSween was CEO until 1 October 2020 and was appointed Non-Executive Director on the same date. £20,000 of his salary in the prior year relates to his salary as Non-Executive Director.

[2] Andrew Taylor was appointed as Non-Executive Director on 1 August 2021.

[3] The bonus payable to Reece Donovan represents 40% of the maximum payable bonus. The bonus payable to Scott Cunningham represents 40% of the maximum payable bonus.

Directors' interests in shares

The Directors holding office at 31 March 2022 held beneficial interests in the issued share capital of the Company as shown in the following table:

	Number of ordinary shares	
Name of Director	**At 31 March 2022**	**At 1 April 2021**
Angus MacSween	17,003,409	17,003,409
Scott Cunningham [1]	60,000	13,000
Reece Donovan [2]	18,950	3,250
Ian Steele [3]	15,400	10,000
Richard Masters [4]	11,400	6,000
Karyn Lamont [5]	7,000	nil
Andrew Taylor	nil	nil

[1] On 6 October 2021 Scott Cunningham's spouse purchased 7,000 shares each at a price of 170.0p. On 8 December 2021 Scott Cunningham exercised 40,000 share options and retained them all in shares, taking total shareholding to 60,000 shares.

[2] On 14 May 2021 Reece Donovan purchased 7,500 shares each at a price of 266.0p and on 1 October 2021 purchased 8,200 shares each at a price of 182.5p taking total shareholding to 18,950 shares.

[3] On 1 October 2021 Ian Steele purchased 5,400 shares each at a price of 177.2p taking total shareholding to 15,400 shares.

[4] On 1 October 2021 Richard Masters's spouse purchased 2,700 shares each at a price of 182.8p. On the same day Richard Masters purchased 2,700 shares each at a price of 182.8p taking total shareholding to 11,400 shares.

[5] On 6 October 2021 Karyn Lamont purchased 7,000 shares each at a price of 170.04p taking total shareholding to 7,000 shares.

Share price

The market price of the Company's shares at the end of the financial year was 162.6p (2021: 313.0p) and the range of prices during the year was between 140.0p (2021: 279.0p) and 321.5p (2021: 375.0p).

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

The interests of the Directors at 31 March 2022 in options over the ordinary shares of the Company were as follows:

Name of Director	At 1 April 2021	Exercised	Granted	Lapsed	At 31 March 2022	Exercise price	Date of Grant	Date from which exercisable	Expiry date
Reece Donovan, Executive Director	214,286	-	-	(80,357)	133,929	1p	06/04/2020	06/04/2023	06/04/2030
	6,521	-	-	(6,521)	-	276.0p	04/09/2020	01/10/2023	31/03/2024
	-	-	103,448	-	103,448	1p	27/04/2021	27/04/2024	27/04/2031
	-	-	14,062	-	14,062	128.0p	01/03/2022	01/03/2025	01/09/2025
	220,807	-	117,510	(86,878)	251,439				
Scott Cunningham, Executive Director	31,687	(31,687)	-	-	-	1p	04/09/2018	04/09/2021	04/09/2028
	54,321	(8,313)	-	-	46,008	1p	04/09/2018	04/09/2021	04/09/2028
	64,669	-	-	(48,502)	16,167	1p	09/05/2019	09/05/2022	09/05/2029
	80,143	-	-	-	80,143	1p	06/04/2020	06/04/2023	06/04/2030
	6,521	-	-	(6,521)	-	276.0p	04/09/2020	01/10/2023	31/03/2024
	-	-	77,379	-	77,379	1p	27/04/2021	27/04/2024	27/04/2031
	-	-	14,062	-	14,062	128.0p	01/03/2022	01/03/2025	01/09/2025
	237,341	(40,000)	91,441	(55,023)	233,759				
Angus MacSween, Non-Executive Director	113,334	-	-	-	113,334	1p	27/03/2013	31/05/2014	27/03/2023
	113,333	-	-	-	113,333	1p	27/03/2013	31/05/2015	27/03/2023
	113,333	-	-	-	113,333	1p	27/03/2013	31/05/2016	27/03/2023
	117,480	-	-	-	117,480	1p	25/09/2014	25/09/2017	25/09/2024
	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
	129,848	-	-	-	129,848	1p	12/04/2017	12/04/2020	12/04/2027
	72,142	-	-	-	72,142	1p	04/04/2018	04/04/2021	04/04/2028
	2,777	-	-	(2,777)	-	324.0p	01/11/2018	01/11/2021	31/03/2022
	115,999	-	-	(58,289)	57,710	1p	09/05/2019	09/05/2022	09/05/2029
	65,344	-	-	-	65,344	1p	06/04/2020	06/04/2023	06/04/2030
	1,153,446	-	-	(61,066)	1,092,380				

During the year options over 180,827 ordinary shares (2021: 532,260) were granted to Directors under the unapproved share option performance share plan with an average exercise price of 1.0p per share (2021: 1.0p per share). Options over 28,124 ordinary shares (2021: 13,042) were granted to Directors under the sharesave scheme in the current year at an average exercised price of 128.0p per share. During the year 15,819 ordinary shares under the sharesave scheme lapsed (2021: nil) and 187,148 options over ordinary shares under the unapproved scheme lapsed (2021: 262,340). No options were exercised under the sharesave scheme during the year (2021: 3,560).

By order of the Board

Richard Masters

Chairman, Remuneration Committee

14 June 2022

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 2022.

Principal activity

The principal activity of the Group is the provision of managed cloud services. The Group's principal subsidiary undertakings are listed in note 14 to the financial statements. The Group's registered number is SC204560.

Financial risk management objectives and policies

The Group's financial instruments comprise cash and liquid resources, bank loans and leases together with various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

On 2 December 2021, the Group successfully refinanced and increased the Group's existing single bank Revolving Credit Facility of £80m that was due to mature on 30 September 2022. The new £100m Revolving Credit Facility ("RCF") was provided by a new four bank group consisting of HSBC, Royal Bank of Scotland, Bank of Ireland and Clydesdale Bank. The new facility has an initial maturity date of 30 June 2025, with a 12-month extension option and benefits from a £50m Accordion Facility. The RCF has a borrowing cost at the Group's current leverage levels of 1.8% margin over SONIA, compared to 1.5% margin over LIBOR on the prior facility. The revolving credit facility incurs a commitment fee of 35% of the 1.8% margin. The effective interest rate for the multi option revolving credit facility in the current year was 1.78% (2022: 1.61%). The RCF and the Accordion Facility (if exercised) provide the Group with additional liquidity which will be used for general business purposes and to fund investments, in accordance with the Group's five-year strategic plan.

The Group has net debt at 31 March 2022 of £41.3m (2021: £54.6m). Net debt comprises lease liabilities totalling £22.6m (2021: £24.9m), the bank facility loan of £34.0m (2021: £52.8m) and cash and cash equivalents of £15.3m (2021: £23.0m).

The Group is not exposed to material movements in interest rates on its bank borrowings.

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 elements of our 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 during the year. 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, the Group does not use derivative instruments. Additional information on financial instruments is included in note 28.

Dividend

The Directors declared an interim dividend for the year ended 31 March 2022 of 2.42p per share (2021: 2.60p). The Directors recommend a final dividend for the year ended 31 March 2022 of 3.60pper share (2021: 4.50p per share). This final dividend, together with the interim dividend, takes the total dividend to 6.02p per ordinary share for the 2022 financial year (2021: 7.10p). Subject to shareholder approval this proposed final dividend would be payable on 2 September 2022 to shareholders on the register at close on 12 August 2022.

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.

Future developments

The Group's business review and activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 8 to 29.

Directors and their interests

The present membership of the Board is set out on pages 30 and 31, the Directors who served during the year are listed on page 118. In accordance with the Articles of Association, Reece Donovan will offer himself for re-election at the forthcoming annual general meeting. Andrew Taylor, who was appointed to the Board on 1 August 2021, will seek appointment at the Company's forthcoming AGM.

Details of Directors' interests in the Group's shares are set out in the Report of the Board to the Members on Directors' Remuneration on pages 41 to 47.

Insurance for Directors and Officers

The Group may under the Company's Articles of Association, and subject to the provisions of the Companies Act, indemnify all Directors or other officers against liability incurred by them in the execution or discharge of their duties or exercise of their powers, including but not limited to any liability for the costs of legal proceedings where judgement is given in their favour. This indemnity was in place during the financial year and is ongoing up to the date of this report. In addition, the Group has purchased and maintains appropriate insurance cover against legal action brought against Directors and officers.

Donations

It is the Group's policy not to make donations for political purposes.

Substantial shareholdings

At 31 May 2022 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	18,402,392	16.72%
Angus MacSween	17,003,409	15.45%
Octopus Investments	13,825,453	12.56%
Lombard Odier Asset Management	7,019,460	6.38%
Tellworth Investments	5,188,249	4.71%
Investec Wealth & Investment	4,513,144	4.10%
Canaccord Genuity Wealth Management	3,697,062	3.36%
Noble Grossart Investment Limited	3,325,000	3.02%

Employees

People are at the heart of our core values and we continuously strive to build a diverse and inclusive environment where our employees feel valued. Our policy in respect of equal opportunities, including our policy on disabled employees, and policy diversity are disclosed on page 39.

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. Information on our engagement with employees in the current year and the Board's regard to employees on the principal decisions taken by the Company during the financial year is included in the Stakeholder Engagement report on pages 23 to 29.

We are committed to attracting and retaining the highest level of personnel. We seek to achieve this through, amongst other things, the application of high standards in recruitment. We are aware of the importance of good communication in relationships with staff and we have 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 a bonus scheme. Staff are eligible to receive share options in the Company under the Group's performance share plan (note 25) and it is the Board's policy to make specific awards as appropriate to attract and retain the best available people. Options in respect of Directors are detailed in the Directors Remuneration Report on page 46.

Customers and suppliers

The Group seeks to be honest and fair in all relationships with customers and encourages feedback from our customers through account managers and engagement with individual customers through customer support teams. On a regular basis we engage with customers to obtain feedback on our performance.

The Group treats all of its suppliers with the utmost respect and seeks to be honest and fair in all relationships with them. We seek to honour the terms and conditions of our agreements in place with such suppliers and subcontractors.

Additionally, we recognise the importance to the Group and our suppliers of complying with all payment terms and we report on a half-yearly basis on our payment practices, policies and performances in line with the Reporting on Payment Practices and Performance Regulations 2017.

Information on our engagement with customers and suppliers and our regard to these stakeholders on the principal decisions taken by the Group during the financial year is included in the Stakeholder Engagement report on pages 23 to 29.

Environmental Reporting

Greenhouse Gas ("GHG") Emissions reporting

iomart seeks to minimise the impact of our operations on the environment and is committed to reducing its greenhouse gas ("GHG") emissions. We are pleased to report that iomart is aligned with the UK Government targets and committed to achieve Net Zero by 2050, and earlier, if possible. We are proud that a combination of our renewable electricity commitments and other efficiencies has already ensured we have reduced our carbon emissions by over 60% since our benchmark year of FY2021.

Key sources of energy, primarily electricity to power our data centre estate, are monitored by the Group to allow us to be continually mindful of our energy consumption. iomart applies a set of global environmental standards to all of our activities and our environmental and energy management systems are certified to ISO 14001 and ISO 50001 (internationally accepted environmental standards). These certifications provide a framework against which we have developed comprehensive environmental procedures and monitoring systems. These processes have allowed us to measure our environmental performance and focus our activities on delivering improvements.

