

ROC

Company Registration No. SC187413

**IOMART CLOUD SERVICES LIMITED**

**Report and Financial Statements**

**31 March 2012**



# **IOMART CLOUD SERVICES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2012**

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# **IOMART CLOUD SERVICES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2012**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

A MacSween  
S Haran  
R Logan

#### **SECRETARY**

B Hall

#### **REGISTERED OFFICE**

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

#### **BANKERS**

Bank of Scotland  
235 Sauchiehall Street  
Glasgow  
G2 3EY

#### **INDEPENDENT AUDITORS**

Grant Thornton UK LLP  
Chartered Accountants  
Registered Auditors  
95 Bothwell Street  
Glasgow  
G2 7JZ

#### **SOLICITORS**

Pinsent Masons LLP  
141 Bothwell Street  
Glasgow  
G2 7EQ

# **IOMART CLOUD SERVICES LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 March 2012. This directors' report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

### **PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of the provision of cloud computing hosting services with a high degree of virtualisation.

### **REVIEW OF THE BUSINESS**

The company had another very good year as it continued to deliver its cloud based security product as part of the UK government's Universal Home Access laptop provision programme following its successful roll out last year. During the year, the company started to build a reseller network to provide a variety of cloud products covering web security, backup, email and storage.

In order to meet market demand, the company is expanding its range of cloud computing based hosting products and services through both organic and acquisitive means. After the year end, on 1 April 2012, the cloud computing hosting business servicing the larger SME and corporate market of Titan Internet Limited, a subsidiary undertaking of iomart Group plc, was transferred to the company.

### **RESULTS AND DIVIDENDS**

The results for the year are set out on page 6. The profit before taxation was £434,522 (2011: £97,545).

The directors do not recommend the payment of a dividend for the year ended 31 March 2012 (2011: £nil).

### **DIRECTORS AND THEIR INTERESTS**

The following directors have held office throughout the year and to the date of this report:

A MacSween  
S Haran  
R Logan

The interests of the directors in the shares of the parent undertaking, iomart Group plc, are disclosed in that company's financial statements.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. The company does not use derivative financial instruments.

In terms of pricing risk, the risk of the company receiving low prices compared to market levels is mitigated by the use of up-to-date market intelligence and internal review of pricing assumptions.

The company's principal financial assets are trade, intercompany and other debtors. The company's credit risk is primarily attributable to these amounts. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long term and short term finance.

# **IOMART CLOUD SERVICES LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

In the case of each of the persons who are directors of the company at the date this report was approved:

- so far as each of the directors is aware, there is no relevant audit information, of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **AUDITORS**

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 485(4) Companies Act 2006. A resolution to reappoint them will be proposed at the forthcoming annual general meeting.

Approved by the Board of Directors  
and signed by order of the Board



B Hall  
Company Secretary

21 December 2012

## **IOMART CLOUD SERVICES LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' 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 have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IOMART CLOUD SERVICES LIMITED**

We have audited the financial statements of iomart Cloud Services Limited for the year ended 31 March 2012 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Andrew Howie**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Glasgow  
21 December 2012

# **IOMART CLOUD SERVICES LIMITED**

## **PROFIT AND LOSS ACCOUNT** **Year Ended 31 March 2012**

|                                                          | <b>Note</b> | <b>2012<br/>£</b>       | <b>2011<br/>£</b>     |
|----------------------------------------------------------|-------------|-------------------------|-----------------------|
| <b>TURNOVER</b>                                          | 2           | 1,966,445               | 1,614,929             |
| Cost of sales                                            |             | <u>(429,098)</u>        | <u>(511,549)</u>      |
| <b>GROSS PROFIT</b>                                      |             | 1,537,347               | 1,103,380             |
| Administrative expenses                                  |             | <u>(1,102,825)</u>      | <u>(1,005,835)</u>    |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE<br/>TAXATION</b> |             | 434,522                 | 97,545                |
| Tax on profit on ordinary activities                     | 6           | <u>1,236,698</u>        | <u>277,090</u>        |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                     | 13          | <u><u>1,671,220</u></u> | <u><u>374,635</u></u> |

All of the activities of the company are classed as continuing.

There are no recognised gains and losses in either the current or prior years other than those shown in the above profit and loss account.

The accompanying accounting policies and notes form an integral part of these financial statements.

