

**Parent Company accounts for Bytemark Limited**

**Registered number 04484629**

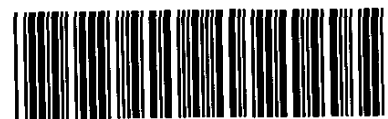
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**IOMART GROUP PLC**

**SC204560**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 MARCH 2023**

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**IOMART GROUP PLC**

**SC204560**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 MARCH 2023**

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

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# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **Directors**

Reece Donovan MSc, BSc  
Scott Cunningham BAcc, CA  
Ian Steele BAcc, CA (resigned 30 August 2022)  
Lucy Dimes (appointed 30 August 2022)  
Angus MacSween  
Richard Masters J.J.B., DipLP  
Karyn Lamont BAcc, CA  
Andrew Taylor (resigned 31 December 2022)  
Annette Nabavi (appointed 25 May 2023)  
Adrian Chamberlain (appointed 1 June 2023)

Chief Executive Officer  
Chief Financial Officer  
Non-Executive Chair  
Non-Executive Chair  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director

#### **Secretary**

Andrew McDonald BA, CA (resigned 28 February 2023)  
Julie Brown LLB (appointed 28 February 2023)

#### **Registered office**

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

#### **Nominated adviser and broker**

Investec Bank Plc  
30 Gresham Street  
London EC2V 7QP

#### **Solicitors**

Pinsent Masons LLP  
141 Bothwell Street  
Glasgow G2 7EQ

#### **Independent auditor**

Deloitte LLP  
Level 5, 110 Queen Street  
Glasgow G1 3BX

#### **Registrars**

Link Asset Services  
Bourne House  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

#### **Company Registration Number**

SC204560

## **IOMART GROUP PLC**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

#### **STRATEGIC REPORT - CHAIR'S STATEMENT**

In my first period as Chair, I am delighted to report on a year in which we have delivered a number of strategically important milestones, seen a return to organic revenue growth within cloud managed services and achieved financial results in line with market expectations<sup>4</sup>. We have reported record revenue in the year of £115.6m and continued to deliver high levels of profitability and cash generation.

It is clear to me that the market and iomart's position within it provide the platform to scale the business as a leading provider of secure hybrid cloud services. During the last 12 months, we have made good progress against this aim with strong momentum in order bookings, and a return of customer renewal levels to long-term average rates, providing a more solid base of recurring revenues. Behind the scenes, we have refreshed our full sales team under the guidance of the new sales leadership, simplified our internal service organisation and processes, and extended a number of our managed service offerings. We have successfully navigated the significant challenges in the energy market by ensuring additional costs have been appropriately passed through to the customer base. We also recommenced our M&A activities with the acquisition of Concepta Capital Limited ("Concepta") in August 2022, and subsequent to the year end, on 2 June 2023, we successfully completed the acquisition of Extrinsic Global Limited ("Extrinsic"), a Microsoft managed service provider.

Our iomart team are at the heart of these successes and I would like to thank them all 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.

After invaluable service to iomart, we have seen three of our Non-Executive Directors step down, with Ian Steele (previous Chair) standing down at the AGM, Andrew Taylor leaving the Board in December 2022, and Richard Masters notifying us of his intent to step down at the forthcoming AGM in September 2023. On behalf of everyone connected with the Group, I wish to thank them all for their valuable contribution to the development of iomart. We announced two new Independent Non-Executive Director appointments in May 2023. Annette Nabavi who joined the Board on 25 May 2023 and Adrian Chamberlain who joined the Board on 1 June 2023. Annette and Adrian bring different but very relevant skills and experience to the Board, and will be extremely valuable in helping guide the execution of our growth strategy.

During the year, we paid an interim dividend of 1.94p per share to shareholders in January 2023. In addition, the Board is now proposing to pay a final dividend of 3.50p per share taking the total for the year to 5.44p 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 and strength of our balance sheet.

The progress we have already seen in the delivery of our strategy and the continued solid financial performance gives me and the Board confidence in a bright future for iomart.



**Lucy Dimes**  
*Non-Executive Chair*  
13 June 2023

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### STRATEGIC REPORT – 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 market expectations<sup>1</sup>, delivering revenue of £115.6m (2022: £103.0m), adjusted EBITDA<sup>1</sup> of £36.2m (2022: £38.0m), adjusted profit before tax<sup>2</sup> of £14.8m (2022: £17.1m) and a statutory profit before tax of £8.5m (2022: £12.2m). We continue to benefit from the highly recurring nature of our business model, with 92% (2022: 93%) of revenue in the year recurring<sup>3</sup>.

The revenue of £115.6m is a record level for the Group and is a combination of a return to long-term historic customer renewal levels with organic revenue growth within our core cloud managed services offering, and inflationary pricing adjustments, primarily for data centre energy usage, plus the successful completion of the acquisition of Concepta in August 2022. The Group's adjusted EBITDA reflects both the revenue mix effect in the year, together with investment in upskilling our employees' capabilities, alongside appropriate wage increases and cost of living support. EBITDA margin percentage of 31.3% (2022: 36.9%) in the year was heavily impacted by the pass through of much increased energy costs and to a lesser extent the lower margin business within the Concepta acquisition, primarily from their reselling activities. The increase in the UK interest rates has pushed the Group's interest expense up by £0.9m year on year but the Group's cash generation continued to be strong, with the year-end net debt standing at £39.8m (2022: £41.3 million). This represents a comfortable net debt to adjusted EBITDA ratio of 1.1 times (2022: 1.1 times).

I am pleased by how we navigated through the unexpected challenges in the energy markets, which resulted in a £7m increase in the Group's electricity costs. iomart's robust business model and customer arrangements have ensured this additional energy cost has been appropriately passed through to the customer base. While electricity costs remain high, the energy markets appear less volatile as we enter the new financial year. We have a proactive hedging strategy in place for the next two years and expect this matter to be less of a distraction for our team and customers than we have experienced in the last 12 months.

At iomart, momentum and pace are important aspects for success. Following growth in our sales pipeline, we saw this translate to improved order booking levels in the second half of the year, with the last quarter order bookings being the highest quarter in the last two years. Year on year we have seen double digit order bookings growth within the cloud managed services area, which along with healthy customer renewal levels, provides a solid foundation for growth for the new financial year. The two acquisitions completed within a ten-month period fully support our drive to broaden our service offerings across the full hybrid cloud spectrum.

#### Strategy

Our strategic growth plan is focussed on three main activities:

- Protect and expand the existing base of run rate revenue and EBITDA which is underpinned by our existing core private cloud infrastructure and services;
- New services focused on four new service areas – hybrid cloud, cybersecurity, the future digital workplace and secure connectivity ensuring a complete suite of solutions and services to deliver a comprehensive secure hybrid cloud offering; and
- Complementary acquisitions - to expand the customer base and to acquire new skillsets

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

#### Sales & Marketing

In February 2022, we strengthened our commercial leadership with the appointment of our new Chief Sales Officer. Under his leadership, we have changed the structure of our sales organisation to underpin our growth strategy, and over the last 12 months replaced a large element of the team. We have made incremental investments in these changes but all within an agreed cost envelope. We completed most of this in the first half of the year and so we start the new financial year with a well-inducted and skilled team, with momentum and confidence building as order bookings increased during the second half.

We continue to believe that our existing large customer base represents a fertile sales ground for the Group and the continued broadening of our solutions offering increases our relevance to a wider pool of new customers.

## **IOMART GROUP PLC**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

#### **STRATEGIC REPORT – CHIEF EXECUTIVE OFFICER'S REPORT**

##### *New services*

Our product team continue to evolve and develop new solution offerings. These are targeted at both new customers, and upselling and cross-selling to our existing customers. Activity in the last 12 months has included:

- Continued refinement of our Managed Microsoft Azure offering launched in prior year. Even though we targeted M&A to accelerate this area of the business, it was also important that we built some element of our own capabilities and strengthened our Microsoft relationship. We have continued to see steady growth in this area with wins from both existing and new customers. Extrinsicica, our recent Microsoft Azure acquisition, will take the lead on adding significant engineering capability and expertise on Azure infrastructure design, deployment and management for our customers.
- 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. We now have five customers taking this service and they provide a strong reference base for further customer wins. Globally, cyber-attacks are on the rise and we now have a highly credible offering for customers to address this everyday threat. We will continue to look to expand this cyber portfolio, with a strong focus on Microsoft via internal developments, additional partnerships and potential M&A.
- During the year, we launched an enhanced, multi-tenanted cloud platform with the latest technology from VMware. This refreshes our virtual cloud offering with the latest cloud functionality, control and scalability. We are one of the few managed service providers globally to successfully implement this leading edge vendor technology. We see private cloud remaining as a core element of any hybrid cloud offering and we are leading the way on this.

All of these new products are designed with a 24/7 service capability, as it is the service support we offer our customers and our deep technical expertise which remains at the heart of our hybrid offering.

##### *People and Systems*

We have invested in a Learning Management System ("LMS") which supports our skills development programmes and employee engagement. This is an important step, as we strongly believe a continuous learning culture will underpin our future success. In a period of skills shortages, we believe, attracting, developing and retaining our talent is critical.

In the second half, we changed the structure of our executive management team with the role of COO split between a Chief Customer Officer ("CCO") and a Chief Technology Officer ("CTO"). As well as bringing focus, it also provides greater bandwidth on execution. We were able to promote internally for the CCO role and are pleased to have recruited externally an experienced CTO for the Group who joined us in late May 2023.

Enhancing the tooling and systems in the business is an evergreen task, allowing especially our customer facing staff to work efficiently and respond well to customer requests. We replaced our telephone system with a Teams based service in the year, and we continued to consolidate asset platforms and simplify our reporting. The working environment for our staff is also important and we have recently committed to a 10-year lease for a new Glasgow office. This will see us move from our existing premises into a Grade A office in the city centre enhancing the working environment for existing staff whilst also being positive for recruitment. This was achieved without any significant cost increase.

##### *M&A*

As in the past and as reconfirmed in our strategy communications we plan to use selective M&A to augment our organic growth. It was pleasing to see a high level of activity in this area with the acquisition of Concepta in August 2022, and subsequent to the year-end, on 2 June 2023, we successfully completed the acquisition of Extrinsicica, a Microsoft Azure managed service provider. We will maintain our structured and disciplined approach to M&A and remain active in evaluation of potential targets.

### **STRATEGIC REPORT – CHIEF EXECUTIVE OFFICER’S REPORT**

#### **Market**

Macroeconomic headlines such as double-digit inflation, rising debt costs, and a cost-of-living crisis, coupled with geo-political uncertainties, form a challenging backdrop for many of our customers and their planned spending levels. However, we do have the benefit of a very wide and varied customer base with no significant sector or single customer concentration, which provides some natural portfolio protection. While iomart will not be immune to this economic backdrop, the requirement for organisations to be supported on their hybrid cloud journey will continue to grow for the foreseeable future. Providing excellent customer service and deep technical expertise, related to the cloud infrastructure that is managing mission critical applications for our customers, also supports our view of sustainable growth over the medium term.

The concept of “Cloud” computing is now globally recognised across all market segments. The “public cloud” giants such as Amazon, Microsoft and Google have vastly contributed to this general awareness and consequently 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 and many years to come. 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, supporting on-premise solutions, and with the recent acquisition of Extrinsic adding skills and capabilities for public cloud provisioning and ongoing management.

With the insatiable growth in data across all industries, the demand for the three core building blocks of compute power, storage and connectivity continues to rise. 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 know-how. These requirements increasingly come with greater security and compliance needs, particularly around data storage, protection, and transit.

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.

#### *Environmental*

Last year, we worked on establishing carbon reduction targets and identifying 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, or earlier, if possible. We commenced purchasing Renewable Energy Guarantees of Origin (“REGO”) certified renewable electricity across our UK data centre estate in 2021, which significantly reduces our carbon emissions. As this has been in place for the whole of the financial year, this takes a significant step towards our commitment to Net Zero. We continue to look at ways to increase the energy efficiency across our UK data centre estate, and have therefore have accelerated upgrades to our battery power systems.



# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

### **STRATEGIC REPORT – CHIEF EXECUTIVE OFFICER’S REPORT**

#### Social

We have undertaken a number of initiatives for our own staff wellbeing and engagement including:

- Winter cost of living allowance payments made to staff at a total cost of around £0.4m
- Launch of a learning management system “iosmart” to support a learning culture and our skills development programmes
- Manager fundamental training completed by all managers, and completion of a leadership development programme across the Group
- UK Wide HR Roadshows held to enhance employee engagement

We have also implemented a number of external facing initiatives, the key activities being:

- Continuing to partner with local charities that align with our brand focus and employees’ interests, such as SmartSTEMs and Scotland’s Empowering Women to Lead Cyber Security and Digital Transformation leadership programmes
- Partnered with Generation, a charity that supports IT education to employment of people from disadvantaged socioeconomic backgrounds
- Sponsorship of Scotland IS digital technology awards

#### Governance

In August 2022, we saw the appointment of Lucy Dimes, our new Chair. In addition, in May 2023 we announced we would be appointing two new independent Non-Executive Directors who bring significant sector experience to the Board to support and guide our growth strategy.

After the appointment of an external third party to lead an outsourced internal audit function, there has been an appropriate full year’s worth of engagement, which has been well received by the business. In February 2023, we announced the appointment of Investec as the Company’s Nominated Adviser replacing the incumbent who had been in place since our IPO.

#### **Acquisitions**

On 15 August 2022, we successfully completed and announced the first acquisition under our refreshed strategy, acquiring Concepta, a holding company for the ORIUM and Pavilion IT brands, for an initial cash consideration of £10.8m with the potential of a further £4.0m contingent earn-out payment based on profitability for the 12-months ending 30 June 2023. It is expected, based on the current forecast that this maximum earn-out will be paid in July 2023. We also repaid £1.5m of bank debt acquired on completion. The Concepta Group consists of two brands:

- ORIUM, established in 2007, is a channel-only organisation working with value added resellers and managed service providers to deliver best in class data and application management solutions to end users. With this acquisition, iomart gained an independent wholesale operation that understands the UK IT channel deeply, and has built trust through long-standing strategic partner relationships. Data management is a core element of the Group’s hybrid cloud proposition, and ORIUM materially strengthens iomart’s indirect sales channel capabilities, while extending the Group’s product and technical skills and capabilities, with an additional 45 technical engineers who joined the Group.
- Pavilion IT, a business established for over 30 years, which also includes the 2021 acquisition of P2 Technologies, a business focused on the legal & accounting professional services sector which added customer vertical specialisation. This brand has a strong direct sales organisation with over 250 customers under one unified operational delivery team offering a range of hybrid and cloud infrastructure technology solutions plus professional services and on-going customer support arrangements.

### STRATEGIC REPORT – CHIEF EXECUTIVE OFFICER'S REPORT

#### Acquisitions (continued)

As announced on 5 June 2023, subsequent to our year-end, we completed the acquisition of Extrinsicica, for an initial consideration of £4.0m, with a potential further £0.3m in cash payable on the achievement of certain key customer targets during the calendar year. Of the initial consideration, £2m was satisfied by the issue of 1,562,500 new ordinary shares in iomart, which under the terms of the Sale and Purchase Agreement are subject to a 12 month "lock in" provision and based on a fixed share price of £1.28, being the volume weighted average price for the 90 days prior to completion. The balance of £2.0m was paid in cash. We also repaid £3.7m of debt acquired on completion. A further £4.0m to £7.0m of contingent earn-out payments is included in the share purchase agreement based on the profitability for the 12 months ending 31 March 2024. Of any earn-out payment that becomes due, £1.0m will be satisfied by the issue of iomart shares (the number of shares to be issued will be based on the same share price as the initial consideration). The amount of contingent consideration payable, based on management's forecast, recognised at the date of the Acquisition, is expected to be £4.0m.

Extrinsicica is a Microsoft Azure Cloud solution services provider with offerings including managed Azure Cloud, Azure solution design and implementation services, support & optimisation services and licencing. The company was incorporated in 2010 as a Cloud services provider to micro businesses. It was in 2017 that its current business model was established when it was invited by Microsoft to become one of the first 25 Microsoft Azure CSP partners worldwide. It is now solely Azure public Cloud-focused. This acquisition provides iomart with deep Microsoft Azure expertise, a highly capable team of 33 based in the UK, strong customer references and a shared value and vision for how the Microsoft Practice in iomart should be shaped to support acceleration of growth. Prior to our acquisition, Extrinsicica generated revenues of £7.4m, being year on year growth of c.40%, and EBITDA of £0.1m (unaudited).

#### Operational Review

While all of our activities involve the provision of services from common infrastructure, we are organised into two operating segments, Cloud Services (£103.9m revenue) and Easyspace (£11.7m revenue).

#### Cloud Services

Within our Cloud Services division, we have three core offerings that recognise 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 can supply products and services across the full cloud spectrum and do so using shared resources and common platforms across the Group.

- **iomart cloud managed services:** £64.1m revenue (2022: £55.7m): provides fully managed, complex bespoke designs, resulting in resilient solutions involving differing 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 our back-up and disaster recovery offering. 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 provision of managed service is what organisations are looking for to support their business objectives and that we are well placed to offer.
- **Self-managed infrastructure:** £30.4m revenue (2022: £28.4m): 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. Our own regional data centre estate and fibre network positions us well to offer such infrastructure as a service. It is generally recognised that this activity is a lower growth area within the cloud market but continues to offer a cost competitive solution for many customer use cases and for those who have retained their own IT skills.
- **Non-recurring revenue:** £9.4m (2022: £7.1m): relates primarily to on-premise equipment and software reselling via our Cristie Data and Pavilion IT brands, as well as 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 Group and evolve customers into a higher level of recurring services.

During the year ended 31 March 2023, Cloud Services revenues increased by £12.7m (14%) to £103.9m (2022: £91.2m). This included £6.2m of revenue for the 7.5 months of trading from the Concepta acquisition completed on the 15 August 2022, split 50/50 between recurring and non-recurring revenue.

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

### **STRATEGIC REPORT – CHIEF EXECUTIVE OFFICER’S REPORT**

#### **Cloud Services (continued)**

Our recurring revenue saw the largest increase being £10.4m to £94.5m (2022: £84.1m), with the largest area being from our core cloud managed services. This is a combination of a return to long-term historic customer renewal levels, inflationary pricing adjustments, primarily for data centre energy usage, plus the successful completion of the acquisition of Concepta. The data centre sector has had to navigate the significant challenges in the energy markets and during the year the Group’s electricity costs increased by approximately £7 million. iomart’s robust business model and customer arrangements have ensured this additional energy cost has been appropriately passed through to the customer base.