The table below shows total energy consumption used to calculate emissions and the total gross GHG emissions in tonnes of CO_2 ("tCO_2e") in the year ended 31 March 2022:

	Year ended 31 March 2022 Market Based*	**Year ended 31 March 2022** Location Based	**Year ended 31 March 2021** Location Based
Energy consumption used to calculate emissions (kWh)	58,017,020	58,017,020	57,956,041
Scope 1 - Emissions from combustion of gas	-	-	-
Scope 1 - Emissions from combustion of fuel for transport purposes	15	15	-
Scope 2 - Emissions from purchased electricity	4,321	12,298	13,504
Scope 3 - Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing fuel	5	5	4
Total gross emissions (tCO_2e)	**4,341**	**12,317**	**13,508**

**From 1 August 2021, all our UK data centres procured 100% renewable electricity through Renewable Energy Guarantees of Origin (REGO) certificates enabling reporting under the market based approach for the period from 1 August 2021 to 31 March 2022*

Environmental Reporting (continued)

Greenhouse Gas ("GHG") Emissions reporting (continued)

The table below shows the carbon intensity ratio in the year ended 31 March 2022:

	Year ended 31 March 2022	**Year ended 31 March 2022**	**Year ended 31 March 2021**
	Market Based*	Location Based	Location Based
Total gross emissions (tCO_2e)	4,341	12,317	13,508
Total recurring revenue (£'000)	95,890	95,890	100,211
Carbon Intensity ratio (tCO_2e/£)	**0.000045**	**0.000128**	**0.000135**

Methodology

There are no scope 1 direct emissions from the combustion of gas. In the current year, with improved data collection, we have reported Scope 1 emissions from the combustion of fuel for transport purposes. Scope 2, indirect emissions, include consumption of purchased electricity in kWh. Scope 3 emissions relate to business travel in employee-owned vehicles where the Company is responsible for purchasing the fuel.

Using an operational control approach, the Group identified its population to ensure that all activities and facilities, including data centres, are being recorded and reported in line with the mandatory GHG Protocol Corporate Accounting and Reporting Standard. Relevant data is prepared on a monthly basis by our external energy management supplier. The validity, accuracy and completeness of the data was checked and used to calculate the GHG emissions for the Group. Where energy consumption data was missing, we used accepted estimation techniques by the GHG Protocol. Emissions were calculated as activity data multiplied by emission factors (DEFRA, 2020 for all emissions and conversion factors). During the calculation of Scope 3 transport emissions, the statistics of the Vehicle Licensing Statistics (VEH0203) was used to divide the business mileage by fuel type. The driven miles were converted into litres with average DEFRA 2020 conversion values used.

The Group uses total recurring revenue to calculate the intensity ratio as this allows emissions to be monitored over time taking into accounts changes in the size of the Group. This factor provides the greatest degree of accuracy and is the metric best aligned to power usage and business growth.

Energy efficiency

The proactive management of our GHG emissions is central to iomart operations with a clear focus on controlling and reducing our GHG and carbon footprint. The Group aims to improve energy efficiency of its operations and ensure continued compliance with ISO 50001:2011 as the basis for its energy management arrangements and has committed to:

- setting targets and objectives for reducing energy use and maintaining an energy efficiency programme;
- managing and reducing energy use relating to our business premises;
- respecting all existing, applicable environmental regulations and meeting all new applicable regulations;
- setting targets in the form of energy performance indicators for electricity and energy consumption and power usage effectiveness targets for each of our data centres;
- providing training on good energy management practices and encouraging employee involvement in energy efficiency improvement initiatives; and
- the Group participates in the Energy Saving Opportunities Scheme (ESOS) with annual ESOS audits carried out throughout the Group and is committed to meeting the requirements of the Streamlined Energy and Carbon Reporting (SECR) regulations.

In the current year, we have completed the upgrade to the cooling and main plant systems in our central London data centre which will contribute towards our carbon reduction initiatives. In the current year we have also continued with the programme of installing LED lighting in our key data centres.

Greenhouse Gas ("GHG") Emissions reporting (continued)

Energy efficiency (continued)

The Group engages an external partner, Schneider Electric, to support our sustainability and energy efficiency programme and provide regular updates through reports to the Executive Board to manage ongoing performance. As part of our environmental and wider sustainability programme, in July 2021, we purchased Renewable Energy Guarantees of Origin ("REGO") certified renewable electricity across our UK data centre estate and with effect from August 2021, all our UK data centres are now 100% powered by renewable energy. In the current year, we have focused on our environmental programme and engaged Schneider Electric to develop our carbon strategy with a clear road map and carbon reduction targets which are proportionate to our size. This resulted in our commitment to be aligned with the UK government targets.

In November 2021, we announced the implementation of a prototype passive cooling system in our Glasgow data centre in partnership with Katrick Technologies Ltd. The cooling system was installed in October 2021 and test results for the system indicate the system is performing better than expected with the potential for up to a 50% reduction in electrical power consumption by the site's cooling system, which will have a significant impact on the carbon footprint of the data centre industry as a whole. As noted in our Stakeholder Engagement report on page 29, iomart and Katrick Technologies Ltd won 'Best Use of Emerging Technology' at the Digital City Awards in March 2022 recognising the work we are doing to help tackle not only our, but also the wider technology industries, carbon footprint.

The Board approved a uninterruptible power systems ("UPS") replacement and fan upgrade programme for key data centre sites and this will be rolled out over the coming 2-3 years.

For more detail on how the Board have had regard to the environment in key strategic decisions in the year, see our Stakeholder Engagement report on pages 23 to 29.

Independent Auditor and disclosure of information to auditor

The Directors confirm that each of the persons who is a Director at the date of approval of this annual report confirms 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.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved and signed by the Board

Andrew McDonald
Company Secretary
14 June 2022

The Directors are responsible for preparing the Annual Report and the 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 are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006 and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 “Reduced Disclosure Framework”. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance; and
- make an assessment of the company’s ability to continue as a going concern.

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

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

Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 14 June 2022 and is signed on its behalf by:

Reece Donovan	**Scott Cunningham**
Chief Executive Officer	*Chief Financial Officer*
14 June 2022	14 June 2022

Report on the audit of the financial statements

1. OPINION

In our opinion:

- the financial statements of iomart Group PLC (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 29 for the consolidated financial statements; and
- the related notes 1 to 15 for the parent company financial statements.
-

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: • Completeness and valuation of deferred income; and • Valuation of goodwill and other intangible assets (group) and investments (parent company). Within this report, key audit matters are identified as follows: Newly identified Similar level of risk
Materiality	The materiality that we used for the group financial statements was £1,106k which was determined on the basis of 2.9% of earnings before interest, tax, depreciation and amortisation.
Scoping	Our audit covered 94% of the Group's revenue, 86% of the Group's profit before tax, 98% of the Group's net assets and 90% of the Group's earnings before interest, tax, depreciation and amortisation.
Significant changes in our approach	Our approach is consistent with the previous year with the exception of: • The valuation of goodwill and other intangible assets (group) and investments (parent company) is a new key audit matter as a result of the higher-than-expected customer churn in the current year.

4. CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Challenging underlying data and key assumptions, considering the impact of the current economic environment on the assumptions applied;
- Assessing the integrity of the model used to prepare the forecasts, testing the clerical accuracy of those forecasts, and considering the historical accuracy of the forecasts prepared by management;
- Assessing the headroom in the forecasts and the sensitivity analysis performed by management;
- Evaluating the financing facilities in place during the forecast period, including the repayment terms and covenants, and assessing whether these have been appropriately reflected in the model;
- Recalculating management's forecast covenant compliance calculations throughout the going concern period; and
- Assessing the appropriateness of going concern disclosures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Completeness and valuation of deferred income

Key audit matter description	The Group has deferred income of £13,051k (2021: £13,519k) split between current (£10,408k, 2021: £10,857k) and non-current (£2,643k, 2021: £2,662k) included within trade and other payables. A significant proportion of the Group's activities are invoiced in advance, resulting in a material deferred income balance being recorded in the financial statements at year-end. Due to the high volume of customer balances being deferred and the fact that the deferral calculation is performed across a range of systems and by a range of staff, we have determined there is potential for fraud through a possible manipulation of this balance. Deferred income is included within note 18 of the financial statements.
How the scope of our audit responded to the key audit matter	The audit procedures we performed in respect of this matter included: • Gaining an understanding of the process undertaken by management to calculate deferred income, and testing of key controls within two of the full scope components; • Testing the balance through recalculating the full deferred income balance in each entity based on contract start and end dates; • Selecting samples from the listing, agreeing the underlying amounts to customer contracts where applicable; • Performing cut-off testing in each entity, selecting a sample of pre and post year-end sales and evaluating whether any deferred element was calculated correctly; and • Recalculating current and non-current liability classification based on underlying schedules.
Key observations	We concluded that the completeness and valuation of deferred income recorded in the financial statements is appropriately stated.

5. KEY AUDIT MATTERS (CONTINUED)

5.2 Valuation of goodwill and other intangible assets (group) and investments (parent company)

Key audit matter description	There is a risk of impairment of goodwill (£86.5m) and other intangible assets (£12.8m) in the consolidated financial statements and a risk of impairment on the investments balance (£151.1m) in the parent company financial statements. The risk is pinpointed to the forecast cash flows, discount rates and long-term growth rates. There has been higher-than-expected customer churn in the current year and, alongside consideration of appropriate discount rates, management factored these changes into their impairment calculation. Management have concluded that no impairment is required for goodwill and other intangible assets (group). An impairment charge of £5m was recorded against the investment in Dediserve Limited (parent company). Further details are provided in note 12 of the consolidated financial statements and note 3 of the parent company financial statements. Refer to the considerations of the Audit Committee on page 37.
How the scope of our audit responded to the key audit matter	The audit procedures we performed in respect of this matter included: Obtaining an understanding of the relevant controls over the carrying value of goodwill, other intangible assets and parent company investments, in particular the controls over the forecasts that underpin the value-in-use model; • Challenging management's assessment of the cash flow assumptions in determining value-in-use, including sensitivities, by assessing historical accuracy of forecasting and budgeting accuracy and considering third-party data where available; • Engaging our valuations specialist to calculate independent discount rates for each cash generating unit and benchmarking these against the rates used in the value-in-use model; • Challenging management's assessment of the long-term growth rates by performing analysis of market forecasts; and • Assessing the disclosure made in the financial statements including those around sensitivities.
Key observations	We concluded that the valuation of goodwill, other intangible assets and investments is appropriate, and that appropriate disclosure has been made in the financial statements.

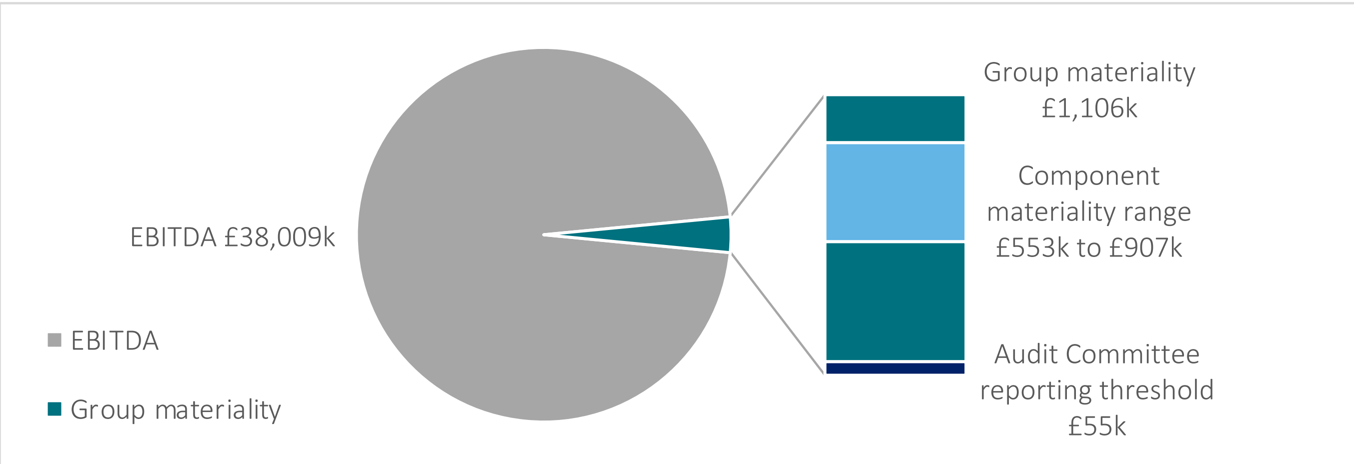
6. OUR APPLICATION OF MATERIALITY

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£1,106k (2021: £1,164k)	£553k (2021: £582k)
Basis for determining materiality	2.9% of earnings before interest, tax, depreciation and amortisation (2021: 3.0% of earnings before interest, tax, depreciation and amortisation)	0.5% of net assets (2021: 0.6% of net assets), capped at 50% (2021: 50%) of Group materiality.
Rationale for the benchmark applied	We have used EBITDA measure as the benchmark for our determination of materiality as we consider this to be a critical performance measure for the Group on the basis that it is a key metric to analysts and investors and has equal prominence to statutory measures in the Annual Report.	We have used net assets as the benchmark for our determination of materiality as the parent company is not a trading entity and instead holds the Group's investments in subsidiaries. We consider net assets to be the appropriate metric for such an entity.