# IOMART CLOUD SERVICES LIMITED

## BALANCE SHEET

31 March 2012

|                                                                | Note | 2012<br>£          | 2011<br>£          |
|----------------------------------------------------------------|------|--------------------|--------------------|
| <b>FIXED ASSETS</b>                                            |      |                    |                    |
| Tangible fixed assets                                          | 7    | 60,658             | 57,475             |
| Non-current deferred tax asset                                 | 8    | 913,788            | 196,750            |
|                                                                |      | <u>974,446</u>     | <u>254,225</u>     |
| <b>CURRENT ASSETS</b>                                          |      |                    |                    |
| Debtors                                                        | 8    | 751,989            | 227,365            |
| Cash at bank and in hand                                       |      | 35,341             | 128,920            |
|                                                                |      | <u>787,330</u>     | <u>356,285</u>     |
| <b>CREDITORS: amounts falling due within one year</b>          | 10   | (994,250)          | (1,644,122)        |
| <b>NET CURRENT LIABILITIES</b>                                 |      | <u>(206,920)</u>   | <u>(1,287,837)</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      | 767,526            | (1,033,612)        |
| <b>CREDITORS: amounts falling due after more than one year</b> | 11   | (4,537,684)        | (4,431,729)        |
| <b>NET LIABILITIES</b>                                         |      | <u>(3,770,158)</u> | <u>(5,465,341)</u> |
| <b>CAPITAL AND RESERVES</b>                                    |      |                    |                    |
| Called up share capital                                        | 12   | 1,500,000          | 1,500,000          |
| Other reserves                                                 | 13   | 68,964             | 45,001             |
| Profit and loss account                                        | 13   | (5,339,122)        | (7,010,342)        |
| <b>SHAREHOLDERS' DEFICIT</b>                                   | 14   | <u>(3,770,158)</u> | <u>(5,465,341)</u> |

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

These financial statements were approved by the Board of Directors and authorised for issue on 21 December 2012 and are signed on their behalf by:



A MacSween  
Director

Company number: SC187413

The accompanying accounting policies and notes form an integral part of these financial statements.

# IOMART CLOUD SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

### 1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the current year and the preceding year.

#### Basis of preparation

In preparation of the financial statements on a going concern basis, the directors have reviewed the cash flow forecasts and working capital requirements of the company for the 12 month period from date of board approval of these financial statements. The company is reliant on the support of its parent company who has given support for at least the 12 months from date of board approval of these statements.

The financial statements are prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards.

#### Share based payments

Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to other reserves.

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 revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

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

#### Turnover and direct costs

Revenue from the sale of software licences is recognised once the licence has been delivered and all significant obligations in relation to the sale have been fulfilled. Revenue from one-off services is recognised on completion.

Revenue from ongoing services, including mail filter and software maintenance, is recognised on a straight line basis over the life of the contract with the unearned portion of the revenue being included in creditors as deferred revenue.

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

|                                 |           |
|---------------------------------|-----------|
| Leasehold property              | 4 years   |
| Computer and software equipment | 3-4 years |
| Office equipment                | 4 years   |

#### Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

# **IOMART CLOUD SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **Year ended 31 March 2012**

### **1. ACCOUNTING POLICIES (CONTINUED)**

#### **Taxation (continued)**

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

#### **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

#### **Development expenditure**

Development expenditure is charged to the profit and loss account as incurred.

#### **Financial instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

#### **Pensions**

The company contributes to a defined contribution scheme on behalf of the directors and some senior staff members. The annual contributions payable are charged to the profit and loss account.

#### **Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risk of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

#### **Cash flow and related party transactions**

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 (Revised) "Cash flow statements" not to produce a cash flow statement as the company is a wholly owned subsidiary undertaking of iomart Group plc, incorporated in Scotland, which consolidates the results of the company and whose consolidated financial statements are publicly available.

Further the company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related Party Transactions" not to disclose transactions with other group undertakings or investees of the group, headed by iomart Group plc.

# IOMART CLOUD SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

### 2. TURNOVER

|                                           | 2012<br>£        | 2011<br>£        |
|-------------------------------------------|------------------|------------------|
| <b>Geographical market by destination</b> |                  |                  |
| United Kingdom                            | 1,928,513        | 1,594,370        |
| Rest of the World                         | 37,932           | 20,559           |
|                                           | <u>1,966,445</u> | <u>1,614,929</u> |

All turnover originates from one class of business which is the provision of cloud computing hosting services.