Non-recurring revenues increased by £2.3m (31%) to £9.4m (2022: £7.1m) which include £3.1m of non-recurring revenue from the Concepta acquisition in August 2022, primarily the Pavilion IT brand. The underlying reduction in non-recurring revenue was £0.8m all of which arose in the first half of the year. The economic situation in some of our customer base has slowed down hardware refresh activity, but we are reviewing our specific product proposition to ensure it avoids the more commoditised areas, matches our deeper skills, for example in data management, and at the same time create a greater likelihood that such customers would, over time, move to iomart’s core recurring services.

Cloud Services EBITDA (before share based payments, acquisition costs, central group overheads and non-recurring exceptionals) was £35.3m being 34.0% of cloud services revenue (2022: £36.6m (40.2% of cloud services revenue)). The reduction of £1.3m in Cloud Services EBITDA is a combination of many moving parts, including timing and pass through nature of costs associated with the inflationary environment, additional investment in upskilling our employees’ capabilities, alongside appropriate wage increases and cost of living support, and the lower EBITDA margin which also comes with lower CAPEX needs of some of our new offerings in comparison to the self-managed infrastructure-only deals of earlier years.

#### **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 £11.7m (2022: £11.8m) and £5.6m (2022: £5.7m), respectively.

#### **Infrastructure investment and energy pricing**

Our UK-owned infrastructure is an important aspect of the delivery of our recurring revenue services and a critical differentiator in the market, allowing 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.

The data centre sector has had to navigate the significant challenges in the energy markets and during the year the Group’s electricity costs increased by approximately £7 million. iomart’s robust business model and customer arrangements have ensured this additional energy cost has been appropriately passed through to the customer base. While electricity costs remain high, the energy markets appear less volatile as we enter the new financial year. We have a proactive hedging strategy in place for the next two years and expect this matter to be less of a distraction for our team and customers going forward.

During the year we re-contracted our core UK fibre network. This refreshes the resilient network that securely connects our data centres, with the implementation to be undertaken during the course of 2023. We had already commenced the upgrade to our uninterruptible power systems (“UPS”) in our core data centres last year. However, given the increase in energy costs we have accelerated this as the new systems offer improved energy efficiencies. Towards the end of the year, we closed our Dunsfold data centre, which had been included in the Memset acquisition of 2020. This was one of our smaller regional UK data centres. Our two largest data centres in Maidenhead and central London account for around half of our UK capacity. We will continue to look for areas to consolidate over the medium to longer term without affecting any customer needs.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

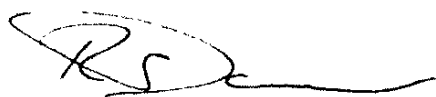
### STRATEGIC REPORT – CHIEF EXECUTIVE OFFICER’S REPORT

#### Current trading and outlook

Current trading in the first two months of the new financial year are in line with internal expectations, reporting revenues ahead of the equivalent prior period, with a mix of organic and acquisitive growth.

While iomart will not be immune to any potential economic volatility in the UK and beyond, the requirement for organisations to be supported on their hybrid cloud journey will continue to grow for the foreseeable future. We support customers with their cloud infrastructure needs, around often mission critical applications, and the increasing complexity of the technical landscape will continue to see customers look for partners who can provide the solutions, capabilities, expertise and experience across the entire cloud ecosystem.

The two recent acquisitions have expanded our capabilities and routes to market, making our solution portfolio more relevant to a wider audience. The increase in the effectiveness of our sales activities, operational improvements made, and our clear focus on execution gives us a stronger foundation to accelerate growth. These factors and the momentum achieved in the second half of the last financial year underpins the Board’s confidence in the outlook for the long-term prospects for the Group.



**Reece Donovan**  
*Chief Executive Officer*  
13 June 2023

#### Definition of alternative performance measures:

<sup>1</sup> 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 exceptional non-recurring costs. Throughout these financial statements acquisition costs are defined as acquisition related costs and non-recurring acquisition integration costs

<sup>2</sup> Throughout these financial statements adjusted profit before tax (disclosed on page 11) 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 exceptional non-recurring costs

<sup>3</sup> 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)

<sup>4</sup> Market expectations based on known sell-side analyst estimates for the full year ended 31 March 2023, established in or around 11 October 2022

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### STRATEGIC REPORT – CHIEF FINANCIAL OFFICER'S REPORT

#### Financial Review

Key Performance Indicators	2023	2022
Revenue	£115.6m	£103.0m
% of recurring revenue <sup>1</sup>	92%	93%
Gross profit % <sup>2</sup>	55.0%	59.5%
Adjusted EBITDA <sup>3</sup>	£36.2m	£38.0m
Adjusted EBITDA margin % <sup>4</sup>	31.3%	36.9%
Adjusted profit before tax <sup>5</sup>	£14.8m	£17.1m
Adjusted profit before tax margin % <sup>6</sup>	12.8%	16.6%
Profit before tax	£8.5m	£12.2m
Profit before tax margin % <sup>7</sup>	7.4%	11.8%
Basic earnings per share	6.4p	8.6p
Adjusted earnings per share (diluted) <sup>8</sup>	10.9p	12.0p
Cash flow from operations / Adjusted EBITDA % <sup>9</sup>	94%	100%
Net debt / Adjusted EBITDA leverage ratio <sup>10</sup>	1.1	1.1

See page 16 for definition of alternative performance measures

#### Revenue

Overall revenue from our operations increased by 12% to £115.6m (2022: £103.0m).

We saw a consistent share of recurring revenue at 92% (2022: 93%) compared to prior years. 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 £103.9m (2022: £91.2m):

Disaggregation of Cloud Services revenue	2023 £'000	2022 £'000
Cloud managed services	64,115	55,745
Self-managed infrastructure	30,444	28,363
Non-recurring revenue	9,359	7,128
	<b>103,918</b>	<b>91,236</b>

#### Cloud managed services (recurring revenue)

The recurring revenue within cloud managed services increased strongly by £8.4m or 15% to £64.1m (2022: £55.7m). This was driven by return to organic growth aided by customer renewal levels returning to long-term historic averages, the Concepta acquisition (mainly the ORIIUM brand) contributing £3.1m and our managed service customers taking around half of the additional pricing adjustments for the energy cost increase given their services are underpinned by data centre services and availability. The customers within the self-managed infrastructure area received the balance of the energy pricing adjustments.

#### Self-managed infrastructure (recurring revenue)

The self-managed infrastructure revenue of £30.4m (2022: £28.4m) increased by £2.1m. This is a combination of a reduction in the number of our long tail of smaller customers, more than offset by energy price rises passed onto customers, which are more energy intensive within this area, plus higher new order bookings from an internal sales team established to retain dedicated focus on this area. We will continue to allocate resources to ensure we provide this customer base with resilient, cost effective and increasingly automated solutions.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### STRATEGIC REPORT – CHIEF FINANCIAL OFFICER'S REPORT

#### Non-recurring revenue

Non-recurring revenue of £9.4m (2022: £7.1m) relates primarily to on premise product and licence reselling plus consultancy projects. Often these non-recurring activities provide an interesting initial introduction to the wider iomart Group and customers evolve into a higher level of recurring services. The Concepta acquisition in August 2022 included the Pavilion IT brand, which primarily undertakes similar reselling and professional services activity. This added £3.1m of non-recurring revenue post acquisition, meaning excluding acquisition impact, the underlying reduction in non-recurring revenue was £0.8m that arose in the first half of the year. The economic situation in some of our customer base has slowed down hardware refresh activity.

#### **Easyspace**

Our Easyspace segment has performed well over the year with revenues remaining broadly consistent at £11.7m (2022: £11.8m). 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 c.60,000 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 3<sup>rd</sup> 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, increased by £2.3m to £63.6m (2022: £61.3m). In percentage terms, gross margin<sup>2</sup> is down on prior year at 55.0% (2022: 59.5%) being heavily impacted by the pass through of energy costs and to a lesser extent lower margin within the Concepta acquisition, primarily from their reselling activities. In addition as expected given the scope of the service, we typically see lower gross margin levels on some of the new business won compared to margins from some of the self-managed infrastructure only deals of earlier years.

#### **Adjusted EBITDA<sup>3</sup>**

The Group's adjusted EBITDA reduced by £1.8m to £36.2m (2022: £38.0m) which in adjusted EBITDA margin<sup>4</sup> terms translates to 31.3% (2022: 36.9%). The administration expense (before depreciation, amortisation, share based payment charges, acquisition costs and exceptional non-recurring costs) of £27.4m (2022: £23.3m) is £4.1m higher than the previous year comparative. However, this includes £1.9m of administrative expenses from the Concepta acquisition meaning the underlying increase in administrative expenses is limited to £2.2m or 9%. Of this increase our annual salary award, staff winter cost of living allowance payment and national insurance levy accounts for around half. Year on year average headcount levels were broadly flat although iomart is employing a higher skilled workforce.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### STRATEGIC REPORT – CHIEF FINANCIAL OFFICER'S REPORT

#### Adjusted EBITDA (continued)

The Cloud Services segment saw a 3.6% reduction in adjusted EBITDA to £35.3m (2022: £36.6m). In percentage terms the Cloud Services margin decreased to 34.0% (2022: 40.2%) for the reasons noted earlier. The Easyspace segment's adjusted EBITDA was £5.6m (2022: £5.7m) reflecting the stable revenue performance in the year, which in percentage terms was again stable at 48.1% (2022: 48.2%).

Group overheads increased by £0.5m in the year to £4.8m (2022: £4.3m). 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<sup>s</sup>

The depreciation charge of £15.9m (2022: £16.3m) fell by £0.4m in the year and as a percentage of recurring revenue is 15.0% (2022: 17.0%), driven by the profile and drivers of the higher recurring revenue in the year.

The charge for amortisation of intangibles, excluding amortisation of intangible assets resulting from acquisitions ("amortisation of acquired intangible assets"), of £2.6m (2022: £2.6m) is consistent year on year.

Finance costs of £2.9m (2022: £2.1m) has increased year on year due to the higher SONIA interest rate. 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), exceptional non-recurring costs and finance costs from the adjusted EBITDA, the Group's adjusted profit before tax reduced to £14.8m (2022: £17.1m), representing an adjusted profit before tax margin<sup>s</sup> of 12.8% (2022: 16.6%).

#### 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:

	2023 £'000	2022 £'000
<b>Reconciliation of adjusted profit before tax to profit before tax</b>		
<b>Adjusted profit before tax<sup>s</sup></b>	<b>14,820</b>	<b>17,109</b>
Less: Amortisation of acquired intangible assets	(3,880)	(4,044)
Less: Acquisition costs	(922)	(315)
Less: Share-based payments	(696)	(480)
Less: Accelerated write off of arrangement fee on bank facility	-	(102)
Less: Cost of sales - exceptional non-recurring costs	(820)	-
<b>Profit before tax</b>	<b>8,502</b>	<b>12,168</b>

The adjusting items in the current year are:

- charges for the amortisation of acquired intangible assets of £3.9m (2022: £4.0m);
- acquisition costs of £0.9m (2022: £0.3m) which includes a mainly non-cash charge of £0.6m in respect of the closure of our Memset Dunsfold data centre;
- share-based payment charges of £0.7m (2022: £0.5m) driven by a higher number of options lapsing in the prior year driving a lower charge; and
- exceptional non-recurring costs of sales of £0.8m which is explained below.

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

### **STRATEGIC REPORT – CHIEF FINANCIAL OFFICER’S REPORT**

#### **Profit before tax (continued)**

On 1 October 2022, iomart entered into a new three-year electricity utility supply agreement, a new hedging arrangement and participated in the Energy Bill Relief Scheme (“EBRS”). All of this was undertaken in conjunction with our long established energy consultant and broker. Around November 2022, we instigated an energy price increase across the bulk of our customer base. The basis of this price increase was the cost information we received from our energy consultant and broker. However, in March 2023 our energy consultant and broker identified an error in the previously advised fixed commodity charge due to a wrong interpretation by them of when the EBRS discount is applied within the charging regime. This meant that rather than a timing aspect only, there was a £0.8m cost impact for the 6 months to 31 March 2023. Given the timing of this notification from our energy consultant and broker we are not in a position to recover such sums from our customer base via our contractual mechanisms. We believe if we had been aware of this item we would have successfully passed this onto customers in the November 2022 exercise. As the error relates to interpretation of the EBRS then the matter does not affect financial planning for the period from April 2023 onwards. On this basis, we believe the item is exceptional and non-recurring in nature and requires to be drawn out separately to ensure a more meaningful understanding of the financial performance in the year.

After deducting these items from the adjusted profit before tax, the reported profit before tax was £8.5m (2022: £12.2m). In percentage terms the profit before tax margin<sup>7</sup> was a decrease to 7.4% (2022: 11.8%) driven by the exceptional non-recurring costs and acquisition costs in the year and the impact of the lower trading result in the year.

#### **Taxation**

The tax charge for the year is £1.5m (2022: £2.8m). The tax charge for the year is made up of a corporation tax charge of £0.9m (2022: £1.1m) with a deferred tax charge of £0.6m (2022: £1.7m). The effective rate of tax for the year is 18% (2022: 23%). The future increase to a 25% UK corporation tax rate was applied to deferred tax balances in the prior year driving a higher effective tax rate in the prior year. The decrease in the effective tax rate for the year is a function of the greater impact from the tax accounting on share based payments in the prior year offset partially by the positive effect of the higher “super deduction” available for capital investments in the current year. 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 of £7.0m (2022: £9.4m).

#### **Earnings per share**

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

Basic earnings per share from continuing operations was 6.4p (2022: 8.6p), a reduction of 25.6%.

Adjusted diluted earnings per share\*, based on profit for the year attributed to ordinary shareholders before amortisation charges of acquired intangible assets, acquisition costs, share-based payment charges, exceptional non-recurring costs, and the tax effect of these items was 10.9p (2022: 12.0p), a reduction of 9.2%.

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 3.50p (2022: 3.60p) 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 and the low level of indebtedness within the Group. As a result, along with the interim dividend of 1.94p (2022: 2.42p), which was paid in January 2023, the total dividend for the year is 5.44p (2022: 6.02p), a reduction reflecting the movement in the adjusted diluted earnings per share.



# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### STRATEGIC REPORT – CHIEF FINANCIAL OFFICER'S REPORT

#### 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 £33.8m (2022: £37.9m) which represents a 94% conversion<sup>a</sup> of adjusted EBITDA (2022: 100%). The metric in the current year is somewhat distorted by the cash element of the non-recurring adjusting items of around £0.8m which if excluded from cash flow from operations would result in a conversion ratio of 96%.

Cash payments for corporation tax in the year were limited (2022: £2.5m), due to overpayments from prior years which could be offset against our quarterly instalments and we received a tax refund resulting in a small tax inflow of £48,000, resulting in net cash flow from operating activities in the year of £33.9m (2022: £35.4m).

##### *Cash flow from investing activities*

Our strategy is to continue to reinvest some of the 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 £21.2m (2022: £10.2m) during the year. In the current year, we paid equity consideration on the Concepta acquisition, paid associated professional services fees that combined with the cash acquired, results in a £10.3m net outflow. There were no payments made concerning M&A activity in the prior year.

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 £8.9m (2022: £9.5m) on assets. Most of the expenditure in the year was on operational items such as servers and storage to support customer deployments.

Expenditure was also incurred on development costs of £1.9m (2022: £1.4m) and on intangible assets of £0.1m (2022: £0.1m).

##### *Cash flow from financing activities*

In the current year, loan drawdowns of £10.4m (2022: £nil) were made from the revolving credit facility to support the initial equity consideration for the Concepta acquisition. We also repaid £1.5m of bank debt acquired from Concepta at completion.

Bank loan repayments of £10m (2022: £18.8m) were made in the year resulting in a closing drawn bank loan of £34.4m (2022: £34.0m). Cash received in the year from issue of shares was only £5k (2022: £4k). We also made dividend payments of £6.1m (2022: £7.6m); paid finance costs of £2.2m (2022: £2.1m) which included £0.2m of arrangement fees associated with the extension options taken within the bank facility and made lease repayments of £4.9m (2022: £4.4m).

##### *Net cash flow*

As a consequence of the above component elements and especially the payments associated with the acquisition in the year, our overall cash position was an outflow of £1.5m (2022: £7.7m outflow) which resulted in cash and cash equivalent balances at the end of the year of £13.8m (2022: £15.3m).

##### *Net Debt*

The net debt position of the Group at the end of the year was £39.8m (2022: £41.3m) as shown below. The net debt position represents a multiple of 1.1 times<sup>10</sup> our adjusted EBITDA (2022: 1.1 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.

	2023 £'000	2022 £'000
Bank revolver loan	34,400	34,000
Lease liabilities	19,180	22,623
Less: cash and cash equivalents	(13,818)	(15,332)
<b>Net Debt</b>	<b>39,762</b>	<b>41,291</b>

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### STRATEGIC REPORT – CHIEF FINANCIAL OFFICER'S REPORT

#### Cash flow and net debt (continued)

##### *Net debt (continued)*

The Group has access to a £100m Revolving Credit Facility ("RCF") provided by a banking group consisting of HSBC, Royal Bank of Scotland, Bank of Ireland and Clydesdale Bank, that now matures on 30 June 2026 (2022: 30 June 2025), which also benefits from a £50m Accordion Facility. On 17 November 2022, the lenders approved the Group enactment of the extension option. The RCF has a borrowing cost at the Group's current leverage levels of 180 basis points over SONIA.

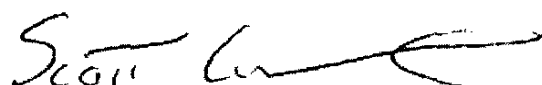
The decrease in the lease liability to £19.2m (2022: £22.6m) reflects expected payments on property arrangements and that there were no material revisions to existing leases.

#### Exposure to credit and liquidity risks

Disclosures relating to our exposure to credit and liquidity risks are outlined in note 29.

#### 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 Cunningham**  
*Chief Financial Officer*  
13 June 2023

#### Definition of alternative performance measures:

<sup>1</sup> 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)

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

<sup>3</sup> 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 exceptional non-recurring costs. Throughout these financial statements acquisition costs are defined as acquisition related costs and non-recurring acquisition integration costs.

<sup>4</sup> 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 %

<sup>5</sup> Adjusted profit before tax (as disclosed on page 11) 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 exceptional non-recurring costs.