6. OUR APPLICATION OF MATERIALITY (CONTINUED)

6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2021: 70%) of group materiality	70% (2021: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: Our risk assessment, including our assessment of the Group's overall control environment and that we consider it appropriate to rely on controls within the revenue business process in two of the full scope components; and • Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior period.	

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £55k (2021: £58k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1 Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment through discussion with IT and the Group finance teams and by performing walkthroughs of processes across each of these areas, including Group-wide controls, and assessing the risk of material misstatement at a Group level.

For components deemed significant to the Group, full scope audit procedures were performed to materiality levels applicable to each entity, which was lower than the Group materiality level. Components deemed significant are as follows:

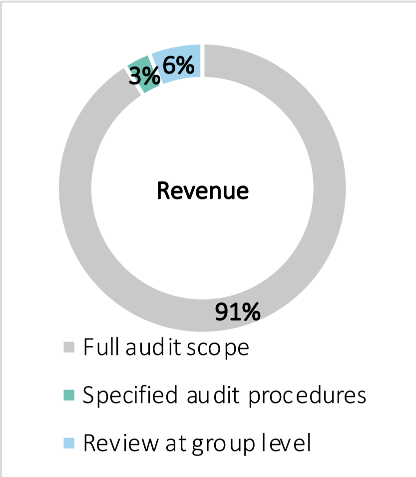
- iomart Hosting Limited
- Easyspace Limited
- Cristie Data Limited

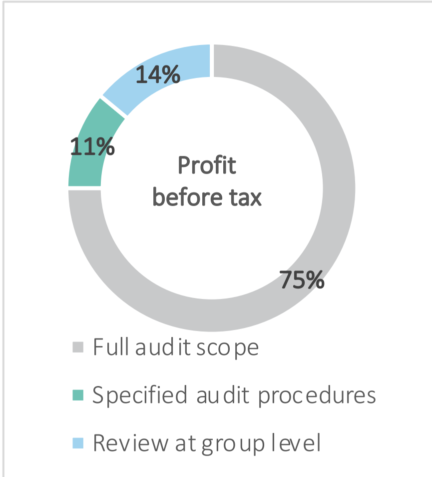
One further entity, Bytemark Limited, was subject to specified audit procedures based on the materiality of individual balances.

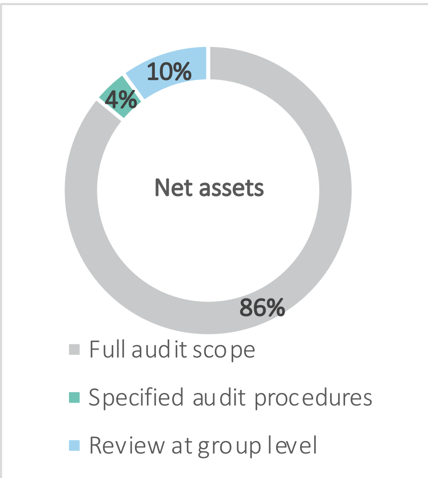
In the prior year, iomart Cloud Services Ltd was deemed to be a significant component and is non-significant in the current year. This is on the basis that the trade and assets of this entity was hived up into iomart Hosting Ltd and was included within that component for the full year.

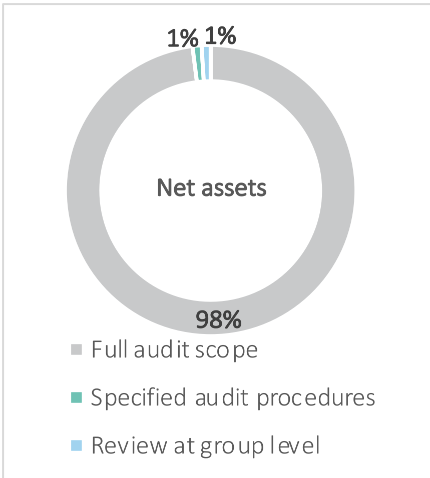
The remaining non-significant components were subject to analytical reviews. Our audit work on these components was executed at Group materiality. At the Group level, we also tested the consolidation process. All work was performed by the Group engagement team.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT (CONTINUED)









7.2 Our consideration of the control environment

With the involvement of our IT specialists, we obtained an understanding of the relevant IT environment by performing walkthroughs of key processes and, in some instances, performed testing on the relevant general IT controls and business cycles. We took a controls reliance approach on the relevant controls for two of the full scope components within the revenue business process cycle.

We were unable to adopt controls reliance on a specific revenue stream as certain controls require improvement. In response, we extended the scope of our substantive procedures over the revenue stream.

8. OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. RESPONSBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. AUDITOR'S RESPONSBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including valuations and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the completeness and valuation of deferred income. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax and pension legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included UK employment law, environmental regulations and labour laws.

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING (CONTINUED)

11.2 Audit response to risks identified

As a result of performing the above, we identified the completeness and valuation of deferred income as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. OPINIONS ON OTHER MATTERS 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.

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

13. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

13.1 Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

13.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. USE OF OUR REPORT

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.

David Sweeney, CA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Glasgow, United Kingdom

14 June 2022

	Note	2022 £'000	2021 £'000
Revenue	3	103,018	111,883
Cost of sales		(41,712)	(44,241)
Gross profit		**61,306**	**67,642**
Administrative expenses		(47,076)	(53,230)
Operating profit	4	**14,230**	**14,412**
Analysed as:			
Earnings before interest, tax, depreciation, amortisation, acquisition costs and share-based payments		**38,009**	**41,408**
Share-based payments	25	(480)	(1,247)
Acquisition costs	6	(315)	(493)
Depreciation	4	(16,296)	(16,882)
Amortisation – acquired intangible assets	4	(4,044)	(5,457)
Amortisation – other intangible assets	4	(2,644)	(2,917)
Gain on revaluation of contingent consideration	19	-	33
Finance income	7	-	19
Finance costs	7	(2,062)	(2,000)
Profit before taxation		**12,168**	**12,464**
Taxation	9	(2,772)	(2,260)
Profit for the year attributable to equity holders of the parent		**9,396**	**10,204**
Other comprehensive income			
Amounts which may be reclassified to profit or loss			
Currency translation differences		30	(94)
Other comprehensive income for the year		**30**	**(94)**
Total comprehensive income for the year attributable to equity holders of the parent		**9,426**	**10,110**

Basic and diluted earnings per share			
Basic earnings per share	11	8.6p	9.3p
Diluted earnings per share	11	8.4p	9.1p

All of the activities of the Group are classed as continuing. The following notes form part of the financial statements.

	Note	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Intangible assets – goodwill	12	86,479	86,479
Intangible assets – other	12	12,852	18,101
Trade and other receivables	13	531	502
Property, plant and equipment	15	70,893	77,012
Deferred tax	10	-	138
		170,755	**182,232**
Current assets			
Cash and cash equivalents	17	15,332	23,038
Trade and other receivables	16	20,592	22,979
Current tax asset		1,658	235
		37,582	**46,252**
Total assets		**208,337**	**228,484**
LIABILITIES			
Non-current liabilities			
Trade and other payables	18	(2,643)	(2,662)
Non-current borrowings	20	(53,063)	(74,221)
Provisions	21	(2,438)	(2,097)
Deferred tax	10	(1,510)	-
		(59,654)	**(78,980)**
Current liabilities			
Trade and other payables	18	(26,232)	(29,495)
Current borrowings	20	(3,560)	(3,437)
		(29,792)	**(32,932)**
Total liabilities		**(89,446)**	**(111,912)**
Net assets		**118,891**	**116,572**
EQUITY			
Share capital	23	1,101	1,097
Own shares	24	(70)	(70)
Capital redemption reserve		1,200	1,200
Share premium		22,495	22,495
Merger reserve		4,983	4,983
Foreign currency translation reserve		(14)	(44)
Retained earnings		89,196	86,911
Total equity		**118,891**	**116,572**

These financial statements were approved by the Board of Directors and authorised for issue on 14 June 2022. Signed on behalf of the Board of Director

Reece Donovan
Director and Chief Executive Officer
iomart Group plc – Company Number: SC204560

The following notes form part of the financial statements.

	Note	2022 £'000	2021 £'000
Profit before taxation		**12,168**	**12,464**
Gain on revaluation of contingent consideration	19	-	(33)
Finance costs – net	7	2,062	1,981
Depreciation	15	16,296	16,882
Amortisation	12	6,688	8,374
Share-based payments	25	480	1,247
Gain on disposal of property		(338)	-
Movement in trade receivables		3,257	2,516
Movement in trade payables		(2,702)	268
Cash flow from operations		**37,911**	**43,699**
Taxation paid		(2,455)	(3,643)
Net cash flow from operating activities		**35,456**	**40,056**
Cash flow from investing activities			
Purchase of property, plant and equipment	15	(9,492)	(15,192)
Proceeds received from disposal of property, plant and equipment		700	260
Development costs	12	(1,352)	(1,306)
Purchase of intangible assets	12	(91)	(561)
Proceeds received from disposal of intangible assets		-	73
Contingent consideration paid	19	-	(2,447)
Finance income received	7	-	19
Net cash used in investing activities		**(10,235)**	**(19,154)**
Cash flow from financing activities			
Issue of shares	23	4	353
Drawdown of bank loans	20	-	1,150
Payments under lease liabilities	22	(4,410)	(5,435)
Repayment of bank loans	20	(18,840)	(1,150)
Finance costs paid		(1,100)	(1,147)
Refinancing costs paid		(990)	-
Dividends paid	8	(7,591)	(7,132)
Net cash used in financing activities		**(32,927)**	**(13,361)**
Net (decrease)/increase in cash and cash equivalents		**(7,706)**	**7,541**
Cash and cash equivalents at the beginning of the year		23,038	15,497
Cash and cash equivalents at the end of the year	17	**15,332**	**23,038**

The following notes form part of the financial statements.

	Note	Share capital £'000	Own shares EBT £'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 2020		**1,092**	**(70)**	**50**	**1,200**	**22,147**	**4,983**	**82,592**	**111,994**
Profit for the year		-	-	-	-	-	-	10,204	10,204
Currency translation differences		-	-	(94)	-	-	-	-	(94)
Total comprehensive income		**-**	**-**	**(94)**	**-**	**-**	**-**	**10,204**	**10,110**
Dividends – final (paid)	8	-	-	-	-	-	-	(4,287)	(4,287)
Dividends – interim (paid)	8	-	-	-	-	-	-	(2,845)	(2,845)
Share-based payments	25	-	-	-	-	-	-	1,247	1,247
Issue of share capital	23	5	-	-	-	348	-	-	353
Total transactions with owners		**5**	**-**	**-**	**-**	**348**	**-**	**(5,885)**	**(5,532)**
Balance at 31 March 2021		**1,097**	**(70)**	**(44)**	**1,200**	**22,495**	**4,983**	**86,911**	**116,572**
Profit for the year		-	-	-	-	-	-	9,396	9,396
Currency translation differences		-	-	30	-	-	-	-	30
Total comprehensive income		**-**	**-**	**30**	**-**	**-**	**-**	**9,396**	**9,426**
Dividends – final (paid)	8	-	-	-	-	-	-	(4,931)	(4,931)
Dividends – interim (paid)	8	-	-	-	-	-	-	(2,660)	(2,660)
Share-based payments	25	-	-	-	-	-	-	480	480
Issue of share capital	23	4	-	-	-	-	-	-	4
Total transactions with owners		**4**	**-**	**-**	**-**	**-**	**-**	**(7,111)**	**(7,107)**
Balance at 31 March 2022		**1,101**	**(70)**	**(14)**	**1,200**	**22,495**	**4,983**	**89,196**	**118,891**

The nature of equity in the statement of changes in equity is disclosed in the accounting policies (note 2).

The following notes form part of the financial statements.

1. GENERAL INFORMATION

iomart Group plc is a public listed company listed on the Alternative Investment Market ("AIM"), incorporated and domiciled in the United Kingdom and registered in Scotland under the Companies Act 2006. The address of the registered office is Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow, G20 0SP. 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) in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except for the valuation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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.