### 3. PROFIT BEFORE TAXATION

|                                                         | 2012<br>£     | 2011<br>£     |
|---------------------------------------------------------|---------------|---------------|
| <b>Profit before taxation is stated after charging:</b> |               |               |
| Depreciation of tangible assets – owned assets          | 30,128        | 34,446        |
| Auditors' remuneration for audit services               | 7,500         | 7,500         |
| Loss on foreign exchange transactions                   | 46,842        | 3,844         |
|                                                         | <u>84,470</u> | <u>45,790</u> |

### 4. DIRECTORS AND EMPLOYEES

#### Number of employees

The average monthly number of employees (including directors) during the year was:

|                           | 2012<br>No. | 2011<br>No. |
|---------------------------|-------------|-------------|
| Administrative staff      | 2           | 2           |
| Technical staff           | 8           | 9           |
| Sales and marketing staff | 7           | 5           |
|                           | <u>17</u>   | <u>16</u>   |

#### Employee costs were:

|                              | £              | £              |
|------------------------------|----------------|----------------|
| Wages and salaries           | 579,134        | 743,980        |
| Social security costs        | 60,217         | 91,387         |
| Other pension costs (note 6) | 9,835          | 39,718         |
| Share based payments         | 23,963         | 12,805         |
|                              | <u>673,149</u> | <u>887,890</u> |

The Directors are employed and remunerated by other companies in the iomart Group. They do not receive any remuneration specifically for their services as Directors of the Company (2011 - £nil).

# IOMART CLOUD SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2012

### 5. PENSION COSTS

|                                                   | 2012<br>£    | 2011<br>£     |
|---------------------------------------------------|--------------|---------------|
| Contributions paid by the company for the year    | 9,835        | 9,718         |
| Contributions accrued by the company for the year | -            | 30,000        |
|                                                   | <u>9,835</u> | <u>39,718</u> |

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

| Analysis of the tax credit           | 2012<br>£        | 2011<br>£      |
|--------------------------------------|------------------|----------------|
| Current tax charge for the year      | -                | -              |
| Deferred tax                         | <u>1,236,698</u> | <u>277,090</u> |
| Tax on profit on ordinary activities | <u>1,236,698</u> | <u>277,090</u> |

| Factors affecting the tax credit for the current year | 2012<br>£      | 2011<br>£       |
|-------------------------------------------------------|----------------|-----------------|
| Profit on ordinary activities before taxation         | <u>434,522</u> | <u>97,545</u>   |
| Tax at 26% (2011 - 28%) thereon:                      | 112,976        | 27,313          |
| Effects of:                                           |                |                 |
| Expenses not deductible for tax purposes              | 7,530          | 5,354           |
| Capital allowances in excess of depreciation          | (10,677)       | (13,053)        |
| Research and development tax credit                   | (22,221)       | (5,634)         |
| Utilisation of carried forward losses                 | (86,451)       | (734)           |
| Statutory deductions on exercise of share options     | <u>(1,157)</u> | <u>(13,246)</u> |
| Current tax charge for the year                       | <u>-</u>       | <u>-</u>        |

# IOMART CLOUD SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2012

### 7. TANGIBLE FIXED ASSETS

|                                 | Leasehold<br>property<br>£ | Computer<br>and software<br>equipment<br>£ | Office<br>equipment<br>£ | Total<br>£       |
|---------------------------------|----------------------------|--------------------------------------------|--------------------------|------------------|
| <b>Cost</b>                     |                            |                                            |                          |                  |
| At 1 April 2011                 | 343,312                    | 453,431                                    | 258,785                  | 1,055,528        |
| Additions                       | -                          | 33,311                                     | -                        | 33,311           |
| At 31 March 2012                | <u>343,312</u>             | <u>486,742</u>                             | <u>258,785</u>           | <u>1,088,839</u> |
| <b>Accumulated depreciation</b> |                            |                                            |                          |                  |
| At 1 April 2011                 | 343,312                    | 395,956                                    | 258,785                  | 998,053          |
| Charge for the year             | -                          | 30,128                                     | -                        | 30,128           |
| At 31 March 2012                | <u>343,312</u>             | <u>426,084</u>                             | <u>258,785</u>           | <u>1,028,181</u> |
| <b>Net book value</b>           |                            |                                            |                          |                  |
| At 31 March 2012                | <u>-</u>                   | <u>60,658</u>                              | <u>-</u>                 | <u>60,658</u>    |
| At 31 March 2011                | <u>-</u>                   | <u>57,475</u>                              | <u>-</u>                 | <u>57,475</u>    |