<sup>6</sup> Adjusted profit before tax margin % is defined as adjusted profit before tax (as disclosed on page 11) / Revenue (as disclosed in the consolidated statement of comprehensive income) as a %

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

<sup>8</sup> 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 exceptional non-recurring costs and the tax impact of adjusted items / weighted average number of ordinary shares – diluted (as disclosed in note 12)

<sup>9</sup> 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 disclosed in the consolidated statement of comprehensive income) as a %

<sup>10</sup> Net debt / Adjusted EBITDA level ratio is defined as Net Debt (as disclosed on page 15) / Adjusted EBITDA (as disclosed in the consolidated statement of comprehensive income)

## **IOMART GROUP PLC**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

#### **STRATEGIC REPORT – PRINCIPAL RISKS AND UNCERTAINTIES**

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 at least on an annual basis, are designed to help the Group meet its business objectives by appropriately managing, rather than eliminating, the risks of failure to achieve business objectives, as any system can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Board delegates oversight of certain risk management activities to the Audit Committee. The Board ensures that it controls the risk appetite through the Group's delegated authorities and matters reserved for the Board. In addition, the Board must approve any decision likely to have a material impact on the Group from any perspective, including, but not limited to, financial, operational, strategic or reputational.

The Audit Committee reviews aspects of the risk management and control system at its meetings. At least once a year, the Committee formally reviews the system's effectiveness as a whole on behalf of the Board.

##### **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 and given a net score based on the strength of mitigating controls that are in place. This process is documented in our Group risk register which is reviewed formally bi-annually 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. Executive Directors and senior management carried out two detailed reviews of 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. These reviews included 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 36 and details of financial risks are outlined in note 29.

##### **Risk control assurance**

We have strong management controls, including policies and procedures, together with management oversight. Through the new learning management system launched in the year, all employees completed phishing training to raise awareness of the potential risk related to IT security. As the learning management tool develops, we intend to utilise this tool to give employees access to risk management training programmes to raise awareness of potential risks.

We have internal assurance through a detailed review of risks, including operational and commercial risks, and functional oversight and monitoring of risks. The Board and Executive team review the Group's financial and operational performance through comprehensive financial reporting processes including monthly reporting of financial performance compared to budget, forecasts and the prior year and monitoring of key performance indicators related to various risks of the business.

In addition, we have independent assurance through our internal audit programme led by Ernst and Young LLP ("EY"). In the current year, EY developed an internal audit plan based on their review of our current risk management approach and Group's risk register, which was approved by the Audit Committee.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### STRATEGIC REPORT – PRINCIPAL RISKS AND UNCERTAINTIES

#### Principal risks and uncertainties

Through the above process, potential material risks and uncertainties remain similar to the prior year, with the exception of the removal of the risk associated with Covid-19 as the risk to the Group has reduced, and the addition of inflation risk as described below. 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 continue to focus on 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 and products we currently offer. Our product board meets regularly to keep abreast of new technology which could enhance the Group's service portfolio.

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

### **STRATEGIC REPORT – PRINCIPAL RISKS AND UNCERTAINTIES**

#### **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**

Our UK data centres are large consumers of electricity to power servers and provide cooling. In the last 12 months, due to unprecedented global events, the wholesale cost of energy rose sharply and experienced significant volatility. iomart's robust business model and customer arrangements ensured this additional energy cost was appropriately passed through to the customer base. While electricity costs remain high, the energy markets appear more stable as we enter the new financial year. We have a proactive hedging strategy in place for the next two years and expect this matter to be less of a risk to the business as we enter the new financial year.

#### **Inflationary pressure**

In 2022, inflationary pressure was added to the Group's risk register as a risk. Our largest cost base is our people cost which is managed centrally with annual salary awards and reviews of our benefits packages to staff. In the current year, the Group paid a "cost of living" payment to staff in November 2022 and February 2023. Other significant costs, excluding electricity, relate to licence, data centre and connectivity costs. Monthly reviews are undertaken of the cost base and we are in discussion with customers and suppliers where we are seeing any inflationary impact. In addition, our pricing model is regularly reviewed to ensure that contracts are priced adequately to cover inflation risk.

#### **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; and
- 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.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### STRATEGIC REPORT – STAKEHOLDER ENGAGEMENT

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 2022/2023
Shareholders	<p>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.</p> <p>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.</p> <p>We refreshed our investor site in June 2022 followed by a full relaunch of the iomart website in August 2022 to support improved online presence and opportunity capture and improve our communication with our internal and external stakeholders.</p>
Employees	<p>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:</p> <ul style="list-style-type: none"><li>• <b>People first</b> – our people are at the heart of everything we do. We support them to anticipate our customers’ needs and exceed their expectations;</li><li>• <b>One team</b> – we work together to achieve great things and treat each other with respect;</li><li>• <b>Be curious</b> – we will always strive to improve and challenge the status quo;</li><li>• <b>Be accountable</b> – we take ownership of what we do and how we do it. We will deliver on our promises and are open to feedback; and</li><li>• <b>Be ambitious</b> – we take pride in and are passionate about our work and we insist on the highest standards from ourselves and others.</li></ul> <p>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 encourage the involvement of all employees from different functions, including the Board and Executive Team, to take part in Q&amp;A video sessions which are shared with the wider Group to enhance the sharing of knowledge and information.</p> <p>A Senior Leadership team (“SLT”) exists which supports the Executive Team to deliver the Group’s strategy. Throughout the year, the SLT and the Executive team have held monthly calls and have focussed on achieving objectives to deliver on results. The SLT are in regular communication with employees giving updates on the business.</p>

## IOMART GROUP PLC

### ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

#### STRATEGIC REPORT – STAKEHOLDER ENGAGEMENT

Stakeholder Group	How we engaged in 2022/2023 (continued)
Employees (continued)	<p>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. The Executive team use iocomms, 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 and external news updates and to involve employees in various fun and interactive events throughout the year.</p> <p>The Board also continues to receive monthly HR updates covering key employee matters and developments which drives a positive connection to the wider employee base.</p> <p>To mark International Women's Day in March 2023, we hosted a roundtable discussion with our Chair, Lucy Dimes where she discussed her experiences building a career in Technology.</p>
Customers	<p>The Group places customers at the heart of our business and strategy and has continued to focus on this ethos 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.</p> <p>During the year, we continued to host topical webinars on Cyber Security and 'Zero Trust – how to protect your business from Cyber Threats', we released e-books on 'Remote Working' and 'A guide to cyber insurance' and blogs covering various topics. We also produced our independent 'State of Cyber Security in the UK' report with Oxford Economics which involved a survey of 500 UK cyber security decision makers to find out what challenges they face and to investigate how they approach cyber strategy for their organisation and produced an independent document that we have shared across the industry.</p> <p>We have also hosted a number of round table discussions, which were well attended, on industry specific topics including Local Government Strategy, Social Housing Forums, Education Strategy Forum and Cyber Insurance all focussed on the impact ransomware is having on the industry.</p> <p>In June 2022 and March 2023 respectively, we hosted stands at Digital Transformation Expo and Cloud Expo Europe, technology events held in London, to connect with existing and prospective customers, technologists and business leaders to help engage in conversations on their digital transformation journeys.</p> <p>Our product team, which was launched last year, have continued to redefine and launch a number of new product initiatives, including a refreshed multi-tenanted cloud platform, targeted at both new customers and upselling and cross-selling to our existing customers.</p> <p>For more details on how the Group engages with customers, see the Directors' report on page 49.</p>
Suppliers and key partners	<p>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.</p> <p>In the current year, we appointed a new Strategic Vendor Alliance Manager focussing on our top suppliers. In addition, 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 49.</p>

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### STRATEGIC REPORT – STAKEHOLDER ENGAGEMENT

Stakeholder Group	How we engaged in 2022/2023 (continued)
Environment	<p>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.</p> <p>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 49 to 51 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.</p> <p>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.</p>

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	<p>In April 2021, the Board approved the Group's long-term strategic plan for the next five years. In the current year, the Board held a strategy day in January 2023 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.</p> <p>The Board approved the Group's FY24 financial budget and five year plan. 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.</p> <p>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&amp;A and risk management updates.</p>	Shareholders, Employees, Customers, Suppliers, Environment



# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### STRATEGIC REPORT – STAKEHOLDER ENGAGEMENT

Key Impact	Key decisions made	Key Stakeholder Group impacted
Financing and capital spend	<p>The Board approves major capital expenditure in excess of £1m to support the capital investment of our infrastructure and data centres. The Board approved the terms of the 10 year lease for our new Glasgow head office which will see occupancy at the start of August 2023.</p> <p>The Board approved the terms and conditions of the Group's multi revolving credit facility established in 2021. As part of the monthly Board reporting, the board receives reporting on compliance with loan covenants.</p> <p>The Board reviews the dividend policy and approved the interim and annual dividends taking into account the results and financial position of the Group.</p> <p>There has continued to be a clear focus on monitoring of cash flow and strong cash management with monthly reporting to the Board.</p> <p>In August 2022, the Board approved the acquisition of Concepta Capital Limited, a holding company of a group of companies which includes the ORIUM and Pavilion IT brands. In May 2023, the Board approved the acquisition of Extrinsic Global Holdings Limited, the holding company of Extrinsic Global Limited. The Board considers that these transactions are in line with the acquisition strategy of the Group and the achievement of long-term growth plans.</p>	Shareholders, Customers
Employees and culture	<p>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.</p> <p>During the year, the HR team have held UK wide roadshows visiting all locations in the UK to engage with staff. In addition, HR led an employee engagement survey in the year 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.</p> <p>The Company has continued to strengthen our focus on ensuring the health and wellbeing of our employees and has continued to support hybrid working patterns. As previously reported, the Board supported a number of key initiatives which have continued throughout the current year including:</p> <ul style="list-style-type: none"> <li>• An employee assistance programme with a third party provider, Health Assured, offering free counselling support available 24/7 for all employees and their families;</li> <li>• 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.</li> <li>• We have continued our partnership with a charity, Mindapples, as part of our employee wellbeing programme to improve mental health and help people take better care of their minds improving resilience and productivity.</li> <li>• In the year we have hosted financial webinars, led by HSBC, to support our staff in managing finances in the current economic environment.</li> </ul>	Shareholders, Employees

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### STRATEGIC REPORT – STAKEHOLDER ENGAGEMENT

Key Impact	Key decisions made	Key Stakeholder Group impacted
Employees and culture (continued)	<p>In the current year we have invested in, and launched, a full internal learning management system, “iosmart”, to support our skills development programme and employee engagement. We strongly believe a continuous learning culture will underpin our future success and attract, develop and retain talent. In addition, all managers attended manager fundamentals training and fifty senior leaders completed an external Leadership Development course, led by an external consultancy firm, to develop their leadership skills.</p> <p>In October 2022, the Board approved a ‘winter cost of living’ allowance to the majority of staff paid over two instalments in November 2022 and February 2023 to support our staff through rising energy costs and inflationary increases.</p> <p>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 and Non-Executive Directors and long-term incentive plans.</p> <p>The Board reviews the Nomination Committee assessment of the current and future composition of the Board, with a focus on diversity, skills and succession planning.</p>	Shareholders, Employees
Governance, regulatory requirements and risk	<p>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.</p> <p>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 <a href="http://www.iomart.com/investors">www.iomart.com/investors</a>.</p> <p>The Board takes regulatory responsibilities seriously and is committed to ensuring that it is open and transparent with regulators. In February 2023, the Board approved the appointment of Investec Bank Plc (“Investec”) as nominated advisor and sole broker. As part of take-on procedures the Board met with Investec in January 2023 who provided an overview of the AIM rules and market abuse regulations, ensuring iomart’s compliance with requirements.</p> <p>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 33, an internal evaluation of the Board was completed in March 2023.</p> <p>On 30 August 2022, the Board approved the appointment of Lucy Dimes as Independent Non-Executive Chair.</p> <p>On 28 February 2023, the Board approved the appointment of Julie Brown, In-house Legal Counsel, as Company Secretary.</p> <p>In May 2023, the Board approved the appointment of Annette Nabavi and Adrian Chamberlain as Non-Executive Directors.</p>	Shareholders, Employees, Customers, Suppliers, Environment

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### STRATEGIC REPORT – STAKEHOLDER ENGAGEMENT

Key Impact	Key decisions made	Key Stakeholder Group impacted
Governance, regulatory requirements and risk (continued)	<p>As noted in the Board biographies on pages 27 to 29, these appointments bring a wealth of experience and additional sector skills to the Board.</p> <p>In the last 12 months, the Board has been heavily involved in our energy strategy, approving decisions on our energy provider, energy hedging arrangements and our business model and customer arrangements to ensure that wholesale energy price rises have been appropriately passed through to our customer base and included in our pricing plans for renewals and new business going forward.</p>	
Social	<p>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.</p> <p>We have continued 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. In the current year, we supported the “Digital Transformation” and “Cyber Security” cohorts and enjoyed 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.</p> <p>We continue to work 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. We provide videos to SmartSTEMS of our staff explaining their roles that are played to primary school children followed up by on-site school visits during the year by the CEO and other key staff members to allow the children to ask questions.</p> <p>During the year, we partnered with Generation, a company that transforms education to employment to prepare, place and support people into careers that would otherwise be inaccessible. iomart has worked with Generation to provide employment for candidates from disadvantaged backgrounds.</p> <p>In May 2022, we sponsored the ScotlandIS digital technology awards, rewarding innovation, expertise and ambition of companies across the breadth of Scotland’s digital sector.</p> <p>Our staff have been active in the year taking part in the ‘Movember’ run throughout the UK in November 2022, raising awareness and money for men’s mental health.</p>	Employees, Customers, Suppliers, Environment

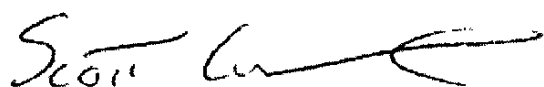
# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### STRATEGIC REPORT – STAKEHOLDER ENGAGEMENT

Key Impact	Key decisions made	Key Stakeholder Group impacted
Environment	<p>The Board is committed to demonstrating clear environmental policies to minimise the impact of our business operations on the local environment.</p> <p>As previously reported in 2021, the Board approved the commitment to procurement of Renewable Energy Guarantee of Origin (“REGO”) certificates for our green energy procurement. All our UK data centres are 100% powered by REGO certified renewable energy significantly driving down our carbon emissions (see Greenhouse Gas reporting on page 49).</p> <p>In the prior year, the Board approved the development of our carbon roadmap strategy. For details of our commitment to reducing our carbon footprint and progress during the year, see our carbon emission reporting on pages 49 to 51.</p> <p>During the year, we have re-contracted our core UK fibre network, refreshing the resilient network that securely connects our data centres, and we have accelerated the upgrade to UPS battery power systems, which was approved by the Board, providing for greater energy efficiency in the future.</p>	Employees, Customers, Suppliers, Environment

The Strategic Report on pages 3 to 26 has been approved by the Board and is signed on its behalf:



**Scott Cunningham**  
*Chief Financial Officer*  
13 June 2023

## IOMART GROUP PLC

### ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

#### BOARD OF DIRECTORS

##### **REECE DONOVAN, CHIEF EXECUTIVE OFFICER**

**Date of appointment** – March 2020, appointed as Chief Executive Officer in 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.

##### **LUCY DIMES, NON-EXECUTIVE CHAIR**

**Date of appointment** – August 2022

**Committee Membership** - Audit, Remuneration and Nomination (Chair)

##### **Background and experience**

Lucy brings extensive experience across the technology, telecoms and business services sectors, gained from a successful international executive career at BT plc, Alcatel-Lucent (now Nokia), Fujitsu, Virgin Money plc, UBM plc and Equiniti Group plc.

Lucy holds an MBA from London Business School, a First Class Degree in Business from Manchester Metropolitan University, and attended the Global Women Leadership Programme at Harvard Business School.

##### **External appointments**

Lucy is also a Non-Executive Director of Babcock International Group plc and a member of their Remuneration, Audit, Nomination and UK Security Committees. She is the Founder and Director of Paradimes Services Ltd, a consultancy and advisory business, and was previously an NED for Berendsen plc from 2012 to 2016 prior to their acquisition by Elis S.A.

##### **ANGUS MACSWEEN, NON-EXECUTIVE DIRECTOR**

**Date of appointment** – March 2000, appointed as Non-Executive Director in 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.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### BOARD OF DIRECTORS

#### **RICHARD MASTERS, NON-EXECUTIVE DIRECTOR**

**Date of appointment** - June 2017

**Committee Membership** - Audit, Remuneration (Chair, resigned 1 June 2023) 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. Richard will not stand for re-election at the forthcoming Annual General Meeting in September 2023 and will leave the Board at that time.

#### **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 of Scottish Building Society, North American Income Trust plc and Scottish American Investment Trust plc. In September 2022, Karyn was appointed to Ediston Property Investment Company plc as Non-Executive Director and Audit Committee Chair.

#### **ANNETTE NABAVI, NON-EXECUTIVE DIRECTOR**

**Date of appointment** – May 2023

**Committee Membership** - Remuneration (Chair) effective 1 June 2023

#### **Background and experience**

Annette brings over 30 years of experience in operational and advisory roles in the technology sector including significant expertise in driving growth through acquisition and partnerships. Annette currently sits on the board of Eleco plc, an AIM listed software company, and serves as the Chair of its Remuneration Committee. She has held several Non-Executive Director roles, including a seven-year tenure at AIM listed Maintel Holdings Plc, a cloud and managed services company, where she also chaired the Remuneration Committee. She has substantial experience in the area of Remuneration through her involvement with the Quoted Companies Alliance (QCA), where she supported the update to the Remuneration Committee Guide.

#### **External appointments**

Annette is a Non-Executive Director, and Remuneration Committee Chair at Eleco plc and is Finance Director for Women in Telecoms and Technology, a Not-for-Profit organisation.

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## **IOMART GROUP PLC**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

#### **BOARD OF DIRECTORS**

<b>ADRIAN CHAMBERLAIN, NON-EXECUTIVE DIRECTOR</b>
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<b>Date of appointment</b> - June 2023
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<b>Committee Membership</b> - Audit, Remuneration and Nomination
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<b>Background and experience</b>
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Adrian has considerable experience across the technology and telecoms sector, having spent a significant period of his executive career with Cable & Wireless plc before becoming CEO of Message Labs and then Achilles, both cloud-based SaaS businesses. He has substantial experience in strategy formulation, growing turnover and establishing presence in new markets. Until recently, Adrian was the Chair of the Board of eConsult Health Ltd, a cloud-based SaaS business in the healthcare sector.
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<b>External appointments</b>
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Adrian is a Non-Executive Director at Alfa Financial Software Holdings plc, a listed global software provider, a Non-Executive and Senior Independent Director at Cambridge University Hospitals NHS Foundation Trust.
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# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### CORPORATE GOVERNANCE REPORT

On behalf of the Board, I am pleased to present our Corporate Governance report for the year ended 31 March 2023. As Chair 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 Quoted Companies Alliance ("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 [www.iomart.com/investors/corporate-governance](http://www.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 discussions 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 Stakeholder Engagement report on pages 20 to 26 and the Directors report (including our Streamlined Carbon Energy Reporting) on pages 47 to 51.