Audit exemption of subsidiaries

For the year ended 31 March 2022, the following subsidiaries of the Group were entitled to exemption from audit under s479A of the Companies Act 2006.

Subsidiary	Registered number
Bytemark Holdings Limited	08150076
Bytemark Limited	04484629
iomart Cloud Services Limited	SC187413
iomart Datacentres Limited	05532548
London Data Exchange Limited	07772407
LDeX Connect Limited	06389332
LDeX Group Limited	08777552
Melbourne Server Hosting Limited	04091836
Memset Limited	04504980
Redstation Limited	03590745
ServerSpace Limited	05958069
SimpleServers Limited	06813119
Sonassi Limited	07715859
Switch Media Limited	04510647
SystemsUp Limited	05212115
Tier 9 Limited	08903379
United Communications Limited	03651923

2. ACCOUNTING POLICIES (CONTINUED)

New and revised IFRSs in issue but not yet effective and have not been adopted by the Group

At the date of authorisation of these financial statements, the following standards, interpretations and amendments have been issued but are not yet effective and have no material impact on the Group's financial statements:

- IFRS 17 (including the June 2020 Amendments to IFRS 17) – Insurance Contracts
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a single transaction.

None of these have been adopted earlier and the Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Adoption of new and revised Standards - amendments to IFRS that are mandatorily effective for the current year

There are no new accounting policies applied in the year ended 31 March 2022 which have had a material effect on these accounts. In addition, the Directors do not consider that the adoption of new and revised standards and interpretations issued by the IASB in 2021 has had any material impact on the financial statements of the Group.

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 2022. 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 eliminated on consolidation and the underlying value of the asset transferred is tested for impairment. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Business Combinations

Acquisitions of subsidiaries are accounted for using 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.

2. ACCOUNTING POLICIES (CONTINUED)

Business Combinations (continued)

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.

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.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of services and goods (software and hardware) 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.

The Group will typically enter multi-element contracts where more than one service is provided such as a private cloud platform combined with an online backup portal, and in such instances the delivery of these multi-element contracts are treated as a single performance obligation. Revenue is then subsequently recognised over the period of service delivery when the criteria for recognition has been met. Revenue recognised at a point in time predominantly consists of both software and hardware sales in which revenue is recognised at the point in which the customer receives the goods (note 3). Revenue recognition policies in our operating segments are as follows:

Cloud Services

This operating segment provides managed cloud computing infrastructure and services including consultancy. Revenue from the sale of cloud computing infrastructure and managed services is recognised on an over time basis over the life of the agreement and only after the service has been established. Set-up fees charged on contracts are spread over the life of the contract. Consultancy services are generally provided on a "time and materials" basis and therefore revenue is recognised as these services are rendered. 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 on a point in time basis. Any unearned portion of revenue is included in payables as deferred revenue.

2. ACCOUNTING POLICIES (CONTINUED)

Revenue (continued)

Easyspace

This operating segment provides domain name registration and hosting services. Revenue from the provision of domain names is split between the registration of the domain and the ongoing services associated with each domain registration. The registration of the domain is recognised on a point in time basis, whilst the ongoing service associated with each domain registration is spread over the length of the registration. Revenue from the provision of hosting services is recognised evenly over the period of the service on an over time basis and only after the service has been established. Any unearned portion of revenue is included in payables as deferred revenue.

Exceptional costs

The Group defines exceptional items as costs incurred by the Group which relate to material non-recurring costs. These are disclosed separately where it is considered it provides additional useful information to the users of the financial statements.

Interest

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

Intangible assets

Goodwill

Goodwill represents the excess of the consideration of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment charges. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Impairments to goodwill are charged to profit or loss in the period in which they arise.

Intangible assets - 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 straight line 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.

Intangible assets - 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)

Intangible assets (continued)

Intangible assets - software

Software is recognised at cost on purchase or fair value on acquisition and amortised on a straight-line basis over its useful economic life, which does not generally exceed five years for purchased software or eight years in the case of acquired software.

Acquisition costs

In accordance with IFRS 3 Business Combinations costs incurred on professional fees and attributable internal acquisition costs 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.

Alternative performance 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 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;
- where bank facilities are restructured during the year any accelerated write off of arrangement fees;
- 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; and
- Any material non-recurring costs where their removal is necessary for the proper understanding of the underlying profit for the period.

The Group considers adjusted profit before tax to be a useful measure of performance because it eliminates the impact of certain non-recurring items including those 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 consideration to the level of dividend payments.

2. ACCOUNTING POLICIES (CONTINUED)

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 IFRS 16.

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 straight line rates generally applicable are:

Freehold property	Between 2.00% and 3.33% per annum
Leasehold improvements	Between 6% and 10% per annum
Data centre equipment	Between 6% and 10% per annum
Computer equipment	Between 20% and 50% per annum
Office equipment	Between 10% and 25% per annum
Motor vehicles	25% per annum

Leases

A lease is defined as a contract, or part of a contract, that conveys the right to use of an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group; the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and the Group has the right to direct the use of the identified asset throughout the period of use.

At the lease commencement date, the Group recognises a right-of-use asset and a corresponding lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability measured at the present value of future lease payments, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group assesses the right-of-use asset for impairment under IAS 36 ‘Impairment of Assets’ where such indicators exist.

Lease liabilities are presented on two separate lines in the balance sheet for amounts due within one year and amounts due after more than one year. The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot readily be determined, the Group applies an incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the liability by payments made. The Group re-measures the lease liability (and adjusts the related right-of-use asset) whenever the lease term has changed or a lease contract is modified and the modification is not accounted for as a separate lease.

Lease payments included in the measurement of the lease liability can be made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients available under IFRS 16. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term.

2. ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Under IFRS 16, the Group recognises depreciation of the right-of-use asset and interest on lease liabilities in the consolidated statement of comprehensive income over the period of the lease. On the balance sheet, right-of-use assets have been included in property, plant and equipment and software and lease liabilities have been included in borrowings due within one year and after more than one year.

Under IFRS 16, the Group also separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

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). Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

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

An impairment loss is recognised for the amount by which the assets 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.

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 IFRS 9.

Trade and other receivable - 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.

2. ACCOUNTING POLICIES (CONTINUED)

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.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax is the tax currently payable based on taxable profit for the year and any adjustment to tax payable in respect of prior years. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are provided in full and are generally recognised for all taxable temporary differences, 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. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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. Where current or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 balance sheet date. Deferred tax assets and liabilities arising in the same tax jurisdiction are offset and the Group intends to settles its current tax assets and liabilities on a net basis.

2. ACCOUNTING POLICIES (CONTINUED)

Deferred tax (continued)

Changes in current and 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 instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets under IFRS 9 include trade, other receivables, prepayments and accrued income, cash and cash equivalents and lease deposits.

Classification and measurement of financial assets

The Group classifies financial assets into three categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income ("FVTOCI"); and
- financial assets measured at fair value through profit or loss ("FVTPL").
- The classification of financial assets is based on the Group's business model for managing the financial asset and the contractual cash flow characteristics associated with the financial asset. Specifically:
- debt instruments that are held within a business model whose objective is to collect the contractual cashflows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is to both collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at FVTOCI; and
- all other debt investments and equity investments are measured subsequently at FVTPL.

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.

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.

Impairment of financial assets

IFRS 9 requires an expected credit loss ("ECL") model which requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. The Group recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss ("FVTPL"). The main financial asset that is subject to the new expected credit loss model is trade receivables, which consist of billed receivables arising from contracts.

2. ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

While cash and cash equivalents, accrued income and lease deposits held at amortised cost are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group has applied the IFRS 9 simplified approach to measuring forward-looking expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. The ECL model reflects a probability weighted amount derived from a range of possible outcomes. To measure the ECL, trade receivables and accrued income have been grouped based on shared credit risk characteristics and the days past due. The Group has established a provision matrix based on the payment profiles of sales over a twenty four month period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information that might affect the ability of customers to settle the receivables, including, in the current and prior year the impact of Covid-19 and other macroeconomic factors as relevant.

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 liabilities

Classification and measurement of 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.

Hedge accounting

The hedge accounting requirements of IFRS 9 do not impact the Group financial liabilities.

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.

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 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; and
- "retained earnings" represents retained profits and share-based payment reserve.

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 payments

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 three main vesting conditions that apply to share options relate to the achievement of annual objectives, continuous employment and achievement of Group results. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share-based incentives ultimately exercised are different to that estimated on vesting.

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

2. ACCOUNTING POLICIES (CONTINUED)

Segmental reporting

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

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 8 to 29. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's Report on pages 14 to 19.

Note 28 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.

On 2 December 2021, the Group successfully refinanced and increased the Group's existing single bank Revolving Credit Facility of £80m that was due to mature on 30 September 2022. The new £100m Revolving Credit Facility ("RCF") was provided by a new four bank group consisting of HSBC, Royal Bank of Scotland, Bank of Ireland and Clydesdale Bank. The new facility has an initial maturity date of 30 June 2025, with a 12-month extension option and benefits from a £50m Accordion Facility. The RCF has a borrowing cost at the Group's current leverage levels of 180 basis points over SONIA, compared to 150 basis points over LIBOR on the prior facility. The RCF and the Accordion Facility (if exercised) provide the Group with additional liquidity which will be used for general business purposes and to fund investments, in accordance with the Group's five-year strategic plan. The Directors are of the opinion that the Group can operate within the current facility and comply with its financial bank covenants which consists of an interest cover and leverage cover ratio.

At the end of the financial year, the Group had net debt of £41.3m (2021: £54.6m) 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 considered the Group budgets and the cash flow forecasts for the next three financial years, and associated risks and the availability of bank and leasing facilities. We have run appropriate scenario and stress tests applying reasonable downside sensitivities and are confident we have the resources to meet our liabilities as they fall due.

After making enquiries, the Directors have a reasonable expectation that the Group will be able to meet its financial obligations and has adequate resources to continue in operational existence for the foreseeable future (being a period extending at least twelve months from the date of approval of these financial statements). For this reason they continue to adopt the going concern basis in preparing the financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgements and key sources of estimation uncertainty

The Group do not consider that there are any critical accounting judgements or key sources of estimation uncertainty in the preparation of the financial statements for the year ended 31 March 2022 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. SEGMENTAL ANALYSIS

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

The Group currently has two operating and reportable segments being Easyspace and Cloud Services.

- 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 data centres, to the larger SME and corporate markets. The segment uses several routes to market including iomart Cloud, Infrastructure as a Service (IaaS), Cristie Data, Sonassi, LDeX, Bytemark and Memset.

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 and material non-recurring items. This segment EBITDA is used to measure performance as the CEO believes that such information is the most relevant in evaluating the results of the segment.

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

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

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

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

3. SEGMENTAL ANALYSIS (CONTINUED)

Operating Segments

Revenue by Operating Segment

	2022 £'000	2021 £'000
Easyspace	11,782	11,939
Cloud Services	91,236	99,944
	103,018	**111,883**

Cloud Services revenue can be further disaggregated as follows:

	2022 £'000	2021 £'000
Cloud managed services	55,745	57,961
Self-managed infrastructure	28,363	30,311
Non-recurring revenue	7,128	11,672
	91,236	**99,944**

The nature of these three offerings are explained within the Chief Executive Officer report on pages 10 and 11.