### 8. DEBTORS

|                                                     | 2012<br>£        | 2011<br>£      |
|-----------------------------------------------------|------------------|----------------|
| <b>Amounts falling due within one year</b>          |                  |                |
| Trade debtors                                       | 141,911          | 132,182        |
| Prepayments and accrued income                      | 10,078           | 14,843         |
| Deferred tax                                        | 600,000          | 80,340         |
|                                                     | <u>751,989</u>   | <u>227,365</u> |
| <b>Amounts falling due after more than one year</b> |                  |                |
| Deferred tax                                        | 913,788          | 196,750        |
|                                                     | <u>1,665,777</u> | <u>424,115</u> |

# IOMART CLOUD SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2012

### 9. DEFERRED TAXATION

|                                                                                                              | 2012<br>£        | 2011<br>£      |
|--------------------------------------------------------------------------------------------------------------|------------------|----------------|
| The deferred taxation included in the balance sheet is as follows:                                           |                  |                |
| Included in amounts falling due within one year (note 8)                                                     | 600,000          | 80,340         |
| Included in amounts falling due after more than one year (note 8)                                            | 913,788          | 196,750        |
|                                                                                                              | <u>1,513,788</u> | <u>277,090</u> |
| The movement in the deferred taxation account during the year was:                                           |                  |                |
| Balance brought forward                                                                                      | 277,090          | -              |
| Profit and loss account movement arising during the year (note 6)                                            | 1,236,698        | 277,090        |
|                                                                                                              | <u>1,513,788</u> | <u>277,090</u> |
| Balance carried forward                                                                                      |                  |                |
|                                                                                                              | <u>1,513,788</u> | <u>277,090</u> |
| The balance of the deferred taxation account consists of the tax effect of timing differences in respect of: |                  |                |
| Utilisation of tax losses                                                                                    | <u>1,513,788</u> | <u>277,090</u> |

### 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                    | 2012<br>£      | 2011<br>£        |
|------------------------------------|----------------|------------------|
| Trade creditors                    | 16,941         | 8,821            |
| Other taxation and social security | 40,171         | 77,983           |
| Accruals and deferred income       | 937,138        | 1,557,318        |
|                                    | <u>994,250</u> | <u>1,644,122</u> |

### 11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

|                                    | 2012<br>£        | 2011<br>£        |
|------------------------------------|------------------|------------------|
| Amounts owed to group undertakings | <u>4,537,684</u> | <u>4,437,541</u> |

### 12. SHARE CAPITAL

|                                            | 2012<br>£         | 2011<br>£         |
|--------------------------------------------|-------------------|-------------------|
| <b>Authorised:</b>                         |                   |                   |
| 10,000,000 ordinary shares of £1 each      | <u>10,000,000</u> | <u>10,000,000</u> |
| <b>Allotted, called up and fully paid:</b> |                   |                   |
| 1,500,000 ordinary shares of £1 each       | <u>1,500,000</u>  | <u>1,500,000</u>  |

# IOMART CLOUD SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2012

### 13. STATEMENT OF MOVEMENT ON RESERVES

|                                            | Profit<br>and loss<br>account<br>£ | Other<br>reserves<br>£ | Total<br>£         |
|--------------------------------------------|------------------------------------|------------------------|--------------------|
| Balance at 1 April 2011                    | (7,010,342)                        | 45,001                 | (6,965,341)        |
| Profit for the financial year              | 1,671,220                          | -                      | 1,671,220          |
| Share based payment for the financial year | -                                  | 23,963                 | 23,963             |
|                                            | <u>          </u>                  | <u>          </u>      | <u>          </u>  |
| Balance at 31 March 2012                   | <u>(5,339,122)</u>                 | <u>68,964</u>          | <u>(5,270,158)</u> |

### 14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

|                               | 2012<br>£          | 2011<br>£          |
|-------------------------------|--------------------|--------------------|
| Profit for the financial year | 1,671,220          | 374,635            |
| Share based payments          | 23,963             | 12,805             |
| Opening shareholders' deficit | <u>(5,465,341)</u> | <u>(5,852,781)</u> |
|                               | <u>          </u>  | <u>          </u>  |
| Closing shareholders' deficit | <u>(3,770,158)</u> | <u>(5,465,341)</u> |

### 15. FINANCIAL COMMITMENTS

#### Lease Commitments

At 31 March 2012 the company had annual commitments under non-cancellable operating leases as follows:

|                            | Land and buildings |                |
|----------------------------|--------------------|----------------|
|                            | 2012<br>£          | 2011<br>£      |
| Expiry date:               |                    |                |
| Within one year            | -                  | -              |
| Between two and five years | -                  | -              |
| In over five years         | <u>185,000</u>     | <u>185,000</u> |
|                            | <u>185,000</u>     | <u>185,000</u> |

#### Pension commitments

The company contributes to a defined contribution pension scheme on behalf of some senior staff. The total pension cost which is charged against profits represents contributions payable by the company and amounted to £9,835 (2011 – £39,718).