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.



**Lucy Dimes**  
*Non-Executive Chair*  
13 June 2023



# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### CORPORATE GOVERNANCE REPORT

#### 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 12 and explains the basis on which the Group generates value, and outlines the long-term strategy of the Group on pages 4 and 5.

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 appointments made post year end, the Board now has eight members, comprising two Executive Directors being the Chief Executive Officer and Chief Financial Officer, the Non-Executive Chair and five Non-Executive Directors. Board biographies of all Board members giving details of their experience are included on pages 27 to 29.

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

##### Chair

The Chair 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 Chair 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 Chair and Chief Executive Officer. The Chair provides challenge to the Executive Directors and works closely with the Chief Executive Officer on key strategic decisions. The Chair maintains and supports communication channels with shareholders as appropriate.

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

### **CORPORATE GOVERNANCE REPORT**

#### **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 Chair 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. In February 2023, Andrew McDonald was replaced by Julie Brown as Company Secretary.

The Chair and Non-Executive Directors hold other Directorships, as detailed in the Board biographies set out on pages 27 to 29. 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 resigned from the Board on 31 December 2022. This specific timing meant that from 1 January 2023 to 31 March 2023 the Board was split equally in number terms between independent and non-independent Directors, although the Chair'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. Post year end, two independent Non-Executive Directors have joined the Board taking the Board composition to a majority independent position.

#### **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 Chair 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.

## IOMART GROUP PLC

### ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

#### CORPORATE GOVERNANCE REPORT

##### Composition of and Appointments to the Board (continued)

The Chair 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 Chair, 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 Chair and discussed by the Board collectively. The annual evaluation includes a review of the performance of individual Directors, including the Chair, 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)	-	-	-
Lucy Dimes – Non-Executive Chair	7 (7)	2 (2)	3 (3)	1 (1)
Ian Steele – Non-Executive Chair	3 (3)	2 (2)	1 (1)	1 (1)
Richard Masters – Non-Executive Director	10 (10)	4 (4)	4 (4)	2 (2)
Karyn Lamont – Non-Executive Director	10 (10)	4 (4)	4 (4)	2 (2)
Angus MacSween – Non-Executive Director	10 (10)	-	-	-
Andrew Taylor – Non-Executive Director	7 (8)	-	-	-

*Figures in brackets indicate the maximum number of meetings in 2022/2023 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 Chair 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 effectiveness of all Committees is reviewed as part of the Board evaluation exercise.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### CORPORATE GOVERNANCE REPORT

#### **The Remuneration Committee**

The Remuneration Committee was chaired by Richard Masters until 31 May 2023 and was replaced by Annette Nabavi on 1 June 2023. Its other members are Lucy Dimes 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 Directors');
- ensuring remuneration is both appropriate to the level of responsibility and adequate to attract and/or retain Directors 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 Lucy Dimes. 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 Lucy Dimes, Non-Executive Chair.

#### **The Audit Committee**

The Audit Committee is chaired by Karyn Lamont. Its other members are Lucy Dimes 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;
- internal auditor's plan and terms of reference, including scope, for each audit during the year;
- approval of internal audit plans and carrying out an annual assessment of the effectiveness of the outsourced 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 and internal auditors.

## IOMART GROUP PLC

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#### CORPORATE GOVERNANCE REPORT

##### 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 37.

Significant areas considered by the Audit Committee in relation to the 2023 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 2023. 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 13 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.
Business combinations valuation of intangible assets and fair value adjustments on acquisition	During the year ended 31 March 2023, the Group completed the acquisition of Concepta Capital Limited (note 11). The Committee considered the calculations supporting the fair value of assets and liabilities acquired and reviewed the supporting papers prepared by management to support the value of intangibles acquired and any fair value adjustments required.
Valuation of Contingent consideration	The acquisition of Concepta Capital Limited involves a potential payment of contingent consideration, the Committee reviewed the fair value assessment prepared having regard to criteria on which any sum due will be calculated and challenged the probability of payment being required (note 20).

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 Chair of the Committee also meets separately with senior management, the external auditors and internal auditors.

The Chair 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 2023, the only non-audit services performed by Deloitte LLP related to the interim review and covenant compliance review both of which are a permitted service.

### **CORPORATE GOVERNANCE REPORT**

#### **Risk management and internal control**

The approach to risk management and the principal risks themselves are set out on pages 17 to 19. 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.

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 Audit Committee and 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 and the controls established to minimise those risks and their effectiveness in operation.

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

- 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 assessment processes which are regularly reviewed. The Group has extensive internal quality assurance processes in place and appropriate ISO certifications.

The Group's internal audit activity is outsourced to 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 annual internal audit plan. 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 20 to 26.

#### **Relations with shareholders**

Communication with shareholders is given high priority by the Board. The Group maintains a corporate website ([www.iomart.com/investors](http://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 20, 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.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### CORPORATE GOVERNANCE REPORT

#### Relations with shareholders (continued)

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.

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 Chair 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'.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### CORPORATE GOVERNANCE REPORT

#### Workforce engagement and promoting ethical business practices (continued)

- *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 2023, we reported our third gender pay report which has shown an improvement in our reported metrics. We will continue to develop our recruitment strategy to drive further improvements and diversity.

#### 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.

Scott Cunningham and Angus MacSween will retire from office at the Company's forthcoming AGM and stand for re-appointment.

Lucy Dimes, Annette Nabavi and Adrian Chamberlain, as newly appointed Directors, automatically retire at the forthcoming AGM, and stand for re-appointment.

#### 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 3 to 26. 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 11 to 16.

Note 29 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.

The Group has a single £100m Revolving Credit Facility ("RCF") provided by four banks consisting of HSBC, Royal Bank of Scotland, Bank of Ireland and Clydesdale Bank. The facility has maturity date of 30 June 2026 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. 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 £39.8m (2022: £41.3m) 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 in respect of profitability and associated cash flow generation and are confident we have the resources to meet our liabilities as they fall due.



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## **IOMART GROUP PLC**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

#### **CORPORATE GOVERNANCE REPORT**

##### **Going Concern (continued)**

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 to 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.

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

### **REPORT OF THE BOARD TO THE MEMBERS ON DIRECTORS' REMUNERATION**

#### **Directors' Remuneration Report for the year ended 31 March 2023**

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2023. This sets out our Directors' Remuneration policy and its implementation including amounts earned by Directors in respect of the year ended 31 March 2023. 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 also voluntarily submit this report to an advisory shareholder vote each year at our annual general meeting.

#### **Remuneration Committee**

The Remuneration Committee was chaired by Richard Masters until 31 May 2023 and was replaced by Annette Nabavi on 1 June 2023. Lucy Dimes, Non-Executive Chair and Karyn Lamont, Non-Executive Director are also members of the Committee. During the year, Ian Steele, Non-Executive Chair resigned and was replaced by Lucy Dimes. 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 Committee has formal terms of reference which can be found in the investor section of the Group's website, which are reviewed and approved annually by the Board. 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 33.

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.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### REPORT OF THE BOARD TO THE MEMBERS ON DIRECTORS' REMUNERATION

#### 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	<ul style="list-style-type: none"> <li>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.</li> <li>Base salaries are reviewed annually. Where appropriate the Remuneration Committee considers independent expert advice when setting the level of reward packages.</li> <li>The Executive Directors do not receive Directors' fees.</li> </ul>	<ul style="list-style-type: none"> <li>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 5% resulting in 1 April 2023 values being: CEO – £324,450 CFO – £242,689</li> </ul> <p>This increase is aligned to the average increase across the wider employee population. Executive Directors salary increased by 3% in the prior year.</p>	n/a
Annual bonus	<ul style="list-style-type: none"> <li>The Executive Directors are eligible to receive an annual bonus dependent on Group and individual performance at the discretion of the Remuneration Committee.</li> <li>Bonuses are paid in cash following the end of the performance year.</li> </ul>	<ul style="list-style-type: none"> <li>The maximum annual bonus opportunity is 110% of base salary.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>For the bonus for the financial year ended 31 March 2023, adjusted EBITDA, free cash flow and the individual's own performance were the key factors under the scheme influencing the payments approved by the Remuneration Committee.</li> </ul>

**REPORT OF THE BOARD TO THE MEMBERS ON DIRECTORS' REMUNERATION**

**Remuneration of Executive Directors (continued)**

<b>Element</b>	<b>Overview of policy and structure</b>	<b>Opportunity</b>	<b>Performance measures</b>
Performance share plan	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Awards are granted in the form of nominal cost, 1p options.</li> <li>• Share options awarded will normally vest after the third anniversary of the date of grant.</li> <li>• Participants have 10 years from award to exercise.</li> </ul>	<ul style="list-style-type: none"> <li>• The maximum award under the performance share plan is 100% of base salary.</li> </ul>	<ul style="list-style-type: none"> <li>• The vesting of options is subject to the achievement of performance conditions. Normally vesting is also subject to continued employment.</li> <li>• Historically, and for some unvested options as at 31 March 2023, performance is 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.</li> <li>• Options awarded to Scott Cunningham and Reece Donovan in May 2022 and April 2023 will vest 50% based on relative TSR% performance against the AIM 100 Index over the period and 50% remaining based on profit targets. The Remuneration Committee believes this creates stronger shareholder alignment.</li> </ul>
Pension	<ul style="list-style-type: none"> <li>• The Company may make contributions towards an individual's personal pension arrangements or pay an equivalent cash allowance.</li> </ul>	<ul style="list-style-type: none"> <li>• The maximum contribution 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 2023.</li> </ul>	n/a

## IOMART GROUP PLC

### ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

#### REPORT OF THE BOARD TO THE MEMBERS ON DIRECTORS' REMUNERATION

##### Remuneration of Executive Directors (continued)

Element	Overview of policy and structure	Opportunity	Performance measures
Benefits	<ul style="list-style-type: none"><li>• The Executive Directors are entitled to life insurance cover, death in service benefits and to participate in the Group's Private Medical Insurance scheme. These are consistent with other staff arrangements.</li><li>• The Group operates a sharesave scheme for all employees and Executive Directors are invited to participate.</li></ul>	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

All Non-Executive Directors have a 6 month notice period with the exception of the newly appointed Non-Executive Directors, Annette Nabavi and Adrian Chamberlain, who have a 3 month notice period.

##### Chair and Non-Executive Director fees

The fees paid to the Non-Executive Directors are determined by the Board. Non-Executive Directors were paid £40,000 per annum for Board Director duties with additional fees of £5,000 per annum paid to the Audit and Remuneration Committee Chair 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 Chair received a fee of £75,000 per annum.

In the current year, a review of the base fees of the Chair and Non-Executive Directors was undertaken by the non-conflicted Board members. With effect from 1 April 2023, the decision has been taken to increase base fees by 10% resulting in revised fees of £44,000 for Board Director duties and £82,500 for the Chair. There is no increase to the additional fees paid for Committee Chairs. Of the 10% increase in base fees, 5% is aligned to the same average increase to staff in the year. The balance reflects the fact that this is the first change in Non-Executive Director fees since 2016 and the large increase in regulatory compliance obligations over the last 7 years. External advice was taken to ensure that this approach was reasonable.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### REPORT OF THE BOARD TO THE MEMBERS ON DIRECTORS' REMUNERATION

#### Directors' Remuneration for the year ended 31 March 2023

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

					Year ended 31 March 2023	Year ended 31 March 2022
	Salary or fees	Bonus <sup>4</sup>	Benefits	Pension allowance	Total	Total
	£	£	£	£	£	£
<b>Executive Directors</b>						
Reece Donovan	309,000	194,463	2,991	30,900	<b>537,354</b>	464,920
Scott Cunningham	231,132	170,883	2,608	23,113	<b>427,736</b>	348,124
<b>Non-Executive Directors</b>						
Ian Steele <sup>1</sup>	31,250	-	-	-	<b>31,250</b>	75,000
Richard Masters	45,000	-	-	-	<b>45,000</b>	45,000
Karyn Lamont	45,000	-	-	-	<b>45,000</b>	45,000
Angus MacSween	40,000	-	3,021	-	<b>43,021</b>	42,795
Andrew Taylor <sup>2</sup>	30,000	-	-	-	<b>30,000</b>	26,807
Lucy Dimes <sup>3</sup>	44,327	-	-	-	<b>44,327</b>	-

<sup>1</sup> Ian Steele resigned as Chair on 30 August 2022

<sup>2</sup> Andrew Taylor resigned as Non-Executive Director on 31 December 2022

<sup>3</sup> Lucy Dimes was appointed as Chair on 30 August 2022

<sup>4</sup> The bonus payable to Reece Donovan represents 57% of the maximum payable bonus. The bonus payable to Scott Cunningham represents 67% of the maximum payable bonus.

#### Directors' interests in shares

The Directors holding office at 31 March 2023 held beneficial interests in the issued share capital of the Company as shown in the following table:

Name of Director	Number of ordinary shares	
	At 31 March 2023	At 1 April 2022
Angus MacSween <sup>1</sup>	17,343,409	17,003,409
Scott Cunningham <sup>2</sup>	122,175	60,000
Reece Donovan	18,950	18,950
Richard Masters	11,400	11,400
Karyn Lamont	7,000	7,000
Lucy Dimes	-	n/a

<sup>1</sup> On 30 January 2023, Angus MacSween exercised 340,000 share options and retained them all in shares, taking his total shareholding to 17,343,409 shares

<sup>2</sup> On 25 January 2023, Scott Cunningham exercised 62,175 share options and retained them all in shares, taking his total shareholding to 122,175 shares

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### REPORT OF THE BOARD TO THE MEMBERS ON DIRECTORS' REMUNERATION

#### Share price

The market price of the Company's shares at the end of the financial year was 124.4p (2022: 162.6p) and the range of prices during the year was between 112.0p (2022: 140.0p) and 200.0p (2022: 321.5p).

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

The interests of the Directors at 31 March 2023 in options over the ordinary shares of the Company were as follows:

Name of Director	At 1 April 2022	Exercised	Granted	Lapsed	At 31 March 2023	Exercise price	Date of Grant	Date from which exercisable	Expiry date
Reece	133,929	-	-	(40,089)	93,840	1p	06/04/2020	06/04/2023	06/04/2030
Donovan, Executive Director	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
	-	-	172,413	-	172,413	1p	09/05/2022	09/05/2025	09/05/2032
	<u>251,439</u>	<u>-</u>	<u>172,413</u>	<u>(40,089)</u>	<u>383,763</u>				
Scott Cunningham, Executive Director	46,008	(46,008)	-	-	-	1p	04/09/2018	04/09/2021	04/09/2028
	16,167	(16,167)	-	-	-	1p	09/05/2019	09/05/2022	09/05/2029
	80,143	-	-	(29,987)	50,156	1p	06/04/2020	06/04/2023	06/04/2030
	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
	-	-	127,980	-	127,980	1p	09/05/2022	09/05/2025	09/05/2032
	<u>233,759</u>	<u>(62,175)</u>	<u>127,980</u>	<u>(29,987)</u>	<u>269,577</u>				
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
	57,710	-	-	-	57,710	1p	09/05/2019	09/05/2022	09/05/2029
	65,344	-	-	(24,449)	40,895	1p	06/04/2020	06/04/2023	06/04/2030
	<u>1,092,380</u>	<u>(340,000)</u>	<u>-</u>	<u>(24,449)</u>	<u>727,931</u>				

On 25 January 2023, Scott Cunningham exercised 62,175 unapproved options of 1p and realised a gain of £75,791 (2022: £64,000). On 30 January 2032, Angus MacSween exercised 340,000 unapproved options of 1p and realised a gain of £442,680 (2022: £nil).

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

### **REPORT OF THE BOARD TO THE MEMBERS ON DIRECTORS' REMUNERATION**

During the year options over 300,393 ordinary shares (2022: 180,827) were granted to Directors under the unapproved share option performance share plan with an average exercise price of 1.0p per share (2022: 1.0p per share). Options over nil ordinary shares (2022: 28,124) were granted to Directors under the sharesave scheme in the current year at an average exercise price of nil per share (2022: 128.0p). During the year nil ordinary shares under the sharesave scheme lapsed (2022: 15,819) and 94,525 options over ordinary shares under the unapproved scheme lapsed (2022: 187,148). No options were exercised under the sharesave scheme during the year (2022: nil).

By order of the Board



**Richard Masters**  
*Chair, Remuneration Committee*  
13 June 2023



# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### DIRECTORS' REPORT

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 2023.

#### 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 15 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.

The Group has access to a £100m multi option revolving credit facility, which also benefits from a £50m Accordion Facility. On 17 November 2022, the Group enacted the extension option which was approved by the lenders which extends the termination date of the RCF facility to 30 June 2026. The directors are of the opinion that the Group can operate within the current facility and comply with its banking covenants. The RCF has a borrowing cost at the Group's current leverage levels of 1.8% margin over SONIA. The revolving credit facility incurs a non-utilisation fee of 35% of the 1.8% margin. The effective interest rate for the multi option revolving credit facility in the current year was 4.26% (2022: 1.78%). 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 2023 of £39.8m (2022: £41.3m). Net debt comprises lease liabilities totalling £19.2m (2022: £22.6m), the bank facility loan of £34.4m (2022: £34.0m) and cash and cash equivalents of £13.8m (2022: £15.3m).

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. There are no outstanding contracts at the 31 March 2023 (2022: nil). 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 29.

#### Dividend

The Directors declared an interim dividend for the year ended 31 March 2023 of 1.94p per share (2022: 2.42p). The Directors recommend a final dividend for the year ended 31 March 2023 of 3.50p per share (2022: 3.60p per share). This final dividend, together with the interim dividend, takes the total dividend to 5.44p per ordinary share for the 2023 financial year (2022: 6.02p). Subject to shareholder approval this proposed final dividend would be payable on 8 September 2023 to shareholders on the register at close on 18 August 2023.

#### 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 3 to 26.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### DIRECTORS' REPORT

#### Directors and their interests

The present membership of the Board at the date of this report is set out on pages 27 to 29, the Directors who served during the year, and up to the date of this report, are listed on page 2. In accordance with the Articles of Association, Scott Cunningham and Angus MacSween will offer themselves for re-election at the forthcoming annual general meeting. Lucy Dimes, who was appointed to the Board during the year, and Annette Nabavi and Adrian Chamberlain, who were appointed to Board subsequent to the year end, 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 40 to 46.

#### 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 2023 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	18,112,867	16.38%
Angus MacSween	17,343,409	15.68%
Octopus Investments	13,117,288	11.86%
Lombard Odier Asset Management	11,622,630	10.51%
Investec Wealth & Investment	6,156,372	5.57%
Noble Grossart Investment Limited	3,615,000	3.27%

#### 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 38.

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 24.