Recurring and Non-recurring Revenue

The amount of recurring and non-recurring revenue recognised during the year can be summarised as follows:

	2022 £'000	2021 £'000
Recurring - over time	95,890	100,211
Non-recurring - point in time	7,128	11,672
	103,018	**111,883**

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

	2022 £'000	2021 £'000
United Kingdom	88,692	97,113
Rest of the World	14,326	14,770
Revenue from operations	**103,018**	**111,883**

3. SEGMENTAL ANALYSIS (CONTINUED)

Profit by Operating Segment

	2022			2021		
	Adjusted EBITDA	**Depreciation, amortisation, acquisition costs and share-based payments**	**Operating profit/(loss)**	**Adjusted EBITDA**	**Depreciation, amortisation, acquisition costs and share-based payments**	**Operating profit/(loss)**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Easyspace	5,674	(665)	5,009	5,343	(1,165)	4,178
Cloud Services	36,641	(22,319)	14,322	40,482	(24,091)	16,391
Group overheads	(4,306)	-	(4,306)	(4,417)	-	(4,417)
Acquisition costs	-	(315)	(315)	-	(493)	(493)
Share-based payments	-	(480)	(480)	-	(1,247)	(1,247)
	38,009	(23,779)	14,230	41,408	(26,996)	14,412
Gain on revaluation of contingent consideration			-			33
Group interest and tax			(4,834)			(4,241)
Profit for the year			**9,396**			**10,204**

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

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	2022	**2021**
	£'000	**£'000**
Staff costs excluding development costs capitalised	19,189	22,049
Depreciation of property, plant and equipment:		
- Owned assets	12,863	13,160
- Right-of-use assets (note 22)	3,433	3,722
Short-term and low value lease expense (note 22)	1,784	1,578
Amortisation of intangibles:		
- Acquired intangible assets	4,044	5,457
- Other intangible assets	2,359	2,632
- Right-of-use assets (note 22)	285	285
Gain on disposal of property	(337)	-
Bad debt expense	293	650
Net foreign exchange loss	99	211

4. OPERATING PROFIT (CONTINUED)

Included within administrative expenses are fees paid to the Group's auditor's as follows:

Auditor's remuneration	2022 £'000	2021 £'000
Audit services:		
- Fees payable for the audit of the consolidation and the parent company financial statements	85	69
- Fees payable for audit of subsidiaries, pursuant to legislation – UK	126	121
- Fees payable for audit of subsidiaries, pursuant to legislation – International	15	14
Total audit services fees	**226**	**204**
Non-audit services:		
- Interim review	24	23
Total non-audit services fees	**24**	**23**
Total Auditor's remuneration	**250**	**227**

5. INFORMATION REGARDING EMPLOYEES AND DIRECTORS

The average number of persons (including all Directors) employed by the Group during the year was as follows:

	2022 No.	2021* No.
Technical	272	289
Sales and marketing	77	92
Administration	46	49
	395	**430**

**We have restated the prior year split of the average number of persons employed by the Group to reallocate staff from sales and marketing to technical.*

Staff costs of the Group during the year in respect of employees and all Directors were:

	2022 £'000	2021 £'000
Wages and salaries	18,090	18,950
Social security costs	1,604	2,795
Pension costs	367	363
Share-based payments	480	1,247
	20,541	**23,355**

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 41 to 47. 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.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

The remuneration of the Directors are as follows:

	2022 £'000	2021 £'000
Directors' emoluments		
Aggregate emoluments	1,048	1,246
Share-based payments	79	163
Total Directors' emoluments	**1,127**	**1,409**

Emoluments payable to the highest paid Director are as follows:

	2022 £'000	2021 £'000
Aggregate emoluments	465	525

During the year the Company made personal pension contributions to personal pension schemes or paid a pension allowance to two of the Directors (2021: two) of £52,440 (2021: £52,440).

The aggregate amount of gains realised by Directors, who served during the year, on the exercise of share options during the year was £64,000 (2021: £3,532).

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 41 to 47.

6. ACQUISITION COSTS

	2022 £'000	2021 £'000
Professional fees	-	44
Non-recurring acquisition integration costs	315	449
Total acquisition costs	**315**	**493**

7. NET FINANCE COSTS

	2022 £'000	2021 £'000
Finance income:		
Bank interest receivable	-	19
Finance income for the year	**-**	**19**
Finance costs:		
Bank loan	(1,222)	(1,190)
Accelerated write off of arrangement fee on bank facility	(102)	-
Interest on lease liabilities (note 22)	(646)	(732)
Other interest charges	(92)	(78)
Finance costs for the year	**(2,062)**	**(2,000)**
Net finance costs	**(2,062)**	**(1,981)**

8. DIVIDENDS PAID ON SHARES CLASSED AS EQUITY

	2022 Pence per share	2022 £'000	2021 Pence per share	2021 £'000
Paid during the year:				
Final dividend (proposed in the prior year)				
Equity dividends on ordinary shares	4.50p	4,931	3.93p	4,287
Interim dividend				
Equity dividends on ordinary shares	2.42p	2,660	2.60p	2,845
Total dividend paid in cash		**7,591**		**7,132**

The Directors have recommended a final dividend for the year ended 31 March 2022 of 3.60p per share (2021: 4.50p per share). Subject to shareholder approval this proposed final dividend would be payable on 2 September 2022 to shareholders on the register at close on 12 August 2022.

9. TAXATION

	2022 £'000	2021 £'000
Corporation Tax:		
Tax charge for the year	(1,333)	(3,448)
Adjustment relating to prior years	209	(100)
Total current taxation charge	**(1,124)**	**(3,548)**
Deferred Tax:		
Origination and reversal of temporary differences	(1,517)	1,266
Adjustment relating to prior years	(137)	18
Effect of different statutory tax rates of overseas jurisdictions	(4)	4
Effect of changes in tax rates	10	-
Total deferred taxation (charge)/credit	**(1,648)**	**1,288**
Total taxation charge	**(2,772)**	**(2,260)**

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

	2022 £'000	2021 £'000
Profit before tax	12,168	12,464
Tax charge @ 19% (2021: 19%)	2,312	2,368
Expenses disallowed for tax purposes and non-taxable income	4	33
Tax effect of net gain on revaluation of contingent consideration	-	(6)
Adjustments in current tax relating to prior years	(209)	100
Tax effect of different statutory tax rates of overseas jurisdictions	4	10
Movement in deferred tax relating to changes in tax rates	(10)	-
Tax effect of share-based remuneration	833	(259)
Effect of super-deduction	(377)	-
Movement in deferred tax related to development costs	72	-
Movement in deferred tax related to property, plant and equipment	6	32
Movement in deferred tax relating to prior years	137	(18)
Total taxation charge for the year	**2,772**	**2,260**

The weighted average applicable tax rate for the year ended 31 March 2022 was 19% (2021: 19%). 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 22.8% (2021: 18.1%). The effective rate of tax has increased in the year due to the movement in the tax effect of share-based remuneration driving a £0.8m charge in the consolidated statement of comprehensive income largely driven by the movement in the share price and the rate change impact. This has been offset by the effect of super-deduction in the current year driving a £0.4m credit recognised in the consolidated statement of comprehensive income.

Deferred tax assets and liabilities at 31 March 2022 have been calculated based on the rate of 25% enacted at the balance sheet date (2021: 19%).

10. DEFERRED TAX

The Group recognised deferred tax assets and liabilities as follows:

	2022 £'000	2021 £'000
Share-based remuneration	884	1,332
Capital allowances temporary differences	843	1,363
Deferred tax on acquired assets with no capital allowances	(19)	(40)
Deferred tax on development costs	(542)	-
Deferred tax on customer relationships	(2,499)	(2,356)
Deferred tax on intangible software	(177)	(161)
Deferred tax (liability)/asset	**(1,510)**	**138**

At the year end, the Group had no unused tax losses (2021: £nil) available for offset against future profits.

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

	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	Intangible software £'000	Total £'000
Balance at 1 April 2020	**1,069**	**1,364**	**-**	**(88)**	**(3,298)**	**(193)**	**(1,146)**
Credited/(charged) to statement of comprehensive income	263	(8)	-	48	953	32	**1,288**
Effect of different tax rates of overseas jurisdictions	-	7	-	-	(11)	**-**	**(4)**
Balance at 31 March 2021	**1,332**	**1,363**	**-**	**(40)**	**(2,356)**	**(161)**	**138**
(Charged)/credited to statement of comprehensive income	(869)	(947)	(542)	34	635	35	**(1,654)**
Effect of different tax rates of overseas jurisdictions	-	-	-	-	(4)	**-**	**(4)**
Effect of changes in tax rates	421	427	-	(13)	(774)	(51)	**10**
Balance at 31 March 2022	**884**	**843**	**(542)**	**(19)**	**(2,499)**	**(177)**	**(1,510)**

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 arose from development expenditure on which tax relief was received in advance of the amortisation charge.

The deferred tax on acquired assets arises from data centre 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 and intangible software arises from permanent differences on acquired intangible assets.

11. 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.

	2022 £'000	2021 £'000
Profit for the financial year and basic earnings attributed to ordinary shareholders	**9,396**	**10,204**
	No	**No**
Weighted average number of ordinary shares:	**000**	**000**
Called up, allotted and fully paid at start of year	109,671	109,160
Own shares held by Employee Benefit Trust	(141)	(141)
Issued share capital in the year	181	230
Weighted average number of ordinary shares - basic	**109,711**	**109,249**
Dilutive impact of share options	2,210	2,416
Weighted average number of ordinary shares - diluted	**111,921**	**111,665**
Basic earnings per share	8.6 p	9.3 p
Diluted earnings per share	8.4 p	9.1 p

Adjusted earnings per share	2022 £'000	2021 £'000
Profit for the financial year and basic earnings attributed to ordinary shareholders	9,396	10,204
- Amortisation of acquired intangible assets	4,044	5,457
- Acquisition costs	315	493
- Share-based payments	480	1,247
- Gain on revaluation of contingent consideration	-	(33)
- Accelerated write off of arrangement fee on bank facility	102	-
- Tax impact of adjusted items	(879)	(1,341)
Adjusted profit for the financial year and adjusted earnings attributed to ordinary shareholders	**13,458**	**16,027**
Adjusted basic earnings per share	12.2 p	14.7 p
Adjusted diluted earnings per share	12.0 p	14.4 p

12. INTANGIBLE ASSETS

	Goodwill £'000	Development costs £'000	Acquired customer relationships £'000	Software £'000	Beneficial contracts £'000	Domain names & IP addresses £'000	Total £'000
Cost							
At 1 April 2020	86,479	10,598	57,414	10,323	86	336	165,236
Additions	-	-	-	561	-	-	561
Currency translation differences	-	-	(78)	(57)	-	-	(135)
Disposals	-	-	(73)	-	-	-	(73)
Development cost capitalised	-	1,306	-	-	-	-	1,306
At 31 March 2021	**86,479**	**11,904**	**57,263**	**10,827**	**86**	**336**	**166,895**
Additions	-	-	-	91	-	-	91
Currency translation differences	-	-	36	27	-	-	63
Development cost capitalised	-	1,352	-	-	-	-	1,352
At 31 March 2022	**86,479**	**13,256**	**57,299**	**10,945**	**86**	**336**	**168,401**
Accumulated amortisation:							
At 1 April 2020	-	(8,373)	(39,954)	(5,464)	(55)	(280)	(54,126)
Charge for the year	-	(1,446)	(5,457)	(1,455)	(7)	(9)	(8,374)
Currency translation differences	-	-	82	90	-	-	172
Disposals	-	-	13	-	-	-	13
At 31 March 2021	**-**	**(9,819)**	**(45,316)**	**(6,829)**	**(62)**	**(289)**	**(62,315)**
Charge for the year	-	(1,347)	(4,044)	(1,282)	(7)	(8)	(6,688)
Currency translation differences	-	-	(36)	(31)	-	-	(67)
At 31 March 2022	**-**	**(11,166)**	**(49,396)**	**(8,142)**	**(69)**	**(297)**	**(69,070)**
Carrying amount:							
At 31 March 2022	**86,479**	**2,090**	**7,903**	**2,803**	**17**	**39**	**99,331**
At 31 March 2021	86,479	2,085	11,947	3,998	24	47	104,580

Of the total additions in the year of £91,000 (2021: £561,000), no amounts related to leases under IFRS 16 (note 22) (2021: £nil). There were no amounts included in trade payables at the year end (2021: £nil). Consequently, the consolidated statement of cash flows discloses a figure of £91,000 (2021: £561,000) as the cash outflow in respect of the purchase of intangible asset 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 net book values: £1.4m in relation to the acquisitions of Memset Limited with a remaining useful life of 6 years, the managed private cloud business of ServerChoice Limited of £1.1m with a useful life of 6 years, Bytemark Limited with a net book value of £0.4m and LDeX Group Limited of £1.4m both with a remaining useful life of 5 years, Sonassi Limited of £2.0m, Dediserve Limited of £0.6m, SimpleServers Limited of £0.3m all three with a remaining useful life of 4 years.

12. INTANGIBLE ASSETS (CONTINUED)

During the year, goodwill was reviewed for impairment in accordance with IAS 36 "Impairment of Assets". No impairment charges (2021: £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 carrying value of goodwill by each CGU is as follows:

	2022	2021
Cash Generating Units (CGU)	£'000	£'000
Easyspace	23,315	23,315
Cloud Services	63,164	63,164
	86,479	**86,479**

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 five 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 years.

The growth rates and margins used to extrapolate estimated future performance 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.

In determining the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Management continue to apply the judgement that there are two distinct CGUs within the Group, namely Cloud Services and Easyspace. These segments have been derived with due consideration to IAS 36. The assumptions used for the CGU included within the impairment reviews are as follows:

	Easyspace		Cloud Services	
	31 March 2022	**31 March 2021**	**31 March 2022**	**31 March 2021**
Discount rate	14.4%	14.0%	14.4%	14.0%
Future perpetuity rate	0.0%	0.0%	2.5%	2.5%
Initial period for which cash flows are estimated (years)	5	5	5	5

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.

13. TRADE AND OTHER RECEIVABLES – NON-CURRENT

Non-current trade and other receivables relates to lease deposits of £531,000 (2021: £502,000) which are made up of a rental deposit of £531,000 (2021: £502,000). The rental deposit is due to be repaid at the end of the lease which at the earliest is June 2035.

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

14. SUBSIDIARIES

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

	Country of registration and operation*	Activity	Owned by the company %	Owned by subsidiary undertakings %
Backup Technology Limited	England	Dormant	100	-
Bytemark Holdings Limited	England	Non-trading	100	-
Bytemark Limited	England	Managed hosting services	-	100
Cristie Data Limited	England	Provision of data storage, backup and virtualisation solutions	100	-
Dediserve Limited	Republic of Ireland	Managed hosting services	100	-
Easyspace Limited	England	Webservices	100	-
iomart Cloud Inc	USA	Managed hosting services	100	-
iomart Cloud Services Limited	Scotland	Managed hosting services	100	-
iomart Datacentres Limited	England	Dormant	100	-
iomart Hosting Limited	Scotland	Managed hosting services	100	-
iomart Limited	Scotland	Dormant	100	-
LDeX Connect Limited	England	Non-trading	100	-
LDeX Group Limited	England	Non-trading	100	-
London Data Exchange Limited	England	Non-trading	100	-
Melbourne Server Hosting Limited	England	Non-trading	100	-
Memset Limited	England	Managed hosting services	100	-
Netintelligence Limited	Scotland	Dormant	100	-
Rapidswitch Limited	England	Dormant	100	-
Redstation Limited	England	Dormant	100	-
ServerSpace Limited	England	Non-trading	100	-
SimpleServers Limited	England	Non-trading	100	-
Sonassi Limited	England	Non-trading	100	-
Switch Media Limited	England	Non-trading	100	-
Systems Up Limited	England	Non-trading	100	-
Tier 9 Limited	England	Non-trading	100	-
United Communications Limited	England	Non-trading	100	-

*All subsidiaries with a country of registration in England have a registered office of 3rd Floor, 11-21 Paul Street, London, EC2A 4JU. All subsidiaries with a country of registration in Scotland have a registered office of Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow, G20 0SP. The registered office of Dediserve Limited is 13-18 City Quay, Dublin 2. The registered office of iomart Cloud Inc is Miracle Mile Plaza, 601 21st Street, Suite 300, Vero Beach, FL 32960.

All of the above subsidiaries are wholly owned by iomart Group plc or one of its subsidiary companies and operate in the country of registration. The Group controls 100% of the ordinary share capital of each subsidiary.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £'000	Leasehold property and improve-ments £'000	Data centre equipment £'000	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost:							
At 1 April 2020	8,910	29,671	26,113	97,592	2,771	23	165,080
Additions in the year	-	9,157	1,966	10,504	40	-	21,667
Disposals in the year	(179)	-	-	-	-	-	(179)
Currency translation differences	-	(134)	-	127	-	-	(7)
At 31 March 2021	**8,731**	**38,694**	**28,079**	**108,223**	**2,811**	**23**	**186,561**
Additions in the year	-	1,834	2,890	5,907	43	-	10,674
Disposals in the year	(495)	(203)	(445)	(20)	(14)	-	(1,177)
Currency translation differences	-	99	-	158	-	-	257
At 31 March 2022	**8,236**	**40,424**	**30,524**	**114,268**	**2,840**	**23**	**196,315**
Accumulated depreciation:							
At 1 April 2020	(697)	(7,104)	(15,470)	(67,532)	(1,924)	(9)	(92,736)
Charge for the year	(265)	(4,541)	(1,753)	(10,089)	(226)	(8)	(16,882)
Disposals in the year	25	-	-	-	-	-	25
Currency translation differences	-	(30)	-	74	-	-	44
At 31 March 2021	**(937)**	**(11,675)**	**(17,223)**	**(77,547)**	**(2,150)**	**(17)**	**(109,549)**
Charge for the year	(255)	(4,481)	(1,263)	(10,101)	(190)	(6)	(16,296)
Disposals in the year	138	-	445	20	-	-	603
Currency translation differences	-	(58)	-	(122)	-	-	(180)
At 31 March 2022	**(1,054)**	**(16,214)**	**(18,041)**	**(87,750)**	**(2,340)**	**(23)**	**(125,422)**
Carrying amount:							
At 31 March 2022	**7,182**	**24,210**	**12,483**	**26,518**	**500**	**-**	**70,893**
At 31 March 2021	7,794	27,019	10,856	30,676	661	6	77,012

During the year there were additions of £249,000 (2021: £63,000) in respect of reinstatement provisions (note 21) and additions of £1,491,000 (2021: £8,683,000) in respect of leases under IFRS 16 (note 22). Of the total remaining additions in the year of £8,934,000 (2021: £12,921,000), £420,000 (2021: £977,000) was included in trade payables as unpaid invoices at the year end resulting in a net decrease of £558,000 (2021: net increase of £2,271,000) in trade payables. Consequently, the consolidated statement of cash flows discloses a figure of £9,492,000 (2021: £15,192,000) as the cash outflow in respect of property, plant and equipment additions in the year.

Note 22 provides the movements in the year relating to IFRS 16 right-of-use assets as included in the above table.

16. TRADE AND OTHER RECEIVABLES - CURRENT

	2022 £'000	2021 £'000
Trade receivables	7,523	8,631
Less: expected credit loss	(335)	(316)
Trade receivables (net)	**7,188**	**8,315**
Other receivables	270	519
Prepayments	11,731	12,614
Accrued income	1,403	1,531
Trade and other receivables	**20,592**	**22,979**

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

The Group applies the simplified approach to providing for expected credit losses prescribed, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date, including consideration of the impact of Covid-19.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

Risk profile category (ageing)	2022 £'000	ECL rate %	2022 ECL allowance £'000	2021 £'000	ECL rate %	2021 ECL allowance £'000
Current						
Current	4,856	0.43%	(21)	6,402	0.31%	(20)
0-30 days	2,099	3.36%	(70)	1,692	5.31%	(90)
30-60 days	355	23.06%	(82)	321	14.01%	(45)
60-90 days	126	59.67%	(75)	134	59.70%	(80)
Over 90 days	87	99.38%	(87)	82	98.78%	(81)
Total	**7,523**		**(335)**	**8,631**		**(316)**

To consider the total exposure to credit risks, the Group uses figures net of VAT. At 31 March 2022, £4,856,000 (2021: £6,402,000) of net trade receivables were fully performing. Net trade receivables of £2,332,000 (2021: £1,912,000) 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.

17. CASH AND CASH EQUIVALENTS

	2022 £'000	2021 £'000
Cash at bank and in hand	15,332	23,038
Cash and cash equivalents	**15,332**	**23,038**

The credit risk on cash and cash equivalents is considered to be negligible because the counter parties are largely UK banking institutions. The effective interest rate earned on short-term deposits was 0% (2021: 0.5%).

18. TRADE AND OTHER PAYABLES

	2022 £'000	2021 £'000
Trade payables	(5,661)	(7,368)
Other taxation and social security	(2,290)	(2,048)
Accruals	(7,558)	(8,681)
Deferred income	(10,408)	(10,857)
Other creditors	(315)	(541)
Trade and other payables - Current	**(26,232)**	**(29,495)**

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

	2022 £'000	2021 £'000
Deferred income	(2,643)	(2,662)
Trade and other payables – Non-current	**(2,643)**	**(2,662)**

Non-current deferred income in the year predominantly relates to support contracts that span over one year.

19. CONTINGENT CONSIDERATION DUE ON ACQUISITIONS

Contingent consideration due on acquisitions at 31 March 2022 is £nil (2021: £nil). The final consideration due on acquisitions of £2,447,000 was paid in the prior year as recorded in the consolidated statement of cash flows. This resulted in a gain on revaluation of contingent consideration of £33,000 gain recorded in the consolidated statement of comprehensive income in the prior year.

20. BORROWINGS

	2022 £'000	2021 £'000
Current:		
Lease liabilities (note 22)	(3,560)	(3,437)
Current borrowings	**(3,560)**	**(3,437)**
Non-current:		
Lease liabilities (note 22)	(19,063)	(21,430)
Bank loans	(34,000)	(52,791)
Total non-current borrowings	**(53,063)**	**(74,221)**
Total borrowings	**(56,623)**	**(77,658)**

The carrying amount of borrowings approximates to their fair value.

Details of the Group's lease liabilities are included in note 22.

At the start of the year there was £52.8m (2021: £52.8m) outstanding on the multi option revolving credit facility and drawdowns of £nil (2021: £1.2m) were made from the facility during the year. Repayments totalling £18.8m (2021: £1.2m) were made in the year resulting in a balance outstanding at the end of the year of £34.0m (2021: £52.8m).

On 2 December 2021, the Group successfully refinanced and increased the Group's existing single bank Revolving Credit Facility of £80m that was due to mature on 30 September 2022. The new £100m Revolving Credit Facility ("RCF") was provided by a new four bank group consisting of HSBC, Royal Bank of Scotland, Bank of Ireland and Clydesdale Bank. The new facility has an initial maturity date of 30 June 2025, with a 12-month extension option and benefits from a £50m Accordion Facility. The RCF has a borrowing cost at the Group's current leverage levels of 1.8% margin over SONIA, compared to 1.5% margin over LIBOR on the prior facility. The revolving credit facility incurs a commitment fee of 35% of the 1.8% margin. The effective interest rate for the multi option revolving credit facility in the current year was 1.78% (2021: 1.61%).

Under IFRS 9, the refinancing does not constitute a substantial modification and therefore there has been no extinguishment of the previous bank loan.

Given the terms of the revolving credit facility and the ability for any drawdowns made to be extended beyond 31 March 2023 at the discretion of the Group, the total amount outstanding has been classified as non-current.

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

	2022			2021		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	-	(192)	(192)	-	(366)	(366)
Due within two to five years	(34,000)	-	(34,000)	(52,791)	-	(52,791)
	(34,000)	**(192)**	**(34,192)**	**(52,791)**	**(366)**	**(53,157)**

The Directors estimate that the fair value of the Group's borrowing is not significantly different to the carrying value.

20. BORROWINGS (CONTINUED)

Analysis of change in net debt	Cash and cash equivalents £'000	Bank loans £'000	Lease liabilities £'000	Total liabilities £'000	Total net debt £'000
At 1 April 2020	15,497	(52,791)	(20,347)	(73,138)	**(57,641)**
Additions to lease liabilities	-	-	(8,683)	(8,683)	**(8,683)**
Repayment of bank loans	-	1,150	-	1,150	**1,150**
New bank loans	-	(1,150)	-	(1,150)	**(1,150)**
Currency translation	-	-	169	169	**169**
Cash and cash equivalent cash inflow	7,541	-	-	-	**7,541**
Lease liabilities cash outflow	-	-	3,994	3,994	**3,994**
At 31 March 2021	**23,038**	**(52,791)**	**(24,867)**	**(77,658)**	**(54,620)**
Additions to lease liabilities	-	-	(1,491)	(1,491)	**(1,491)**
Disposals from lease liabilities	-	-	179	179	**179**
Settlement of commitment fee on loan	-	(49)	-	(49)	**(49)**
Repayment of bank loans	-	18,840	-	18,840	**18,840**
Currency translation	-	-	(49)	(49)	**(49)**
Cash and cash equivalent cash outflow	(7,706)	-	-	-	**(7,706)**
Lease liabilities cash outflow	-	-	3,605	3,605	**3,605**
At 31 March 2022	**15,332**	**(34,000)**	**(22,623)**	**(56,623)**	**(41,291)**

21. 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. As at 31 March 2022, the total reinstatement provision of the Group is £2,438,000 (2021: £2,097,000). The utilisation of the reinstatement provision is in line with the end of the leasehold properties lease terms to which the provisions relate.