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, demonstrated by the launch of our 'iosmart' learning management system in the current year. 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 26) 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 45.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### DIRECTORS' REPORT

#### 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 page 21.

#### 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 total carbon emissions by 99% 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<sub>2</sub> ("tCO<sub>2</sub>e") in the year ended 31 March 2023:

	Year ended 31 March 2023 Market Based	Year ended 31 March 2023 Location Based	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)	54,392,418	54,392,418	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	19	19	15	15	-
Scope 2 - Emissions from purchased electricity	128	10,491	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	13	13	5	5	-
<b>Total gross emissions (tCO<sub>2</sub>e)</b>	<b>159</b>	<b>10,522</b>	<b>4,341</b>	<b>12,317</b>	<b>13,508</b>

\*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 and the current year.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

### DIRECTORS' REPORT

#### Environmental Reporting (continued)

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

The table below shows the carbon intensity ratio in the year ended 31 March 2023:

	Year ended 31 March 2023 Market Based	Year ended 31 March 2023 Location Based	Year ended 31 March 2022 Market Based*	Year ended 31 March 2022 Location Based	Year ended 31 March 2021 Location Based
Total gross emissions (tCO <sub>2</sub> e)	159	10,522	4,341	12,317	13,508
Total recurring revenue (£'000)	106,279	106,279	95,890	95,890	100,211
<b>Carbon Intensity ratio (tCO<sub>2</sub>e/£)</b>	<b>0.0000015</b>	<b>0.000099</b>	<b>0.000045</b>	<b>0.000128</b>	<b>0.000135</b>

#### Methodology

There are no scope 1 direct emissions from the combustion of gas. Thanks to our improved data collection practice, in this year's report we were also able to disclose our Scope 1 transport emissions. These include the combustion of transport fuels in company-owned or long-term leased vehicles. Scope 2, indirect emissions, include consumption of purchased electricity in kWh. Scope 3 emissions relate to business travel in employee-owned vehicles where iomart 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, 2022 for all emissions and conversion factors). Dual reporting approach has been taken to report on our electric power consumption, as the Group procured 100% renewable electricity backed by Renewable Energy Guarantees of Origin (REGOs) for April 2022-March 2023 for its own sites. 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 using DEFRA 2022 conversion factors for average sized cars.

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.

## **IOMART GROUP PLC**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

#### **DIRECTORS' REPORT**

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

##### **Energy efficiency (continued)**

Last year, we worked on establishing carbon reduction targets and identifying ways to reduce further our overall emissions as we work towards carbon neutrality. In the current year, we have re-contracted our core UK fibre network, refreshing the resilient network that securely connects our data centres, and we have accelerated the upgrade to uninterruptible power systems ("UPS"), which was approved by the Board in the prior year, providing for greater energy efficiency in the future.

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 page 22.

##### **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



**Julie Brown**  
*Company Secretary*  
13 June 2023

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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 UK-adopted international accounting standards and applicable law 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.

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

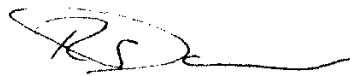
### **DIRECTORS' RESPONSIBILITIES STATEMENT**

#### **Responsibility Statement**

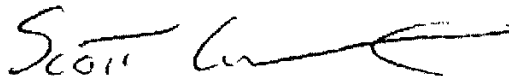
We confirm that to the best of our knowledge:

- 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 13 June 2023 and is signed on its behalf by:



**Reece Donovan**  
*Chief Executive Officer*  
13 June 2023



**Scott Cunningham**  
*Chief Financial Officer*  
13 June 2023

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

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

#### **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 2023 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 31 for the consolidated financial statements; and
- the related notes 1 to 14 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.




# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

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

#### 3. SUMMARY OF OUR AUDIT APPROACH

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"><li>• Completeness and valuation of deferred income; and</li><li>• Valuation of goodwill and other intangible assets (group) and investments (parent company).</li><li>• Business combinations: valuation and allocation of acquired intangible assets and contingent consideration</li></ul> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"><li>• Newly identified</li><li>•  Similar level of risk</li></ul>
Materiality	<p>The materiality that we used for the group financial statements was £1m which was determined on the basis of 3% of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA).</p>
Scoping	<p>Our audit covered 92% of the Group's revenue, 93% of EBITDA, 88% of Profit Before Tax (PBT) and 95% of Net Assets.</p>
Significant changes in our approach	<p>Our approach is consistent with the previous year, with the exception of:</p> <ul style="list-style-type: none"><li>• The valuation and allocation of acquired intangible assets and contingent consideration is a new key audit matter as a result of the business combination in the year.</li></ul>

#### 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;
- Evaluating the sophistication 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 the directors;
- Assessing the headroom in the forecasts and the sensitivity analysis performed by the directors;
- Evaluating the financing facilities in place during the forecast period, including the impact of the post year-end acquisition of Extrinsic Global Limited, repayment terms and covenants, and assessing whether these have been appropriately reflected in the model;
- Recalculating the directors' 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.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

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

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	<p>The Group has deferred income of £14,783k (2022: £13,051k) split between current £12,117k (2022: £10,408k) and non-current £2,666k (2022: £2,643k) included within trade and other payables.</p> <p>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.</p> <p>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.</p> <p>Deferred income is included within note 19 of the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>The audit procedures we performed in respect of this matter included:</p> <ul style="list-style-type: none"><li>• 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;</li><li>• Testing the balance through recalculating the deferred income balance for each brand based on contract start and end dates;</li><li>• Performing cut-off testing, selecting a sample of pre and post year-end sales and evaluating whether any deferred element was calculated correctly;</li><li>• Recalculating current and non-current liability classification based on underlying schedules.</li></ul>
Key observations	<p>We concluded that the completeness and valuation of deferred income recorded in the financial statements is appropriately stated.</p>

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

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

#### 5. KEY AUDIT MATTERS (CONTINUED)

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

Key audit matter description	<p>There is a risk of impairment of goodwill (£100m) and other intangible assets (£13m) in the consolidated financial statements and a risk of impairment on the investments balance (£167m) in the parent company financial statements. The risk is pinpointed to the forecast cash flows.</p> <p>The Group has reduced the levels of customer churn in the current year back to historic levels resulting in an increase in revenues, which have also increased as a result of both the completion of the Concepta acquisition and the impact of the passthrough of increased energy costs, this alongside consideration of appropriate discount rates, have been factored in management's changes in their impairment calculation.</p> <p>The directors have concluded that no impairment is required for goodwill and other intangible assets (group) or investments (parent company).</p> <p>Further details are provided in note 13 of the consolidated financial statements and note 3 of the parent company financial statements. Refer to the considerations of the Audit Committee on page 35.</p>
How the scope of our audit responded to the key audit matter	<p>The audit procedures we performed in respect of this matter included</p> <ul style="list-style-type: none"><li>• 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;</li><li>• Challenging the directors' 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;</li><li>• Engaging our valuation specialists to calculate independent discount rates for each cash generating unit and benchmarking these against the rates used in the value-in-use model;</li><li>• Challenging the directors' assessment of the long-term growth rates by performing analysis of market forecasts; and</li><li>• Assessing the disclosure made in the financial statements including those around sensitivities.</li></ul>
Key observations	<p>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.</p>

ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

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

5. KEY AUDIT MATTERS (CONTINUED)

**5.3. Business Combinations: valuation and allocation of acquired intangible assets and contingent consideration**

Key audit matter description	<p>The Group completed a business combination in the year, Concepta Capital Limited, for total consideration of £14.8m, including £4.0m contingent consideration. The consideration comprises £1.3m of identifiable net assets (including £4.5m customer relationships) and £13.5m goodwill.</p> <p>The directors performed a purchase price allocation exercise to allocate consideration in excess of the net asset value to goodwill and other intangibles.</p> <p>Given the judgement involved in valuing acquired intangible assets and in forecasting post-acquisition performance, we have identified a risk of material misstatement in relation to the valuation and allocation of acquired intangible assets and the valuation of contingent consideration.</p> <p>Business combinations are included within notes 2 and 11 to the financial statements.</p> <p>The audit committee's consideration in respect of the risk is included on page 35.</p>
How the scope of our audit responded to the key audit matter	<p>The audit procedures we performed in respect of this matter included:</p> <ul style="list-style-type: none"> <li>• Gaining an understanding of the process undertaken by the directors to perform the purchase price allocation and contingent consideration calculation and gaining an understanding of the key controls;</li> <li>• Reviewing the share purchase agreement to assess whether the acquisition has been accounted for correctly in the financial statements;</li> <li>• Engaging with our valuation specialists to understand the inputs and methodology, forming a view on the methodology and assumptions used by the directors;</li> <li>• Challenging the assumptions for the inputs to the calculations with reference to comparable company benchmarks;</li> <li>• Assessing director's forecast of post-acquisition performance for the remaining earn-out period to the end of June 23, and recalculated the expected contingent consideration, including consideration of sensitivity analysis performed; and</li> <li>• Assessing the disclosures made in the financial statements.</li> </ul>
Key observations	<p>We concluded that assumptions made by management in determining the valuation and allocation of acquired intangible assets and contingent consideration are reasonable.</p>

## IOMART GROUP PLC

### ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

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

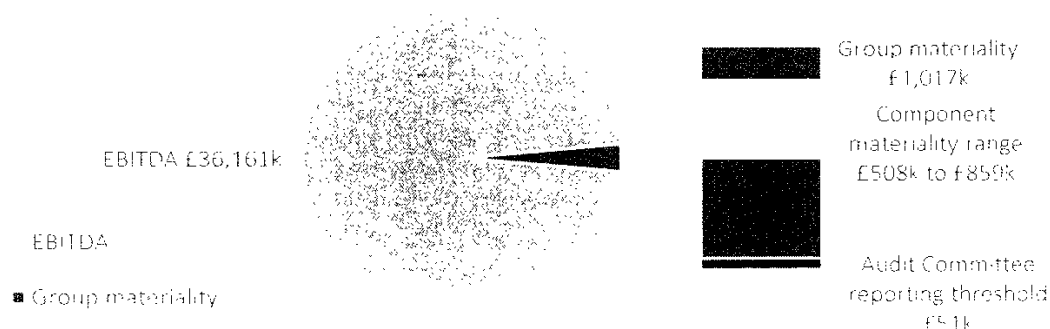
##### 6. OUR APPLICATION OF MATERIALITY

###### 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
<b>Materiality</b>	£1,017k (2022: £1,106k)	£508k (2022: £553k)
<b>Basis for determining materiality</b>	3% of EBITDA (2022: 2.9% of EBITDA)	0.4% of net assets (2022: 0.5% of net assets), capped at 50% (2022: 50%) of Group materiality.
<b>Rationale for the benchmark applied</b>	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.



# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

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

#### 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
<b>Performance materiality</b>	70% (2022: 70%) of group materiality	70% (2022: 70%) of parent company materiality
<b>Basis and rationale for determining performance materiality</b>	In determining performance materiality, we considered the following factors: <ul style="list-style-type: none"> <li>• 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</li> <li>• Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.</li> </ul>	

##### 6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £51k (2022: £55k), 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
- 

The remaining non-significant components (Concepta Capital Ltd, Dediserve Ltd, Iomart Cloud Inc) 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%	8%	12%	5%
EBITDA	Revenue	Profit before tax	Net assets
93%	92%	88%	95%
Full audit scope	Full audit scope	Full audit scope	Full audit scope
Review at group level	Review at group level	Review at group level	Review at group level

# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

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

#### **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.

##### **7.3. Our consideration of climate-related risks**

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements, based on our cumulative knowledge and experience of the Group and environment in which it operates. We performed a risk assessment including inspecting the Group's risk register and Board minutes and did not identify any additional risks of material misstatement. We have read the disclosures in relation to climate change made in the other information within the annual report and ascertained whether the disclosures are materially consistent with the financial statements and our knowledge obtained during our audit.

#### **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. RESPONSIBILITIES 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 RESPONSIBILITIES 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# IOMART GROUP PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

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

#### 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, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- 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; and
- 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 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.



## **IOMART GROUP PLC**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

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

##### **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 internal 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.

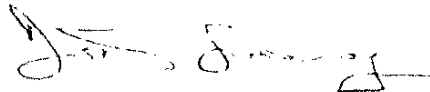
# **IOMART GROUP PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2023**

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

#### **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  
13 June 2023

# IOMART GROUP PLC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Revenue	3	115,638	103,018
Cost of sales		(52,080)	(41,712)
<b>Gross profit</b>		<b>63,558</b>	<b>61,306</b>
Administrative expenses		(52,141)	(47,076)
<b>Operating profit</b>	4	<b>11,417</b>	<b>14,230</b>
<b>Analysed as:</b>			
<b>Earnings before interest, tax, depreciation, amortisation, acquisition costs, share-based payments and exceptional non-recurring costs</b>		<b>36,161</b>	<b>38,009</b>
Share-based payments	26	(696)	(480)
Acquisition costs	6	(922)	(315)
Cost of sales- exceptional non-recurring costs	4	(820)	-
Depreciation	4	(15,861)	(16,296)
Amortisation – acquired intangible assets	4	(3,880)	(4,044)
Amortisation – other intangible assets	4	(2,565)	(2,644)
Finance costs	7	(2,915)	(2,062)
<b>Profit before taxation</b>		<b>8,502</b>	<b>12,168</b>
Taxation	9	(1,507)	(2,772)
<b>Profit for the year attributable to equity holders of the parent</b>		<b>6,995</b>	<b>9,396</b>
<b>Other comprehensive income</b>			
<i>Amounts which may be reclassified to profit or loss</i>			
Currency translation differences		60	30
<b>Other comprehensive income for the year</b>		<b>60</b>	<b>30</b>
<b>Total comprehensive income for the year attributable to equity holders of the parent</b>		<b>7,055</b>	<b>9,426</b>
<b>Basic and diluted earnings per share</b>			
Basic earnings per share	12	6.4p	8.6p
Diluted earnings per share	12	6.2p	8.4p

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


# IOMART GROUP PLC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 31 March 2023

	Note	2023 £'000	2022 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets – goodwill	13	99,950	86,479
Intangible assets – other	13	12,981	12,852
Trade and other receivables	14	177	531
Property, plant and equipment	16	64,959	70,893
		<b>178,067</b>	<b>170,755</b>
<b>Current assets</b>			
Cash and cash equivalents	18	13,818	15,332
Trade and other receivables	17	25,804	20,592
Current tax asset		987	1,658
		<b>40,609</b>	<b>37,582</b>
<b>Total assets</b>		<b>218,676</b>	<b>208,337</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade and other payables	19	(2,666)	(2,643)
Non-current borrowings	21	(50,203)	(53,063)
Provisions	22	(2,755)	(2,438)
Deferred tax	10	(3,221)	(1,510)
		<b>(58,845)</b>	<b>(59,654)</b>
<b>Current liabilities</b>			
Contingent consideration due on acquisitions	20	(4,000)	-
Trade and other payables	19	(31,898)	(26,232)
Current borrowings	21	(3,377)	(3,560)
		<b>(39,275)</b>	<b>(29,792)</b>
<b>Total liabilities</b>		<b>(98,120)</b>	<b>(89,446)</b>
<b>Net assets</b>		<b>120,556</b>	<b>118,891</b>
<b>EQUITY</b>			
Share capital	24	1,106	1,101
Own shares	25	(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		46	(14)
Retained earnings		90,796	89,196
<b>Total equity</b>		<b>120,556</b>	<b>118,891</b>

These financial statements were approved by the Board of Directors and authorised for issue on 13 June 2023.

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.

# IOMART GROUP PLC

## CONSOLIDATED STATEMENT OF CASH FLOWS Year ended 31 March 2023

	Note	2023 £'000	2022 £'000
<b>Profit before taxation</b>		<b>8,502</b>	<b>12,168</b>
Finance costs – net	7	2,915	2,062
Depreciation	16	16,492	16,296
Amortisation	13	6,445	6,688
Share-based payments	26	696	480
Gain on disposal of property		-	(338)
Movement in trade receivables		(3,256)	3,257
Movement in trade payables		2,045	(2,702)
<b>Cash flow from operations</b>		<b>33,839</b>	<b>37,911</b>
Taxation received/(paid)		48	(2,455)
<b>Net cash flow from operating activities</b>		<b>33,887</b>	<b>35,456</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	16	(8,918)	(9,492)
Proceeds received from disposal of property, plant and equipment		-	700
Development costs	13	(1,887)	(1,352)
Purchase of intangible assets	13	(44)	(91)
Payment for current period acquisitions net of cash acquired		(10,307)	-
<b>Net cash used in investing activities</b>		<b>(21,156)</b>	<b>(10,235)</b>
<b>Cash flow from financing activities</b>			
Issue of shares	24	5	4
Drawdown of bank loans	21	10,400	-
Payments under lease liabilities	23	(4,902)	(4,410)
Repayment of bank loans	21	(10,000)	(18,840)
Repayment of debt acquired on acquisition		(1,508)	-
Finance costs paid		(1,900)	(1,100)
Refinancing costs paid		(249)	(990)
Dividends paid	8	(6,091)	(7,591)
<b>Net cash used in financing activities</b>		<b>(14,245)</b>	<b>(32,927)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,514)</b>	<b>(7,706)</b>
Cash and cash equivalents at the beginning of the year		15,332	23,038
<b>Cash and cash equivalents at the end of the year</b>	18	<b>13,818</b>	<b>15,332</b>

The following notes form part of the financial statements.

# IOMART GROUP PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023

	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
<b>Balance at 1 April 2021</b>		<b>1,097</b>	<b>(70)</b>	<b>(44)</b>	<b>1,200</b>	<b>22,495</b>	<b>4,983</b>	<b>86,911</b>	<b>116,572</b>
Profit for the year		-	-	-	-	-	-	9,396	9,396
Currency translation differences		-	-	30	-	-	-	-	30
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,396</b>	<b>9,426</b>
Dividends – final (paid)	8	-	-	-	-	-	-	(4,931)	(4,931)
Dividends – interim (paid)	8	-	-	-	-	-	-	(2,660)	(2,660)
Share-based payments	26	-	-	-	-	-	-	480	480
Issue of share capital	24	4	-	-	-	-	-	-	4
<b>Total transactions with owners</b>		<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,111)</b>	<b>(7,107)</b>
<b>Balance at 31 March 2022</b>		<b>1,101</b>	<b>(70)</b>	<b>(14)</b>	<b>1,200</b>	<b>22,495</b>	<b>4,983</b>	<b>89,196</b>	<b>118,891</b>
Profit for the year		-	-	-	-	-	-	6,995	6,995
Currency translation differences		-	-	60	-	-	-	-	60
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>60</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,995</b>	<b>7,055</b>
Dividends – final (paid)	8	-	-	-	-	-	-	(3,957)	(3,957)
Dividends – interim (paid)	8	-	-	-	-	-	-	(2,134)	(2,134)
Share-based payments	26	-	-	-	-	-	-	696	696
Issue of share capital	24	5	-	-	-	-	-	-	5
<b>Total transactions with owners</b>		<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,395)</b>	<b>(5,390)</b>
<b>Balance at 31 March 2023</b>		<b>1,106</b>	<b>(70)</b>	<b>46</b>	<b>1,200</b>	<b>22,495</b>	<b>4,983</b>	<b>90,796</b>	<b>120,556</b>

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.

# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2023

### 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 law and UK-adopted international accounting standards.

The financial statements have been prepared on the historical cost basis 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 2023, the following subsidiaries of the Group were entitled to exemption from audit under s479A of the Companies Act 2006.

Subsidiary	Registered number
Add3 Limited	05541061
Bytemark Holdings Limited	08150076
Bytemark Limited	04484629
Concepta Capital Limited	09727873
Datanics Limited	09925398
iomart Cloud Services Limited	SC187413
London Data Exchange Limited	07772407
LDeX Connect Limited	06389332
LDeX Group Limited	08777552
Memset Limited	04504980
Oriium Consulting Limited	06146501
P2 Technologies Limited	06254265
Pav IT Services Limited	02314882
SimpleServers Limited	06813119
Sonassi Limited	07715859
Switch Media Limited	04510647
SystemsUp Limited	05212115
United Communications Limited	03651923

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2023**

**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 and December 2021 Amendments to IFRS 17) - Insurance contracts
- Amendment to IAS 1 – Classification of liabilities as Current or Non-Current
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Account Policies Amendment to IAS 1 - Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements
- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 12 - International Tax Reform Pillar Two Model Rules
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IFRS 16 - Lease Liability in a Sale and Leaseback transaction

None of these have been adopted early 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 2023 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 2022 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 2023. 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.



# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2023

### 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2023**

**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.

# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2023

### 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, any gains or losses on revaluation of contingent consideration and material non-recurring items. 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2023**

**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**

When entering into a new contract, the Group assesses whether it is, or contains, a lease. A lease conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

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 at the Group's incremental borrowing rate. Subsequently, the liability will be reduced for payments made and increased for the interest applied and it is remeasured to reflect any reassessment or contract modifications. When the lease liability is remeasured, the corresponding adjustment is reflected in the right of use asset or in the consolidated income statement if the right of use asset is already reduced to zero.

The Group adopts recognition exemptions for short term leases of 12 months or less and leases of low value where associated costs are expensed to the consolidated income statement.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2023**

**2. ACCOUNTING POLICIES (continued)**

**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.

**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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2023**

**2. ACCOUNTING POLICIES (continued)**

**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 settle its current tax assets and liabilities on a net basis.

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.

## IOMART GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

#### 2. ACCOUNTING POLICIES (continued)

##### 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. 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. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost.

##### Financial assets

###### Trade receivables

Trade receivables are amounts due from customers for goods sold and services provided in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. In recognising any provision for impairment, the Group applies the IFRS 9 approach to measuring expected credit losses which uses a lifetime expected loss allowance for all assets held at amortised cost. The Group recognises a loss allowance for all expected credit losses on initial recognition of trade receivables.

###### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits 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.

##### Financial liabilities

###### Trade payables

Trade payables are stated at their nominal value, recognised initially at fair value and subsequently valued at amortised cost.

##### 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.

##### 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2023**

**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, with the exception of any estimates based on a market condition which are not revised. 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.



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2023**

**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 3 to 26. 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 11 to 16.

Note 29 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.*

The Group has a single £100m Revolving Credit Facility ("RCF") provided by four banks consisting of HSBC, Royal Bank of Scotland, Bank of Ireland and Clydesdale Bank. The facility has maturity date of 30 June 2026 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 £39.8m (2022: £41.3m) 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 in respect of profitability and associated cash flow generation 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2023**

**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 2023 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 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), Rapidswitch, Cristie Data, Sonassi, LDeX, Bytemark, Memset, ORIUM, Pavilion IT and P2.

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, 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.

# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

### 3. SEGMENTAL ANALYSIS (CONTINUED)

#### Operating Segments

##### Revenue by Operating Segment

	2023 £'000	2022 £'000
Easyspace	11,720	11,782
Cloud Services	103,918	91,236
	<b>115,638</b>	<b>103,018</b>

Cloud Services revenue can be further disaggregated as follows:

	2023 £'000	2022 £'000
Cloud managed services	64,115	55,745
Self-managed infrastructure	30,444	28,363
Non-recurring revenue	9,359	7,128
	<b>103,918</b>	<b>91,236</b>

The nature of these three offerings are explained within the Chief Executive Officer report on page 8.

#### Recurring and Non-recurring Revenue

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

	2023 £'000	2022 £'000
Recurring - over time	106,279	95,890
Non-recurring - point in time	9,359	7,128
	<b>115,638</b>	<b>103,018</b>

#### 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

	2023 £'000	2022 £'000
United Kingdom	99,961	88,692
Rest of the World	15,677	14,326
Revenue from operations	<b>115,638</b>	<b>103,018</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

## 3. SEGMENTAL ANALYSIS (CONTINUED)

## Profit by Operating Segment

	2023			2022		
	Adjusted EBITDA £'000	Depreciation, amortisation, acquisition costs, share-based payments and exceptional non-recurring costs £'000	Operating profit/(loss) £'000	Adjusted EBITDA £'000	Depreciation, amortisation, acquisition costs, share-based payments and exceptional non-recurring costs £'000	Operating profit/(loss) £'000
Easyspace	5,638	(690)	4,948	5,674	(665)	5,009
Cloud Services	35,331	(22,436)	12,895	36,641	(22,319)	14,322
Group overheads	(4,808)	-	(4,808)	(4,306)	-	(4,306)
Acquisition costs	-	(922)	(922)	-	(315)	(315)
Share-based payments	-	(696)	(696)	-	(480)	(480)
	36,161	(24,744)	11,417	38,009	(23,779)	14,230
Group interest and tax			(4,422)			(4,834)
<b>Profit for the year</b>			<b>6,995</b>			<b>9,396</b>

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:

	2023 £'000	2022 £'000
Staff costs (note 5) excluding development costs capitalised (note 13)	23,079	19,189
Depreciation of property, plant and equipment:		
- Owned assets - property, plant and equipment	12,176	12,863
- Owned assets - closure of data centre included in acquisition costs (note 6)	631	-
- Right-of-use assets (note 23)	3,685	3,433
Short-term and low value lease expense (note 23)	1,750	1,784
Amortisation of intangibles:		
- Acquired intangible assets	3,880	4,044
- Other intangible assets	2,280	2,359
- Right-of-use assets (note 23)	285	285
Gain on disposal of property	-	(337)
Bad debt expense	682	293
Net foreign exchange (gain)/loss	(248)	99

The Group has incurred £0.8m (2022: £nil) of exceptional non-recurring costs in relation to power costs as described in the Chief Financial Officer's report on page 14.

# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2023

### 4. OPERATING PROFIT (CONTINUED)

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

	2023 £'000	2022 £'000
<b>Auditor's remuneration</b>		
<b>Audit services:</b>		
- Fees payable for the audit of the consolidation and the parent company financial statements	130	85
- Fees payable for audit of subsidiaries, pursuant to legislation – UK	146	126
- Fees payable for audit of subsidiaries, pursuant to legislation – International	15	15
<b>Total audit services fees</b>	<b>291</b>	<b>226</b>
<b>Non-audit services:</b>		
- Interim review	30	24
- Covenant compliance certification	3	-
<b>Total non-audit services fees</b>	<b>33</b>	<b>24</b>
<b>Total Auditor's remuneration</b>	<b>324</b>	<b>250</b>

### 5. INFORMATION REGARDING EMPLOYEES AND DIRECTORS

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

	2023 No.	2022 No.
Technical	293	272
Sales and marketing	95	77
Administration	57	46
	<b>445</b>	<b>395</b>

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

	2023 £'000	2022 £'000
Wages and salaries	21,567	18,090
Social security costs	2,294	1,604
Pension costs	409	367
Share-based payments (note 26)	696	480
	<b>24,966</b>	<b>20,541</b>

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 40 to 46. 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.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

## 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

The remuneration of the Directors are as follows:

	2023 £'000	2022 £'000
<b>Directors' emoluments</b>		
Aggregate emoluments	1,204	1,048

Emoluments payable to the highest paid Director are as follows:

	2023 £'000	2022 £'000
Aggregate emoluments	537	465

During the year the Company made personal pension contributions to personal pension schemes or paid a pension allowance to two of the Directors (2022: two) of £54,013 (2022: £52,440).

The aggregate amount of gains during the year realised by serving Directors, on the exercise of share options, which have vested in prior periods, was £518,471 (2022: £64,000).

The share-based payment charge in relation to Directors, who served during the year, was £519,000 (2022: £79,000).

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 40 to 46.

## 6. ACQUISITION COSTS

	2023 £'000	2022 £'000
Professional fees	236	-
Non-recurring acquisition integration costs	686	315
<b>Total acquisition costs</b>	<b>922</b>	<b>315</b>

Professional fees of £236,000 (2022: £nil) relates to fees incurred in relation to the acquisition of Concepta in the year.

Non-recurring acquisition integration costs of £686,000 in the current year largely relate to costs associated with the closure of our Dunsfold data centre which was acquired through the acquisition of Memset Limited in 2020. Of this amount, £631,000 is non-cash accelerated write down in asset value recorded as depreciation.

## IOMART GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2023

#### 7. FINANCE COSTS

	2023 £'000	2022 £'000
Bank loan	(2,216)	(1,222)
Accelerated write off of arrangement fee on bank facility	-	(102)
Interest on lease liabilities (note 23)	(586)	(646)
Other interest charges (note 22)	(113)	(92)
<b>Finance costs</b>	<b>(2,915)</b>	<b>(2,062)</b>

#### 8. DIVIDENDS PAID ON SHARES CLASSED AS EQUITY

	2023 Pence per share	2023 £'000	2022 Pence per share	2022 £'000
<b>Paid during the year:</b>				
<b>Final dividend (proposed in the prior year)</b>				
Equity dividends on ordinary shares	3.60p	3,957	4.50p	4,931
<b>Interim dividend</b>				
Equity dividends on ordinary shares	1.94p	2,134	2.42p	2,660
<b>Total dividend paid in cash</b>		<b>6,091</b>		<b>7,591</b>

The Directors have recommended a final dividend for the year ended 31 March 2023 of 3.50p per share (2022: 3.60p per share). Subject to shareholder approval this proposed final dividend would be payable on 8 September 2023 to shareholders on the register at close on 18 August 2023.

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2023

#### 9. TAXATION

	2023 £'000	2022 £'000
Corporation Tax:		
Tax charge for the year	(935)	(1,333)
Adjustment relating to prior years	-	209
<b>Total current taxation charge</b>	<b>(935)</b>	<b>(1,124)</b>
Deferred Tax:		
Origination and reversal of temporary differences	(597)	(1,517)
Adjustment relating to prior years	36	(137)
Effect of different statutory tax rates of overseas jurisdictions	(11)	(4)
Effect of changes in tax rates	-	10
<b>Total deferred taxation charge</b>	<b>(572)</b>	<b>(1,648)</b>
<b>Total taxation charge</b>	<b>(1,507)</b>	<b>(2,772)</b>

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:

	2023 £'000	2022 £'000
Profit before tax	8,502	12,168
Tax charge @ 19% (2022: 19%)	1,615	2,312
Expenses disallowed for tax purposes and non-taxable income	28	4
Adjustments in current tax relating to prior years	-	(209)
Tax effect of different statutory tax rates of overseas jurisdictions	11	4
Movement in tax relating to changes in tax rates	95	(10)
Tax effect of share-based remuneration	253	833
Effect of super-deduction	(505)	(377)
Movement in deferred tax related to development costs	-	72
Movement in deferred tax related to property, plant and equipment	46	6
Movement in deferred tax relating to prior years	(36)	137
<b>Total taxation charge for the year</b>	<b>1,507</b>	<b>2,772</b>

The weighted average applicable tax rate for the year ended 31 March 2023 was 19% (2022: 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 18% (2022: 23%). The effective rate of tax has decreased due to the impact of the deferred tax rate change in the prior year and the movement in the tax effect of share-based remuneration largely driven by the movement in the share price in the prior year. This has been offset by the effect of super-deduction in the current year driving a higher credit recognised in the consolidated statement of comprehensive income.

Deferred tax assets and liabilities at 31 March 2023 have been calculated based on the rate of 25% enacted at the balance sheet date (2022: 25%).



# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2023

### 10. DEFERRED TAX

The Group recognised deferred tax assets/(liabilities) as follows:

	2023 £'000	2022 £'000
Share-based remuneration	638	884
Capital allowances temporary differences	(319)	843
Deferred tax on acquired assets with no capital allowances	-	(19)
Deferred tax on development costs	(648)	(542)
Deferred tax on customer relationships	(2,762)	(2,499)
Deferred tax on intangible software	(130)	(177)
<b>Deferred tax liability</b>	<b>(3,221)</b>	<b>(1,510)</b>

At the year end, the Group had no unused tax losses (2022: £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	Tax Losses £'000	Total £'000
Balance at 1 April 2021	1,332	1,363	-	(40)	(2,356)	(161)	-	138
Credited/(charged) 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
<b>Balance at 31 March 2022</b>	<b>884</b>	<b>843</b>	<b>(542)</b>	<b>(19)</b>	<b>(2,499)</b>	<b>(177)</b>	<b>-</b>	<b>(1,510)</b>
Acquired on acquisition of subsidiary (note 11)	-	(133)	-	-	(1,074)	-	68	(1,139)
Movement relating to prior year	-	36	-	-	-	-	-	36
(Charged)/credited to statement of comprehensive income	(246)	(1,065)	(106)	19	822	47	(68)	(597)
Effect of different tax rates of overseas jurisdictions	-	-	-	-	(11)	-	-	(11)
<b>Balance at 31 March 2023</b>	<b>638</b>	<b>(319)</b>	<b>(648)</b>	<b>-</b>	<b>(2,762)</b>	<b>(130)</b>	<b>-</b>	<b>(3,221)</b>

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.

Deferred tax on tax losses arose on acquisition in the year and has been utilised in the current year.

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2023

#### 11. ACQUISITIONS

##### Concepta Capital Limited

On 15 August 2022, the Group acquired the entire issued share capital of Concepta Capital Limited ("Concepta"). Concepta is principally a holding company which owns 100% of the issued share capital of Oriium Consulting Limited ("ORIUM"), PAV I.T. Services Limited ("Pavilion IT"), P2 Technologies Limited ("P2") Datanics Limited ("Datanics") and Add3 Limited ("Add3").

ORIUM is a channel only IT service provider specialising in data management solutions, and Pavilion IT is a provider of cloud and hybrid infrastructure solutions and support services.

During the current year, the Group incurred £236,000 of third party acquisition related costs in respect of this acquisition. These expenses are included in administrative expenses in the Group's consolidated statement of comprehensive income and in cash flow from investing activities for the year ended 31 March 2023.

The following table summarises the consideration to acquire Concepta, the amounts of identified assets acquired, and liabilities assumed at the acquisition date.

	£'000
<b>Recognised amounts of net assets acquired and liabilities assumed:</b>	
Cash and cash equivalents	1,017
Trade and other receivables	1,603
Property, plant and equipment	1,203
Intangible assets	4,621
Borrowings	(1,742)
Trade and other payables	(4,323)
Corporation tax asset	77
Deferred tax liability	(1,139)
<b>Identifiable net assets</b>	<b>1,317</b>
Goodwill	13,471
<b>Total consideration</b>	<b>14,788</b>
<b>Satisfied by:</b>	
Cash – paid on acquisition	10,788
Contingent consideration – payable	4,000
<b>Total consideration to be transferred</b>	<b>14,788</b>

The acquisition of Concepta was completed using a "completion accounts" mechanism, on a no cash, no debt, and normalised working capital basis. An initial payment of £10,548,000 was made at completion. At the date of acquisition, Concepta had bank debt of £1,508,000 which was taken on by iomart and settled as part of the completion process.

In line with the share purchase agreement (SPA), the total consideration payable was adjusted based on the level of cash, debt and working capital shown in the agreed set of accounts (the Completion Accounts) made up to 31 July 2022. Following agreement of the Completion Accounts an additional payment of £240,000 was paid to the former shareholders of Concepta.

The SPA included a provision requiring the Company to pay the former shareholders of Concepta an additional amount contingent on the level of profitability delivered by Concepta in the twelve months ended 30 June 2023 ("the earn-out payment").

The potential undiscounted amount of the earn-out payment that the Company could be required to pay is between £nil and £4,000,000. The amount of contingent consideration payable, which was recognised as of the acquisition date, was £4,000,000. The level of profitability for the earn-out payment was estimated taking into account actual performance to date and a management's estimates of profitability for the remaining months to June 2023.

## IOMART GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2023

#### 11. ACQUISITIONS (CONTINUED)

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

The trading names "ORIUM", "Pavilion IT" and "P2" are not actively advertised or promoted. The Concepta group's standard terms and conditions restrict the ability of the Concepta Group to sell, distribute or lease any personal information it holds on customers. As a consequence, there is no significant value in either the trade name/brand or customer lists acquired at the acquisition date and therefore no value has been attributed to either intangible asset.

Included in intangible assets is the fair value included in respect of the acquired customer relationships intangible asset of £4,462,000. To estimate the fair value of the customer relationships intangible asset, a discounted cash flow method, specifically the income approach, was used with reference to the directors' estimates of the level of revenue, which will be generated from them. A pre-tax discount rate of 13.06% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 8 years.

The Concepta group earned revenue of £6,188,000 and generated profits, before allocation of group overheads, share based payments and tax, of £858,000 in the period since acquisition.

If the Concepta group had been part of the iomart group from 1 April 2022, revenue earned would have been £9,955,000 and profit after tax of £1,175,000 for the year ended 31 March 2023.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

## 12. EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, after deducting any own shares held in Treasury and held by the Employee Benefit Trust. Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the total of the weighted average number of ordinary shares in issue during the year, after deducting any own shares, and adjusting for the dilutive potential ordinary shares relating to share options.