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

	2022 £'000	2021 £'000
Non-current:		
Reinstatement provision	(2,438)	(2,097)
Total non-current provisions	**(2,438)**	**(2,097)**

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

	2022 £'000	2021 £'000
Balance at the start of the year	(2,097)	(1,956)
Increase in provision	(249)	(63)
Unwinding of discount (note 7)	(92)	(78)
	(2,438)	**(2,097)**

22. LEASES

The Group leases assets including buildings, fibre contracts, colocation and software contracts. Information about leases for which the Group is a lessee is presented below:

Right-of-use assets	Leasehold Property £'000	Data centre equipment £'000	Software £'000	Total £'000
Balance at 1 April 2021	18,859	4,222	950	24,031
Additions	1,412	79	-	1,491
Disposals	-	(179)	-	(179)
Currency translation differences	-	36	-	36
Depreciation	(2,084)	(1,349)	-	(3,433)
Amortisation	-	-	(285)	(285)
Balance at 31 March 2022	**18,187**	**2,809**	**665**	**21,661**

The right-of-use assets in relation to leasehold property and data centre equipment are disclosed as non-current assets and are disclosed within property, plant and equipment (note 15). The right-of-use assets in relation to software are disclosed as non-current assets and are disclosed within intangibles (note 12).

Lease liabilities

Lease liabilities are presented in the balance sheet within borrowings as follows:

	2022 £'000	2021 £'000
Current:		
Lease liabilities (note 20)	(3,560)	(3,437)
Non-current:		
Lease liabilities (note 20)	(19,063)	(21,430)
Total lease liabilities	**(22,623)**	**(24,867)**

The maturity analysis of undiscounted lease liabilities are shown in the table below:

	2022 £'000	2021 £'000
Amounts payable under leases:		
Within one year	(4,127)	(4,215)
Between two to five years	(10,244)	(11,552)
After more than five years	(11,585)	(13,068)
	(25,956)	**(28,835)**
Add: unearned interest	3,333	3,968
Total lease liabilities	**(22,623)**	**(24,867)**

22. LEASES (CONTINUED)

The Group has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight line basis. During the year, in relation to leases under IFRS 16, the Group recognised the following amounts in the consolidated statement of comprehensive income:

	2022 £'000	2021 £'000
Short-term and low value lease expense	(1,784)	(1,578)
Depreciation charge	(3,433)	(3,722)
Amortisation charge	(285)	(285)
Interest expense	(646)	(732)
	(6,148)	**(6,317)**

Amounts recognised in the consolidated statement of cash flows:	2022 £'000	2021 £'000
Amounts payable under leases:		
Short-term and low value lease expense	(1,784)	(1,578)
Payments under lease liabilities within cash flows from financing activities	(4,410)	(5,435)
	(6,194)	**(7,013)**

23. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	**£'000**
Authorised		
At 31 March 2021 and 2022	**200,000,000**	**2,000**

Called up, allotted and fully paid		
At 1 April 2020	109,159,928	1,092
Share capital issued in the year	511,179	5
At 31 March 2021	109,671,107	1,097
Share capital issued in the year	394,257	4
At 31 March 2022	**110,065,364**	**1,101**

During the year, 394,257 (2021: 511,179) ordinary shares were issued for a total consideration of £3,942 (2021: £353,113), resulting in a premium over the nominal value of £nil (2021: £348,022).

At 31 March 2022 the Company held 140,773 shares (2021: 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 (2021: £1,408) and a market value of £228,897 (2021: £440,619). This represents 0.1% (2021: 0.1%) of the issued share capital as at 31 March 2022 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 2022 are fully paid.

24. OWN SHARES

	Own shares EBT £'000	Own shares Total £'000
At 31 March 2022 and 31 March 2021	**(70)**	**(70)**

At 31 March 2022 the Company held 140,773 shares (2021: 140,773) in the EBT with a carrying value of £69,982 (2021: £69,982) which were accounted for in the Own Shares EBT reserve.

25. SHARE-BASED PAYMENTS

The Group operated the following share-based payment employee share option schemes during the year; a SAYE sharesave scheme and a number of unapproved schemes. In the prior year, the final options under the EMI scheme expired and there are no options outstanding at 31 March 2022. All schemes are settled in equity only and are summarised below.

	Vesting period	Maximum term	Performance criteria	Required to remain in employment
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, continuous employment and performance of the Group.

As disclosed in note 5, a share-based payment charge of £480,000 (2021: £1,247,000) 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 year:

Grant date	**27-April 2021**	**9 December 2021**	**1 March 2022**
Vesting date	**31 March 2024**	**31 March 2022**	**1 March 2025**
Share price at grant date (p)	2.80	1.61	1.56
Volatility (%)	70.6%	78.1%	76.2%
Dividend yield (%)	2.54%	4.30%	4.44%
Number of employees holding options	2	13	112
Expected life (years)	3	3	3
Option/award life (years)	10	10	10
Risk free rate (%)	0.86%	0.75%	1.16%
Expectations of meeting performance criteria	100%	63%	100%
Fair value at grant date (p)	2.59	1.41	0.70
Exercise price per share (p)	1.0	1.0	128.0

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

25. SHARE-BASED PAYMENTS (CONTINUED)

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

	2022		2021	
	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	31.71	3,371,908	32.02	3,260,171
Granted	83.21	1,065,661	58.00	1,312,167
Forfeited	91.57	(1,014,003)	48.01	(414,575)
Expired	-	-	27.13	(276,752)
Exercised	1.00	(394,257)	90.74	(509,103)
Outstanding at end of year	**33.78**	**3,029,309**	**31.71**	**3,371,908**
Exercisable at end of year	**1.00**	**1,485,859**	**1.00**	**1,386,573**

During the year, options over 394,257 ordinary shares (2021: 509,103) were exercised and the average market price at the exercise dates was 227.21p (2021: 324.59p).

Options over 375,855 ordinary shares (2021: 1,040,174) were granted under the unapproved share option scheme with an average exercise price of 1.0p (2021: 1.0p) and 689,806 options over ordinary shares (2021: 271,993) were granted under the sharesave scheme with an average exercise price of 128.0p (2021: 276.0p).

Options over 697,446 ordinary shares (2021: 352,256) were forfeited under the unapproved share option scheme with an average exercise price of 1.0p (2021: 1.0p) and options over 316,557 (2021: 62,219) were forfeited under the sharesave scheme with an average exercise price of 291.1p (2021: 314.2p).

No options over ordinary shares (2021: 270,242) expired under the unapproved share option scheme with an average exercise price of nil (2021: 26.7p) and no options over ordinary shares expired under the EMI scheme (2021: 6,510) with an average exercise price of nil (2021: 46.5p).

A summary of share options that were outstanding and exercisable at the year end are as follows:

		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)
Unapproved schemes	1.0 – 1.0	2,296,966	1.0	4.5	1,485,859	1.0	3.3
Sharesave scheme	128.0 – 276.0	732,343	136.6	2.8	-	-	-
As at 31 March 2022		**3,029,309**	**33.8**	**4.1**	**1,485,859**	**1.0**	**3.3**
Unapproved schemes	1.0 – 1.0	3,012,814	1.0	3.6	1,386,573	1.0	4.2
Sharesave scheme	276.0 -324.0	359,094	289.3	2.0	-	-	-
As at 31 March 2021		**3,371,908**	**31.7**	**3.5**	**1,386,573**	**1.0**	**4.2**

26. RELATED PARTY TRANSACTIONS

Dividends paid to key management during the year are as follows:

	2022 £'000	2021 £'000
Angus MacSween	1,176	1,110
Other Directors*	5	1
Total dividends paid to Directors	**1,181**	**1,111**

*Dividends paid to Scott Cunningham of £2,307 (2021: £522), Richard Masters of £546 (2021: £392), Ian Steele £823 (2021: £260) Reece Donovan £942 (2021: £85) and Karyn Lamont £169 (2021: nil) include amounts in respect of spouses' shareholding.

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

	2022 £'000	2021 £'000
Salaries and other short-term employee benefits	1,048	1,246
Share-based payments	79	163
	1,127	**1,409**

Directors' bonuses, as disclosed in the Directors' Remuneration Report on pages 41 to 47, were paid post year end.

Gamma Communications plc were deemed a related party from 1 August 2021, as Andrew Taylor, Non-Executive Director of iomart Group plc is also a Director of Gamma Communications plc. Amounts paid to Gamma Communications plc during the period from 1 August 2021, the date of Andrew's appointment to the Board, to 31 March 2022 were £9,445 and amounts received from Gamma Communications plc for the same period were £195,702. £4,272 is included in trade payables at 31 March 2022. There are no amounts outstanding in trade receivables at 31 March 2022.

27. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

There are no contingent assets or contingent liabilities as at 31 March 2022 (2021: nil).

(b) Commitments

Capital expenditure on property, plant and equipment committed by the Group at 31 March 2022 was £389,971 (2021: £1,018,822).

28. RISK MANAGEMENT

The Group finances its operations by raising finance through equity, bank borrowings and leases. No speculative treasury transactions are undertaken however the Group does from time to time enter into forward foreign exchange contracts to hedge 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 IFRS 9:

	Amortised cost
	£'000
2022	
Non-current:	
Trade and other receivables	531
Current:	
Trade receivables	7,188
Cash and cash equivalents	15,332
Other receivables	270
Total for category	**23,321**
2021	
Non-current:	
Trade and other receivables	502
Current:	
Trade receivables	8,315
Cash and cash equivalents	23,038
Other receivables	519
Total for category	**32,374**

28. 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 IFRS 9:

	Financial liabilities measured at amortised cost £'000
2022	
Non-current:	
Lease liabilities	(19,063)
Bank loans	(34,000)
Current:	
Trade payables	(5,661)
Accruals	(7,558)
Lease liabilities	(3,560)
Total for category	**(69,842)**

2021	
Non-current:	
Lease liabilities	(21,430)
Bank loans	(52,791)
Current:	
Trade payables	(7,368)
Accruals	(8,681)
Lease liabilities	(3,437)
Total for category	**(93,707)**

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 20, the contractual maturity analysis of the Group's multi option revolving credit facility of £34.0m (2021: £52.8m) is shown. The Group has £66.0m (2021: £27.2m) available to drawdown on the £100.0m (2021: £80m) multi option revolving credit facility and reviews its cash flow requirements on a monthly basis. The Group was in compliance with all covenants under its banking facility arrangements throughout the reporting period.

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 SONIA plus a margin. For the year ended 31 March 2022, if interest rates on the multi option revolving credit facility at that date had been 50 basis points higher/lower, with all other variables held constant, there would have been an immaterial change in the post-tax profit for the year (2021: immaterial impact on post-tax profit).

Currency risk

During the year the Group made payments totalling US$8.9m (2021: US$6.2m) and EUR€1.6m (2021: EUR€1.5m) to acquire domain names for its Easyspace segment and licences for its Cloud Services segment. In addition, the Group received US$4.6m (2021: US$4.4m) and EUR€1.5m (2021: EUR€1.2m) from Cloud Services customers billed in foreign currency. During the year, the Group entered into forward exchange contracts to hedge its net exposure to the US Dollar arising on these purchases but at the year end the Group had no outstanding forward contracts in place (2021: none). Consequently, the fair value of currency contracts at the year end was £nil (2021: £nil). The level of non-monetary and monetary assets and liabilities denominated in foreign currencies in the Group are minimal.

28. RISK MANAGEMENT (CONTINUED)

Capital risk

The capital structure of the Group consists of net debt, which includes borrowings (note 20) and cash and cash equivalents, and equity attributable to owners of the parent, comprising issued share capital (note 23), other reserves and retained earnings. 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. Consequently, the Group makes use of both banking facilities and 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 interim and final dividends depending on the level of adjusted diluted earnings per share.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group provides standard credit terms (normally 30 days) to some of its customers which has resulted in trade receivables of £7,188,000 (2021: £8,315,000) which are stated net of applicable provisions and which represent the total amount exposed to credit risk. The Group manages trade receivable balances vigilantly and takes prompt action on overdue accounts. The lease deposits of £531,000 (2021: £502,000) are held in escrow accounts with the landlord's main UK bankers. The Group's cash at bank £15,332,000 (2021: £23,038,000) is held within clearing banks in the UK, Republic of Ireland and United States of America with good credit ratings.

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.

29. ULTIMATE CONTROLLING PARTY

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

STATEMENT OF FINANCIAL POSITION
As at 31 March 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Investments	3	151,105	155,886
Deferred tax	5	884	1,332
		151,989	**157,218**
Current assets			
Trade and other receivables	4	22,350	18,582
Cash and cash equivalents		7,965	20,422
		30,315	**39,004**
Total assets		**182,304**	**196,222**
LIABILITIES			
Non-current liabilities			
Non-current borrowings	7	(34,000)	(52,791)
		(34,000)	**(52,791)**
Current liabilities			
Trade and other payables	6	(30,042)	(32,379)
		(30,042)	**(32,379)**
Total liabilities		**(64,042)**	**(85,170)**
Net Assets		**118,262**	**111,052**
EQUITY			
Called up share capital	8	1,101	1,097
Own shares	9	(70)	(70)
Capital redemption reserve		1,200	1,200
Share premium account		22,495	22,495
Merger reserve		4,983	4,983
Retained earnings		88,553	81,347
Total Equity		**118,262**	**111,052**

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 of the Company was £14,317,000 (2021: £14,437,000).

These financial statements were approved by the Board of Directors and authorised for issue on 14 June 2022.

Signed on behalf of the Board of Directors

Reece Donovan
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 2022

	Note	Share capital £'000	Own shares EBT £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2020		**1,092**	**(70)**	**1,200**	**22,147**	**4,983**	**72,795**	**102,147**
Profit for the year		-	-	-	-	-	14,437	14,437
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**14,437**	**14,437**
Dividends – final (paid)	12	-	-	-	-	-	(4,287)	(4,287)
Dividends – interim (paid)	12	-	-	-	-	-	(2,845)	(2,845)
Share-based payments	10	-	-	-	-	-	1,247	1,247
Issue of share capital	8	5	-	-	348	-	-	353
Total transactions with owners		**5**	**-**	**-**	**348**	**-**	**(5,885)**	**(5,532)**
Balance at 31 March 2021		**1,097**	**(70)**	**1,200**	**22,495**	**4,983**	**81,347**	**111,052**
Profit for the year		-	-	-	-	-	14,317	14,317
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**14,317**	**14,317**
Dividends – final (paid)	12	-	-	-	-	-	(4,931)	(4,931)
Dividends – interim (paid)	12	-	-	-	-	-	(2,660)	(2,660)
Share-based payments	10	-	-	-	-	-	480	480
Issue of share capital	8	4	-	-	-	-	-	4
Total transactions with owners		**4**	**-**	**-**	**-**	**-**	**(7,111)**	**(7,107)**
Balance at 31 March 2022		**1,101**	**(70)**	**1,200**	**22,495**	**4,983**	**88,553**	**118,262**

The nature of equity in the statement of changes in equity is disclosed in the accounting policies (note 2).

The following notes form part of the financial statements.

1. COMPANY INFORMATION

iomart Group plc is a public listed company listed on the Alternative Investment Market ("AIM"), incorporated and domiciled in the United Kingdom and registered in Scotland. The address of the registered office is Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow, G20 0SP. The nature of the Company's operations and its principal activity is that of a holding company.

2. ACCOUNTING POLICIES

Statement of compliance

These separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council (FRC). Accordingly, 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 the historical cost basis, except for the valuation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. The financial statements are presented in Sterling (£).

Adoption of new and revised Standards - amendments to IFRS that are mandatorily effective for the current year

There are no new accounting policies applied in the year ended 31 March 2022 which have had a material effect on these accounts. In addition, the Directors do not consider that the adoption of new and revised standards and interpretations issued by the IASB in 2021 has had any material impact on the financial statements of the Group.

Disclosure exemptions adopted

The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements, however, 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.

2. ACCOUNTING POLICIES (CONTINUED)

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. On an annual basis, 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 the adjustment is accounted for as a charge or credit to profit or loss.

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

Classification and measurement of financial assets

The Company classifies financial assets into three categories:

- financial assets measured at amortised cost
- financial assets measured at fair value through other comprehensive income (“FVTOCI”)
- financial assets measured at fair value through profit or loss (“FVTPL”)

2. ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Classification and measurement of financial assets (continued)

The classification of financial assets is based on the Company's business model for managing the financial asset and the contractual cash flow characteristics associated with the financial asset. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cashflows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is to both collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at FVTOCI; and
- all other debt investments and equity investments are measured subsequently at FVTPL.

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.

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.

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.

Impairment of financial assets

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 liabilities

Classification and measurement of 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)

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 IFRS 9.

Pension scheme arrangements

The Company contributes to an auto-enrolment pension scheme and also to a number of personal pension schemes or pension allowances 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

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 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 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; and
- "retained earnings" represents retained profits and share-based payment reserve.

2. ACCOUNTING POLICIES (CONTINUED)

Employee Benefit Trust

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Group and Company financial statements. The cost of purchasing own shares held by the EBT are shown as a deduction within shareholders' equity. The proceeds from the sale of own shares are recognised in shareholders' equity. Neither the purchase or sale of own shares leads to a gain or loss being recognised in the income statement.

Going Concern

The Group going concern disclosure is on page 81. Following the refinancing in December 2021, the Group has an undrawn multi-option revolving credit facility of £66.0m at 31 March 2022 (2021: £27.2m). After making enquiries, the Directors have a reasonable expectation that the Company will be able to meet its financial obligations and has adequate resources to continue in operational existence for the foreseeable future (being a period extending at least twelve months from the date of approval of these financial statements). For this reason they continue to adopt the going concern basis in preparing the financial statements.

Key judgements and sources of estimation uncertainty

There were no critical accounting judgements that would have a significant effect on the amounts recognised in the parent company financial statements at the balance sheet date. In the current year, in respect of key sources of estimation uncertainty, we have impaired the carrying value of an investment in a subsidiary, see note 3 for further details. This involved an assessment of the future cash flows of the subsidiary and an appropriate discount rate, both of which involve assumptions.

3. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2021	155,886
Share-based payments (note 10)	219
Impairment charge	(5,000)
Cost at 31 March 2022	**151,105**
Net book value of Investments at 31 March 2022	**151,105**
Net book value of Investments at 31 March 2021	155,886

All of the above investments are unlisted.

The impairment charge of £5.0m in the year relates to impairment of the carrying value of the investment in Dediserve Limited. The charge has been calculated by reviewing estimated future cash flows associated with the subsidiary undertaking which have been sensitised for various downside scenarios including reductions in profitability.

Details of subsidiary undertakings are included in note 14 of the Group financial statements.

4. TRADE AND OTHER RECEIVABLES

	2022 £'000	2021 £'000
Prepayments	1,319	454
Other debtors	-	282
Current income tax	59	372
Other taxation and social security	685	444
Amounts owed by subsidiary undertakings	20,287	17,030
	22,350	**18,582**

Amounts owed by subsidiary undertakings are repayable on demand and carry no interest.

5. DEFERRED TAX

The Company had recognised deferred tax assets as follows:

	2022 £'000	2021 £'000
Share-based remuneration	884	1,332

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

	2022 £'000	2021 £'000
Balance brought forward	1,332	1,069
Profit and loss account movement arising during the year	(869)	263
Effect of deferred tax rate change in the year	421	-
Balance carried forward	**884**	**1,332**

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

6. TRADE AND OTHER PAYABLES

	2022 £'000	2021 £'000
Trade creditors	(115)	(35)
Other creditors	(53)	(281)
Accruals	(1,135)	(1,788)
Amounts owed to subsidiary undertakings	(28,739)	(30,275)
	(30,042)	**(32,379)**

Amounts owed to subsidiary undertakings are repayable on demand and carry no interest.

7. BORROWINGS

	2022 £'000	2021 £'000
Non-current:		
Bank loans	(34,000)	(52,791)
Total non-current borrowings	**(34,000)**	**(52,791)**

Given the terms of the revolving credit facility and the ability for any drawdowns made to be extended well beyond 31 March 2023 at the discretion of the Company, the total amount outstanding has been classified as non-current. The obligations under the multi option revolving credit facility and term loan facility are repayable as follows:

	2022			2021		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	-	(192)	(192)	-	(366)	(366)
Due within two to five years	(34,000)	-	(34,000)	(52,791)	-	(52,791)
	(34,000)	**(192)**	**(34,192)**	**(52,791)**	**(366)**	**(53,157)**

The Directors estimate that the fair value of the Group's borrowing is not significantly different to the carrying value. For details of the terms of repayment and rates of interest payable see note 20 in the Group financial statements.

8. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
Authorised		
At 31 March 2021 and 2022	**200,000,000**	**2,000**

	Number of shares	£'000
Called up, allotted and fully paid		
At 1 April 2020	109,159,928	1,092
Share capital issued in the year	511,179	5
At 31 March 2021	109,671,107	1,097
Share capital issued in the year	394,257	4
At 31 March 2022	**110,065,364**	**1,101**

During the year, 394,257 (2021: 511,179) ordinary shares were issued for a total consideration of £3,942 (2021: £353,113), resulting in a premium over the nominal value of £nil (2021: £348,022).

At 31 March 2022 the Company held 140,773 shares (2021: 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 (2021: £1,408) and a market value of £228,897 (2021: £440,619). This represents 0.1% (2021: 0.1%) of the issued share capital as at 31 March 2022 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 2022 are fully paid.

9. OWN SHARES RESERVES

	Own shares EBT £'000	Own shares Total £'000
At 31 March 2022 and 31 March 2021	**(70)**	**(70)**

At 31 March 2022 the Company held 140,773 shares (2021: 140,773) in the EBT with a carrying value of £69,982 (2021: £69,982) which were accounted for in the Own Shares EBT reserve.

10. SHARE-BASED PAYMENTS

For details of share-based payment awards and fair values see note 26 to the Group financial statements. The Company financial statements recognise the charge for share-based payments for the year of £480,000 (2021: £1,247,000) by:

1) taking the charge in relation to employees of the parent company through the parent company statement of comprehensive income £261,000 (2021: £400,000),
2) recording an increase to its investment in subsidiaries for the amounts attributable to employees of subsidiaries and recording a corresponding entry to retained earnings of £219,000 (2021: £847,000).

11. INFORMATION REGARDING PARENT COMPANY EMPLOYEES

	2022 No.	2021 No.
Average number of persons employed by the Company (including all Directors):		
Technical	4	5
Sales and marketing	9	9
Administration	34	31
	47	**45**

	2022 £'000	2021 £'000
Staff costs of the Company during the year in respect of employees and Directors were:		
Wages and salaries	1,698	1,580
Social security costs	(223)	814
Pension costs	65	57
Share-based payments	261	400
	1,801	**2,851**

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 41 to 47. 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 Directors' emoluments are disclosed within note 5 of the Group financial statements.

12. DIVIDENDS PAID ON SHARES CLASSED AS EQUITY

	2022 Pence per share	2022 £'000	2021 Pence per share	2021 £'000
Paid during the year:				
Final dividend (proposed in the prior year)				
Equity dividends on ordinary shares	4.50p	4,931	3.93p	4,287
Interim dividend				
Equity dividends on ordinary shares	2.42p	2,660	2.60p	2,845
Total dividend paid in cash		**7,591**		**7,132**

The Directors have recommended a final dividend for the year ended 31 March 2022 of 3.60p per share (2021: 4.50p per share). Subject to shareholder approval this proposed final dividend would be payable on 2 September 2022 to shareholders on the register at close on 12 August 2022.

13. 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 26 of the Group financial statements.

14. ULTIMATE CONTROLLING PARTY

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

Directors

Reece Donovan MSc, BSc	Chief Executive Officer
Scott Cunningham BAcc, CA	Chief Financial Officer
Ian Steele BAcc, CA	Non-Executive Chairman
Angus MacSween	Non-Executive Director
Richard Masters LLB, DipLP	Non-Executive Director
Karyn Lamont BAcc, CA	Non-Executive Director
Andrew Taylor (appointed 1 August 2021)	Non-Executive Director

Secretary

Andrew McDonald BA, CA

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Joint broker

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