	2023 £'000	2022 £'000
Profit for the financial year and basic earnings attributed to ordinary shareholders	6,995	9,396
Weighted average number of ordinary shares:	No 000	No 000
Called up, allotted and fully paid at start of year	110,065	109,671
Own shares held by Employee Benefit Trust	(141)	(141)
Issued share capital in the year	170	181
<b>Weighted average number of ordinary shares - basic</b>	<b>110,094</b>	<b>109,711</b>
Dilutive impact of share options	2,575	2,210
<b>Weighted average number of ordinary shares - diluted</b>	<b>112,669</b>	<b>111,921</b>
Basic earnings per share	6.4 p	8.6 p
Diluted earnings per share	6.2 p	8.4 p
<b>Adjusted earnings per share</b>	<b>2023 £'000</b>	<b>2022 £'000</b>
Profit for the financial year and basic earnings attributed to ordinary shareholders	6,995	9,396
- Amortisation of acquired intangible assets	3,880	4,044
- Acquisition costs	922	315
- Cost of sales - exceptional non-recurring costs	820	-
- Share-based payments	696	480
- Accelerated write off of arrangement fee on bank facility	-	102
- Tax impact of adjusted items	(1,025)	(879)
<b>Adjusted profit for the financial year and adjusted earnings attributed to ordinary shareholders</b>	<b>12,288</b>	<b>13,458</b>
Adjusted basic earnings per share	11.2 p	12.2 p
Adjusted diluted earnings per share	10.9 p	12.0 p

# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2023

### 13. INTANGIBLE ASSETS

	Goodwill £'000	Development costs £'000	Acquired customer relationships £'000	Software £'000	Beneficial contracts £'000	Domain names & IP addresses £'000	Total £'000
<b>Cost</b>							
At 1 April 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
<b>At 31 March 2022</b>	<b>86,479</b>	<b>13,256</b>	<b>57,299</b>	<b>10,945</b>	<b>86</b>	<b>336</b>	<b>168,401</b>
Acquired on acquisition of subsidiary (note 11)	13,471	159	4,462	-	-	-	18,092
Additions	-	-	-	44	-	-	44
Currency translation differences	-	-	48	39	-	-	87
Development cost capitalised	-	1,887	-	-	-	-	1,887
<b>At 31 March 2023</b>	<b>99,950</b>	<b>15,302</b>	<b>61,809</b>	<b>11,028</b>	<b>86</b>	<b>336</b>	<b>188,511</b>
<b>Accumulated amortisation:</b>							
At 1 April 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)
<b>At 31 March 2022</b>	<b>-</b>	<b>(11,166)</b>	<b>(49,396)</b>	<b>(8,142)</b>	<b>(69)</b>	<b>(297)</b>	<b>(69,070)</b>
Charge for the year	-	(1,434)	(3,880)	(1,116)	(8)	(7)	(6,445)
Currency translation differences	-	-	(49)	(16)	-	-	(65)
<b>At 31 March 2023</b>	<b>-</b>	<b>(12,600)</b>	<b>(53,325)</b>	<b>(9,274)</b>	<b>(77)</b>	<b>(304)</b>	<b>(75,580)</b>
<b>Carrying amount:</b>							
<b>At 31 March 2023</b>	<b>99,950</b>	<b>2,702</b>	<b>8,484</b>	<b>1,754</b>	<b>9</b>	<b>32</b>	<b>112,931</b>
<b>At 31 March 2022</b>	<b>86,479</b>	<b>2,090</b>	<b>7,903</b>	<b>2,803</b>	<b>17</b>	<b>39</b>	<b>99,331</b>

Of the total additions in the year of £44,000 (2022: £91,000), no amounts related to leases under IFRS 16 (note 23) (2022: £nil). There were no amounts included in trade payables at the year end (2022: £nil). Consequently, the consolidated statement of cash flows discloses a figure of £44,000 (2022: £91,000) 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: £3.8m in relation to the acquisition of Concepta Capital Limited with a remaining useful life of 7 years, £0.9m in relation to the acquisitions of Memset Limited with a remaining useful life of 5 years, the managed private cloud business of ServerChoice Limited of £0.5m with a useful life of 5 years, Bytemark Limited with a net book value of £0.3m and LDeX Group Limited of £0.9 both with a remaining useful life of 4 years, Sonassi Limited of £1.3m, Dediserve Limited of £0.3m, SimpleServers Limited of £0.2m all three with a remaining useful life of 3 years.

During the year, goodwill was reviewed for impairment in accordance with IAS 36 "Impairment of Assets". No impairment charges (2022: £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.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

## 13. INTANGIBLE ASSETS (CONTINUED)

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

	2023 £'000	2022 £'000
<b>Cash Generating Units (CGU)</b>		
Easyspace	23,315	23,315
Cloud Services	76,635	63,164
	<b>99,950</b>	<b>86,479</b>

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 which 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 2023	31 March 2022	31 March 2023	31 March 2022
Discount rate	14.3%	14.4%	14.3%	14.4%
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.

## 14. TRADE AND OTHER RECEIVABLES – NON-CURRENT

Non-current trade and other receivables relates to lease deposits of £177,000 (2022: £531,000) which are made up of a rental deposit of £177,000 (2022: £531,000). The rental deposit remaining of £177,000 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.

# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2023

### 15. 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 %
Add3 Limited	England	Non-trading	-	100
Backup Technology Limited	England	Dormant	100	-
Bytemark Holdings Limited	England	Non-trading	100	-
Bytemark Limited	England	Non-trading	100	-
Concepta Capital Limited	England	Non-trading	100	-
Cristie Data Limited	England	Provision of data storage, backup and virtualisation solutions	100	-
Datanics Limited	England	Non-trading	-	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	Non-trading	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	Dormant	100	-
Memset Limited	England	Non-trading	100	-
Netintelligence Limited	Scotland	Dormant	100	-
Oriium Consulting Limited	England	Data management products and managed services	-	100
P2 Technologies Limited	England	Reseller of IT hardware, software and services	-	100
PAV IT Services Limited	England	Reseller of IT hardware, software and services	-	100
Rapidswitch Limited	England	Dormant	100	-
Redstation Limited	England	Dormant	100	-
ServerSpace Limited	England	Dormant	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	-
United Communications Limited	England	Non-trading	100	-

\*All subsidiaries with a country of registration in England have a registered office of 3<sup>rd</sup> 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 21<sup>st</sup> 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.

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2023

#### 16. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £'000	Leasehold property and improvements £'000	Data centre equipment £'000	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost:</b>							
At 1 April 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
<b>At 31 March 2022</b>	<b>8,236</b>	<b>40,424</b>	<b>30,524</b>	<b>114,268</b>	<b>2,840</b>	<b>23</b>	<b>196,315</b>
Acquired on acquisition of subsidiary (note 11)	-	300	872	1	30	-	1,203
Additions in the year	-	969	1,849	6,591	116	23	9,548
Disposals in the year	-	(309)	(1,402)	-	-	-	(1,711)
Currency translation differences	-	132	-	378	-	-	510
<b>At 31 March 2023</b>	<b>8,236</b>	<b>41,516</b>	<b>31,843</b>	<b>121,238</b>	<b>2,986</b>	<b>46</b>	<b>205,865</b>
<b>Accumulated depreciation:</b>							
At 1 April 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)
<b>At 31 March 2022</b>	<b>(1,054)</b>	<b>(16,214)</b>	<b>(18,041)</b>	<b>(87,750)</b>	<b>(2,340)</b>	<b>(23)</b>	<b>(125,422)</b>
Charge for the year	(241)	(4,663)	(2,072)	(9,333)	(180)	(3)	(16,492)
Disposals in the year	-	-	1,402	-	-	-	1,402
Currency translation differences	-	(74)	-	(320)	-	-	(394)
<b>At 31 March 2023</b>	<b>(1,295)</b>	<b>(20,951)</b>	<b>(18,711)</b>	<b>(97,403)</b>	<b>(2,520)</b>	<b>(26)</b>	<b>(140,906)</b>
<b>Carrying amount:</b>							
<b>At 31 March 2023</b>	<b>6,941</b>	<b>20,565</b>	<b>13,132</b>	<b>23,835</b>	<b>466</b>	<b>20</b>	<b>64,959</b>
At 31 March 2022	7,182	24,210	12,483	26,518	500	-	70,893

Depreciation charge in the current year is comprised of £15,861,000 as disclosed in the statement of comprehensive income and £631,000 of accelerated depreciation in respect of the closure of a data centre in the year, as disclosed in non-recurring acquisition integration costs in note 6.

During the year there were additions of £70,000 (2022: £249,000) in respect of reinstatement provisions (note 22) and additions of £666,000 (2022: £1,491,000) in respect of leases under IFRS 16 (note 23). Of the total remaining additions in the year of £8,812,000 (2022: £8,934,000), £314,000 (2022: £420,000) was included in trade payables as unpaid invoices at the year end resulting in a net decrease of £106,000 (2022: net decrease of £558,000) in trade payables. Consequently, the consolidated statement of cash flows discloses a figure of £8,918,000 (2022: £9,492,000) as the cash outflow in respect of property, plant and equipment additions in the year.

Note 23 provides the movements in the year relating to IFRS 16 right-of-use assets as included in the above table.



# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

### 17. TRADE AND OTHER RECEIVABLES - CURRENT

	2023 £'000	2022 £'000
Trade receivables	13,514	7,523
Less: expected credit loss	(405)	(335)
<b>Trade receivables (net)</b>	<b>13,109</b>	<b>7,188</b>
Other receivables	157	270
Prepayments	11,132	11,731
Accrued income	1,406	1,403
<b>Trade and other receivables</b>	<b>25,804</b>	<b>20,592</b>

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.

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)	2023 £'000	ECL rate %	2023 ECL allowance £'000	2022 £'000	ECL rate %	2022 ECL allowance £'000
<b>Current</b>						
Current	7,163	1.14%	(82)	4,856	0.43%	(21)
0-30 days	3,510	1.72%	(61)	2,099	3.36%	(70)
30-60 days	1,240	3.39%	(42)	355	23.06%	(82)
60-90 days	395	5.85%	(23)	126	59.67%	(75)
Over 90 days	1,206	16.33%	(197)	87	99.38%	(87)
<b>Total</b>	<b>13,514</b>		<b>(405)</b>	<b>7,523</b>		<b>(335)</b>

To consider the total exposure to credit risks, the Group uses figures net of VAT. At 31 March 2023, £7,163,000 (2022: £4,856,000) of net trade receivables were fully performing. Net trade receivables of £5,946,000 (2022: £2,332,000) 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.

### 18. CASH AND CASH EQUIVALENTS

	2023 £'000	2022 £'000
Cash at bank and in hand	13,818	15,332
<b>Cash and cash equivalents</b>	<b>13,818</b>	<b>15,332</b>

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% (2022: 0%).

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

## 19. TRADE AND OTHER PAYABLES

	2023 £'000	2022 £'000
Trade payables	(8,993)	(5,661)
Other taxation and social security	(2,322)	(2,290)
Accruals	(8,199)	(7,558)
Deferred income	(12,117)	(10,408)
Other creditors	(267)	(315)
<b>Trade and other payables - current</b>	<b>(31,898)</b>	<b>(26,232)</b>

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.

	2023 £'000	2022 £'000
Deferred income	(2,666)	(2,643)
<b>Trade and other payables – non-current</b>	<b>(2,666)</b>	<b>(2,643)</b>

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

## 20. CONTINGENT CONSIDERATION DUE ON ACQUISITIONS

Contingent consideration due on acquisitions at 31 March 2023 is £4,000,000 (2022: £nil). Contingent consideration for Concepta Capital Limited is based on the directors' best estimate of payments due at 31 March 2023 and is expected to be paid in July 2023. Under the Sale and Purchase Agreement, the earn-out range from £nil to £4million consideration is represented by a narrow EBITDA range of £300,000. This means for each £1 of additional EBITDA above a target EBITDA, then £13.33 consideration is earned. This means the forecasted estimate is sensitive to small variances.

## 21. BORROWINGS

	2023 £'000	2022 £'000
<b>Current:</b>		
Lease liabilities (note 23)	(3,377)	(3,560)
<b>Current borrowings</b>	<b>(3,377)</b>	<b>(3,560)</b>
<b>Non-current:</b>		
Lease liabilities (note 23)	(15,803)	(19,063)
Bank loans	(34,400)	(34,000)
<b>Total non-current borrowings</b>	<b>(50,203)</b>	<b>(53,063)</b>
<b>Total borrowings</b>	<b>(53,580)</b>	<b>(56,623)</b>

The carrying amount of borrowings approximates to their fair value.

Details of the Group's lease liabilities are included in note 23.

At the start of the year there was £34.0m (2022: £52.8m) outstanding on the multi option revolving credit facility and drawdowns of £10.4m (2022: £nil) were made from the facility during the year. Repayments totalling £10m (2022: £18.8m) were made in the year resulting in a balance outstanding at the end of the year of £34.4m (2022: £34.0m).

# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2023

### 21. BORROWINGS (CONTINUED)

At the year end, the Group has access to a £100m multi option revolving credit facility that matures on 30 June 2026, which also benefits from a £50m Accordion Facility. On 17 November 2022, the Group enacted the extension option which was approved by the lenders. The directors are of the opinion that the Group can operate within the current facility and comply with its banking covenants. The RCF has a borrowing cost at the Group's current leverage levels of 1.8% margin over SONIA. The revolving credit facility incurs a non-utilisation fee of 35% of the 1.8% margin. The effective interest rate for the multi option revolving credit facility in the current year was 4.26% (2022: 1.78%).

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.

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:

	2023			2022		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	-	(540)	(540)	-	(192)	(192)
Due within two to five years	(34,400)	-	(34,400)	(34,000)	-	(34,000)
	<b>(34,400)</b>	<b>-</b>	<b>(34,940)</b>	<b>(34,000)</b>	<b>(192)</b>	<b>(34,192)</b>

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

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 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 inflow	(7,706)	-	-	-	(7,706)
Lease liabilities cash outflow	-	-	3,605	3,605	3,605
<b>At 31 March 2022</b>	<b>15,332</b>	<b>(34,000)</b>	<b>(22,623)</b>	<b>(56,623)</b>	<b>(41,291)</b>
Acquired on acquisition of subsidiary	-	-	(235)	(235)	(235)
Additions to lease liabilities	-	-	(666)	(666)	(666)
Disposals from lease liabilities	-	-	449	449	449
Drawdown of bank loans	-	(10,400)	-	(10,400)	(10,400)
Repayment of bank loans	-	10,000	-	10,000	10,000
Currency translation	-	-	(33)	(33)	(33)
Cash and cash equivalent cash outflow	(1,514)	-	-	-	(1,514)
Lease liabilities cash outflow	-	-	3,928	3,928	3,928
<b>At 31 March 2023</b>	<b>13,818</b>	<b>(34,400)</b>	<b>(19,180)</b>	<b>(53,580)</b>	<b>(39,762)</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

## 22. PROVISIONS

The Group has made provision for the reinstatement of certain leasehold properties and after initial measurement, any subsequent adjustments to reinstatement provisions will be recorded against the original amount included in leasehold improvements with a corresponding adjustment to future depreciation charges. As at 31 March 2023, the total reinstatement provision of the Group is £2,755,000 (2022: £2,438,000). The utilisation of the reinstatement provision is in line with the end of the leasehold properties lease terms to which the provisions relate.

	2023 £'000	2022 £'000
<b>Non-current:</b>		
Reinstatement provision	(2,755)	(2,438)
<b>Total non-current provisions</b>	<b>(2,755)</b>	<b>(2,438)</b>

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

	2023 £'000	2022 £'000
Balance at the start of the year	(2,438)	(2,097)
Acquisition of subsidiary	(134)	-
Increase in provision	(70)	(249)
Unwinding of discount (note 7)	(113)	(92)
	<b>(2,755)</b>	<b>(2,438)</b>

## 23. 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 2022	18,187	2,809	665	21,661
Acquired on acquisition of subsidiary	123	112	-	235
Additions	269	397	-	666
Disposals	(309)	-	-	(309)
Currency translation differences	7	30	-	37
Depreciation	(2,150)	(1,535)	-	(3,685)
Amortisation	-	-	(285)	(285)
<b>Balance at 31 March 2023</b>	<b>16,127</b>	<b>1,813</b>	<b>380</b>	<b>18,320</b>

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 16). The right-of-use assets in relation to software are disclosed as non-current assets and are disclosed within intangibles (note 13).

# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2023

### 23. LEASES (CONTINUED)

#### Lease liabilities

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

	2023 £'000	2022 £'000
<b>Current:</b>		
Lease liabilities (note 21)	(3,377)	(3,560)
<b>Non-current:</b>		
Lease liabilities (note 21)	(15,803)	(19,063)
<b>Total lease liabilities</b>	<b>(19,180)</b>	<b>(22,623)</b>

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

	2023 £'000	2022 £'000
<b>Amounts payable under leases:</b>		
Within one year	(3,880)	(4,127)
Between two to five years	(8,239)	(10,244)
After more than five years	(9,780)	(11,585)
	<b>(21,899)</b>	<b>(25,956)</b>
Add: unearned interest	2,719	3,333
<b>Total lease liabilities</b>	<b>(19,180)</b>	<b>(22,623)</b>

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:

	2023 £'000	2022 £'000
Short-term and low value lease expense	(1,750)	(1,784)
Depreciation charge	(3,685)	(3,433)
Amortisation charge	(285)	(285)
Interest expense	(586)	(646)
	<b>(6,306)</b>	<b>(6,148)</b>

Amounts recognised in the consolidated statement of cash flows:

	2023 £'000	2022 £'000
<b>Amounts payable under leases:</b>		
Short-term and low value lease expense	(1,750)	(1,784)
Payments under lease liabilities within cash flows from financing activities	(4,902)	(4,410)
	<b>(6,652)</b>	<b>(6,194)</b>

# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2023

### 24. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
<b>Authorised</b>		
<b>At 31 March 2022 and 2023</b>	<b>200,000,000</b>	<b>2,000</b>
<b>Called up, allotted and fully paid</b>		
At 1 April 2021	109,671,107	1,097
Share capital issued in the year	394,257	4
At 31 March 2022	110,065,364	1,101
Share capital issued in the year	497,741	5
<b>At 31 March 2023</b>	<b>110,563,105</b>	<b>1,106</b>

During the year, 497,741 (2022: 394,257) ordinary shares were issued for a total consideration of £4,977 (2022: £3,942), resulting in a premium over the nominal value of £nil (2022: £nil).

At 31 March 2023 the Company held 140,773 shares (2022: 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 (2022: £1,408) and a market value of £175,122 (2022: £228,897). This represents 0.1% (2022: 0.1%) of the issued share capital as at 31 March 2023 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 2023 are fully paid.

### 25. OWN SHARES

	Own shares EBT £'000	Own shares Total £'000
<b>At 31 March 2023 and 31 March 2022</b>	<b>(70)</b>	<b>(70)</b>

At 31 March 2023 the Company held 140,773 shares (2022: 140,773) in the EBT with a carrying value of £69,982 (2022: £69,982) which were accounted for in the Own Shares EBT reserve.

## IOMART GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2023

#### 26. SHARE-BASED PAYMENTS

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

	Vesting period	Maximum term	Performance criteria	Required to remain in employment
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 £696,000 (2022: £480,000) 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	09 May 2022	12 September 2022	17 October 2022
Vesting date	31 March 2025	31 March 2023	31 March 2023
Share price at grant date (p)	1.73	1.74	1.35
Volatility (%)	75.3%	76.3%	76.7%
Dividend yield (%)	3.99%	3.46%	4.10%
Number of employees holding options	2	4	11
Expected life (years)	3	3	3
Option/award life (years)	10	10	10
Risk free rate (%)	1.97%	3.11%	4.07%
Expectations of meeting performance criteria	100%	70%	62%
Fair value at grant date (p)	1.41	1.56	1.19
Exercise price per share (p)	1.0	1.0	1.0

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

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2023

#### 26. SHARE-BASED PAYMENTS (CONTINUED)

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

	2023		2022	
	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	33.78	3,029,309	31.71	3,371,908
Granted	1.00	790,772	83.21	1,065,661
Forfeited	70.10	(508,901)	91.57	(1,014,003)
Expired	-	-	-	-
Exercised	1.00	(497,741)	1.00	(394,257)
<b>Outstanding at end of year</b>	<b>23.80</b>	<b>2,813,439</b>	<b>33.78</b>	<b>3,029,309</b>
<b>Exercisable at end of year</b>	<b>1.00</b>	<b>1,213,723</b>	<b>1.00</b>	<b>1,485,859</b>

During the year, options over 497,741 ordinary shares (2022: 394,257) were exercised and the average market price at the exercise dates was 145.17p (2022: 227.21p).

Options over 790,772 ordinary shares (2022: 375,855) were granted under the unapproved share option scheme with an average exercise price of 1.0p (2022: 1.0p) and nil options over ordinary shares (2022: 689,806) were granted under the sharesave scheme with an average exercise price of 0.0p (2022: 128.0p).

Options over 255,451 ordinary shares (2022: 697,446) were forfeited under the unapproved share option scheme with an average exercise price of 1.0p (2022: 1.0p) and options over 253,450 (2022: 316,557) were forfeited under the sharesave scheme with an average exercise price of 139.74p (2022: 291.1p).

No options over ordinary shares (2022: nil) expired under the unapproved share option scheme with an average exercise price of 0.0p (2022: 0.0p).

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

	Range of exercise prices per share (p)	Share options – outstanding			Share options – exercisable		
		Outstanding shares	Weighted average exercise price per share (p)	Weighted average remaining contractual life (years)	Outstanding shares	Weighted average exercise price per share (p)	Weighted average remaining contractual life (years)
Unapproved schemes	1.0 – 1.0	2,334,546	1.0	4.4	1,213,723	1.0	3.4
Sharesave scheme	128.0 – 276.0	478,893	134.9	1.8	-	-	-
<b>As at 31 March 2023</b>		<b>2,813,439</b>	<b>23.8</b>	<b>4.0</b>	<b>1,213,723</b>	<b>1.0</b>	<b>3.4</b>
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	-	-	-
<b>As at 31 March 2022</b>		<b>3,029,309</b>	<b>33.8</b>	<b>4.1</b>	<b>1,485,859</b>	<b>1.0</b>	<b>3.3</b>



## IOMART GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

#### 27. RELATED PARTY TRANSACTIONS

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

	2023 £'000	2022 £'000
Angus MacSween	942	1,176
Other Directors*	6	5
<b>Total dividends paid to Directors</b>	<b>948</b>	<b>1,181</b>

\*Dividends paid to Scott Cunningham of £3,324 (2022: £2,307), Richard Masters of £632 (2022: £546), Ian Steele £853 (2022: £823) Reece Donovan £1,050 (2022: £942) and Karyn Lamont £388 (2022: £169) 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:

	2023 £'000	2022 £'000
Salaries and other short-term employee benefits	1,150	1,048
Pension	54	52
	<b>1,204</b>	<b>1,100</b>

Directors' bonuses, as disclosed in the Directors' Remuneration Report on pages 40 to 46, were paid post year end.

The share-based payment charge in respect of Directors' in the year was £519,000 (2022: £79,000).

Gamma Communications plc were deemed a related party as Andrew Taylor, Non-Executive Director until 31 December 2022, was also a Director of Gamma Communications plc until 4 July 2022. Amounts paid to Gamma Communications plc during the period 1 April 2022 to 4 July 2022 were £1,946 and amounts received from Gamma Communications plc for the same period were 88,090. £1,317 is included in trade payables at 31 March 2023. There are no amounts outstanding in trade receivables at 31 March 2023.

#### 28. CONTINGENCIES AND COMMITMENTS

##### (a) Contingencies

There are no contingent assets or contingent liabilities as at 31 March 2023 (2022: nil).

##### (b) Commitments

Capital expenditure on property, plant and equipment committed by the Group at 31 March 2023 was £2,352,289 (2022: £389,971).

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

**29. 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
<b>2023</b>	
<b>Non-current:</b>	
Trade and other receivables	177
<b>Current:</b>	
Trade receivables	13,109
Cash and cash equivalents	13,818
Other receivables	157
<b>Total for category</b>	<b>27,261</b>
<b>2022</b>	
<b>Non-current:</b>	
Trade and other receivables	531
<b>Current:</b>	
Trade receivables	7,188
Cash and cash equivalents	15,332
Other receivables	270
<b>Total for category</b>	<b>23,321</b>

# IOMART GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

### 29. RISK MANAGEMENT (CONTINUED)

The carrying amounts of financial liabilities presented in the statement of financial position relate to the following measurement categories as defined in IFRS 9:

	Financial liabilities measured at amortised cost £'000
<b>2023</b>	
<b>Non-current:</b>	
Lease liabilities	(15,803)
Bank loans	(34,400)
<b>Current:</b>	
Trade payables	(8,993)
Accruals	(8,199)
Lease liabilities	(3,377)
<b>Total for category</b>	<b>(70,772)</b>
<b>2022</b>	
<b>Non-current:</b>	
Lease liabilities	(19,063)
Bank loans	(34,000)
<b>Current:</b>	
Trade payables	(5,661)
Accruals	(7,558)
Lease liabilities	(3,560)
<b>Total for category</b>	<b>(69,842)</b>

#### 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 21, the contractual maturity analysis of the Group's multi option revolving credit facility of £34.4m (2022: £34.0m) is shown. The Group has £65.6m (2022: £66.0m) available to drawdown on the £100.0m (2022: £100.0m) 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 2023, 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 (2022: immaterial impact on post-tax profit).

#### Currency risk

During the year the Group made payments totalling US\$11.0m (2022: US\$8.9m) and EUR€2.3m (2022: EUR€1.6m) to acquire domain names for its Easyspace segment and licences for its Cloud Services segment. In addition, the Group received US\$4.3m (2022: US\$4.6m) and EUR€1.5m (2022: EUR€1.5m) 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 (2022: none). Consequently, the fair value of currency contracts at the year end was £nil (2022: £nil). The level of non-monetary and monetary assets and liabilities denominated in foreign currencies in the Group are minimal.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2023**

**29. RISK MANAGEMENT (CONTINUED)**

**Capital risk**

The capital structure of the Group consists of net debt, which includes borrowings (note 21) and cash and cash equivalents, and equity attributable to owners of the parent, comprising issued share capital (note 24), 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 £13,109,000 (2022: £7,188,000) 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 £177,000 (2022: £531,000) are held in escrow accounts with the landlord's main UK bankers. The Group's cash at bank £13,818,000 (2022: £15,332,000) 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.

**30. ULTIMATE CONTROLLING PARTY**

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

**31. POST BALANCE SHEET EVENTS**

As announced on 5 June 2023, we acquired the entire issued share capital of Extrinsica Global Holdings Limited, the holding company of Extrinsica Global Limited (together "Extrinsica"). Extrinsica is a Microsoft Azure Cloud solution services provider with offerings including managed Azure Cloud, Azure solution design and implementation services, support & optimisation services and licencing.

The initial consideration for the acquisition is £4.0m, with a potential further £0.3m in cash payable on the achievement of certain key customer targets during the calendar year. Of the initial consideration, £2m will be satisfied by the issue of 1,562,500 new ordinary shares in iomart, which under the terms of the sale and purchase agreement are subject to a twelve month "lock in" provision and based on a fixed share price of £1.28, being the volume weighted average price for the 90 days prior to completion. The balance of £2.0m will be paid in cash. iomart will also repay £3.7m of debt acquired on completion.

The acquisition also includes a further £4.0m to £7.0m of contingent earn-out payments which are calculated based on Extrinsica's profitability for the 12 months ending 31 March 2024. Of any earn-out payment that becomes due, £1.0m will be satisfied by the issue of iomart shares (the number of shares to be issued will be based on the same share price as the initial consideration). The amount of contingent consideration payable, based on management's forecast, recognised at the date of the acquisition, is expected to be £4.0m.

Due to the proximity of the acquisition date to the financial statements being authorised for issue, IFRS 3 disclosures are not audited or presented.

# IOMART GROUP PLC

## PARENT COMPANY FINANCIAL STATEMENTS 2023

### STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Note	2023 £'000	2022 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	3	166,685	151,105
Deferred tax	5	638	884
		<b>167,323</b>	<b>151,989</b>
<b>Current assets</b>			
Trade and other receivables	4	34,179	22,350
Cash and cash equivalents		69	7,965
		<b>34,248</b>	<b>30,315</b>
<b>Total assets</b>		<b>201,571</b>	<b>182,304</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Non-current borrowings	7	(34,400)	(34,000)
		<b>(34,400)</b>	<b>(34,000)</b>
<b>Current liabilities</b>			
Trade and other payables	6	(48,360)	(30,042)
		<b>(48,360)</b>	<b>(30,042)</b>
<b>Total liabilities</b>		<b>(82,760)</b>	<b>(64,042)</b>
<b>Net Assets</b>		<b>118,811</b>	<b>118,262</b>
<b>EQUITY</b>			
Called up share capital	8	1,106	1,101
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		89,097	88,553
<b>Total Equity</b>		<b>118,811</b>	<b>118,262</b>

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 £6,184,000 (2022: £14,317,000).

These financial statements were approved by the Board of Directors and authorised for issue on 13 June 2023.

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

# IOMART GROUP PLC

## PARENT COMPANY FINANCIAL STATEMENTS 2023

### STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023

	Note	Share capital £'000	Own shares EBT £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 April 2021</b>		<b>1,097</b>	<b>(70)</b>	<b>1,200</b>	<b>22,495</b>	<b>4,983</b>	<b>81,347</b>	<b>111,052</b>
Profit for the year		-	-	-	-	-	14,317	14,317
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,317</b>	<b>14,317</b>
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
<b>Total transactions with owners</b>		<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,111)</b>	<b>(7,107)</b>
<b>Balance at 31 March 2022</b>		<b>1,101</b>	<b>(70)</b>	<b>1,200</b>	<b>22,495</b>	<b>4,983</b>	<b>88,553</b>	<b>118,262</b>
Profit for the year		-	-	-	-	-	6,184	6,184
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,184</b>	<b>6,184</b>
Dividends – final (paid)	12	-	-	-	-	-	(3,957)	(3,957)
Dividends – interim (paid)	12	-	-	-	-	-	(2,134)	(2,134)
Share-based payments	10	-	-	-	-	-	696	696
Issue of share capital	8	5	-	-	-	-	-	5
<b>Balance at 31 March 2023</b>		<b>1,106</b>	<b>(70)</b>	<b>1,200</b>	<b>22,495</b>	<b>4,983</b>	<b>89,342</b>	<b>119,056</b>

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.

# IOMART GROUP PLC

## PARENT COMPANY FINANCIAL STATEMENTS 2023

### 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 financial statements have been prepared on the historical cost basis and on a going concern basis as described below. The financial statements are presented in Sterling (£).

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' issued by the Financial Reporting Council (FRC). Accordingly, these financial statements have been prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of all disclosure exemptions available under this standard in relation to share-based payments, financial instruments, capital management, presentation of cash flow statement and certain related party transactions.

Where relevant, equivalent disclosures have been given in the consolidated financial statements. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements on pages 69 to 80. These policies have all been applied consistently throughout the year unless otherwise stated.

#### 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.

#### 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.

#### Going Concern

The Group going concern disclosure is on page 79. Following the refinancing in December 2022, the Group has an undrawn multi-option revolving credit facility of £65.6m at 31 March 2023 (2022: £66.0m). 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 or key sources of estimation uncertainty that would have a significant effect on the amounts recognised in the parent company financial statements at the balance sheet date.

# IOMART GROUP PLC

## PARENT COMPANY FINANCIAL STATEMENTS 2023

### 3. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary undertakings £'000
<b>Cost</b>	
At 1 April 2022	156,105
Additions	14,864
Transfer of investment from subsidiary undertaking	485
Share-based payments (note 10)	231
<b>Cost at 31 March 2023</b>	<b>171,684</b>
<b>Impairment</b>	
At 1 April 2022 and 31 March 2023	(5,000)
<b>Net book value of Investments at 31 March 2023</b>	<b>166,685</b>
Net book value of Investments at 31 March 2022	151,105

All of the above investments are unlisted.

Details of subsidiary undertakings are included in note 15 of the Group financial statements.

### 4. TRADE AND OTHER RECEIVABLES

	2023 £'000	2022 £'000
Prepayments	1,327	1,319
Current income tax	-	59
Other taxation and social security	823	685
Amounts owed by subsidiary undertakings	32,029	20,287
	<b>34,179</b>	<b>22,350</b>

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:

	2023 £'000	2022 £'000
Share-based remuneration	634	884
<b>The movement in the deferred tax account during the year was:</b>	<b>2023 £'000</b>	<b>2022 £'000</b>
Balance brought forward	884	1,332
Profit and loss account movement arising during the year	(246)	(869)
Effect of deferred tax rate change in the year	-	421
<b>Balance carried forward</b>	<b>638</b>	<b>884</b>

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



# IOMART GROUP PLC

## PARENT COMPANY FINANCIAL STATEMENTS 2023

### 6. TRADE AND OTHER PAYABLES

	2023 £'000	2022 £'000
Trade creditors	(118)	(115)
Other creditors	(42)	(53)
Accruals	(1,215)	(1,135)
Current income tax	(778)	-
Contingent consideration due on acquisitions	(4,000)	-
Amounts owed to subsidiary undertakings	(42,208)	(28,739)
	<b>(48,361)</b>	<b>(30,042)</b>

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

Contingent consideration due on acquisitions at 31 March 2023 is £4,000,000 (2022: £nil). Contingent consideration for Concepta Capital Ltd is based on the directors' best estimate of payments due at 31 March 2023 and is expected to be paid in July 2023. Under the Sale and Purchase Agreement, the earn-out range from £nil to £4million consideration is represented by a narrow EBITDA range of £300,000. This means for each £1 of additional EBITDA above a target EBITDA, then £13.33 consideration is earned. This means the forecasted estimate is sensitive to small variances.

### 7. BORROWINGS

	2023 £'000	2022 £'000
<b>Non-current:</b>		
Bank loans	(34,400)	(34,000)
<b>Total non-current borrowings</b>	<b>(34,400)</b>	<b>(34,000)</b>

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:

	2023			2022		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	-	(540)	(540)	-	(192)	(192)
Due within two to five years	(34,400)	-	(34,400)	(34,000)	-	(34,000)
	<b>(34,400)</b>	<b>(540)</b>	<b>(34,940)</b>	<b>(34,000)</b>	<b>(192)</b>	<b>(34,192)</b>

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 21 in the Group financial statements.

# IOMART GROUP PLC

## PARENT COMPANY FINANCIAL STATEMENTS 2023

### 8. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
<b>Authorised</b>		
At 31 March 2022 and 2023	200,000,000	2,000
<b>Called up, allotted and fully paid</b>		
At 1 April 2020	109,671,107	1,097
Share capital issued in the year	394,257	4
At 31 March 2022	110,065,364	1,101
Share capital issued in the year	497,741	5
<b>At 31 March 2023</b>	<b>110,563,105</b>	<b>1,106</b>

During the year, 497,741 (2022: 394,257) ordinary shares were issued for a total consideration of £4,977 (2022: £3,942), resulting in a premium over the nominal value of £nil (2022: £nil).

At 31 March 2023 the Company held 140,773 shares (2022: 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 (2022: £1,408) and a market value of £175,122 (2022: £228,897). This represents 0.1% (2022: 0.1%) of the issued share capital as at 31 March 2023 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 2023 are fully paid.

### 9. OWN SHARES RESERVES

	Own shares EBT £'000	Own shares Total £'000
<b>At 31 March 2023 and 31 March 2022</b>	<b>(70)</b>	<b>(70)</b>

At 31 March 2023 the Company held 140,773 shares (2022: 140,773) in the EBT with a carrying value of £69,982 (2022: £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 £696,000 (2022: £480,000) by:

- 1) taking the recharge in relation to directors of the parent company through the parent company statement of comprehensive income £464,000 (2022: £261,000),
- 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 £232,000 (2022: £219,000).

# IOMART GROUP PLC

## PARENT COMPANY FINANCIAL STATEMENTS 2023

### 11. INFORMATION REGARDING PARENT COMPANY EMPLOYEES

	2023 No.	2022 No.
<b>Average number of persons employed by the Company (including all Directors):</b>		
Technical	-	4
Sales and marketing	-	9
Administration	-	34
	-	47

In the current year an exercise was undertaken to consolidate payroll and subsequently, all staff costs within the company in the current year relates to recharges from other Group entities.

	2023 £'000	2022 £'000
<b>Staff costs of the Company during the year in respect of employees and Directors were:</b>		
Wages and salaries	2,046	1,698
Social security costs	185	(223)
Pension costs	45	65
Share-based payments	464	261
	<b>2,740</b>	<b>1,801</b>

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 40 to 46. 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

	2023 Pence per share	2023 £'000	2022 Pence per share	2022 £'000
<b>Paid during the year:</b>				
<b>Final dividend (proposed in the prior year)</b>				
Equity dividends on ordinary shares	3.60p	3,957	4.50p	4,931
<b>Interim dividend</b>				
Equity dividends on ordinary shares	1.94p	2,134	2.42p	2,660
<b>Total dividend paid in cash</b>		<b>6,091</b>		<b>7,591</b>

The Directors have recommended a final dividend for the year ended 31 March 2023 of 3.50p per share (2022: 3.60p per share). Subject to shareholder approval this proposed final dividend would be payable on 8 September 2023 to shareholders on the register at close on 18 August 2023.

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### **PARENT COMPANY FINANCIAL STATEMENTS 2023**

#### **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 27 of the Group financial statements.

#### **14. ULTIMATE CONTROLLING PARTY**

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