# IOMART CLOUD SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2012

### 16. SHARE BASED PAYMENTS

The company allows employees to participate in the following share based payment schemes which the company's parent, iomart Group plc, operates: Enterprise Management Incentive scheme, Sharesave scheme, a number of other approved schemes and a number of unapproved schemes. All schemes are settled in equity only and are summarised below.

| Scheme Description                     | Vesting Period                   | Maximum Term                 | Performance Criteria                                     | Requirement to remain in employment |
|----------------------------------------|----------------------------------|------------------------------|----------------------------------------------------------|-------------------------------------|
| Enterprise Management Incentive Scheme | Between 1 and 3 years from grant | 10 years after date of grant | As set by the remuneration committee of iomart Group plc | Yes                                 |
| Other Approved Schemes                 | Between 1 and 3 years from grant | 10 years after date of grant | As set by the remuneration committee of iomart Group plc | Yes                                 |
| Unapproved Schemes                     | 3 years from grant               | 10 years after date of grant | As set by the remuneration committee of iomart Group plc | Yes                                 |

| As at 31 March 2012                           |            |               |             |                                |             |        |               |               |                |                                             |
|-----------------------------------------------|------------|---------------|-------------|--------------------------------|-------------|--------|---------------|---------------|----------------|---------------------------------------------|
| Details                                       |            |               |             | Options for shares outstanding |             |        |               |               |                | Vested options for shares not yet exercised |
| Exercise price                                | Grant date | Exercise date | Expiry date | 31 March 2011                  | Transferred | Issued | Exercised     | Expired       | 31 March 2012  | 31 March 2012                               |
| <b>Enterprise management incentive scheme</b> |            |               |             |                                |             |        |               |               |                |                                             |
| 6.25                                          | 02/07/2003 | 02/07/2004    | 02/07/2013  | 34,999                         | -           | -      | -             | -             | 34,999         | 34,999                                      |
| 6.25                                          | 02/07/2003 | 02/07/2005    | 02/07/2013  | 35,000                         | -           | -      | -             | -             | 35,000         | 35,000                                      |
| 6.25                                          | 02/07/2003 | 02/07/2006    | 02/07/2013  | 35,001                         | -           | -      | -             | -             | 35,001         | 35,001                                      |
| 87.50                                         | 02/12/2010 | 31/03/2012    | 31/03/2022  | 43,334                         | -           | -      | -             | -             | 43,334         | 43,334                                      |
| 87.50                                         | 02/12/2010 | 31/03/2013    | 31/03/2022  | 43,333                         | -           | -      | -             | -             | 43,333         | -                                           |
| 87.50                                         | 02/12/2010 | 31/03/2014    | 31/03/2022  | 43,333                         | -           | -      | -             | -             | 43,333         | -                                           |
| <b>Unapproved schemes</b>                     |            |               |             |                                |             |        |               |               |                |                                             |
| 11.75                                         | 31/10/2001 | 31/10/2001    | 31/10/2011  | 50,000                         | -           | -      | -             | (50,000)      | -              | -                                           |
| 46.50                                         | 29/09/2008 | 31/03/2010    | 29/09/2018  | 69,086                         | -           | -      | -             | -             | 69,086         | 69,086                                      |
| 46.50                                         | 29/09/2008 | 31/03/2011    | 29/09/2018  | 83,333                         | -           | -      | -             | -             | 83,333         | 83,333                                      |
| <b>Approved Schemes</b>                       |            |               |             |                                |             |        |               |               |                |                                             |
| 13.50                                         | 26/09/2001 | 26/09/2004    | 26/09/2011  | 5,000                          | -           | -      | (5,000)       | -             | -              | -                                           |
| <b>Total</b>                                  |            |               |             | <b>442,419</b>                 | -           | -      | (5,000)       | (50,000)      | <b>387,419</b> | <b>300,753</b>                              |
| <b>Weighted Average Exercise price</b>        |            |               |             | <b>44.69p</b>                  | -           | -      | <b>13.50p</b> | <b>11.75p</b> | <b>49.35p</b>  | <b>38.36p</b>                               |

# IOMART CLOUD SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2012

### 16. SHARED BASED PAYMENTS (CONTINUED)

| As at 31 March 2011                           |            |               |             |                                |             |                |                  |          |                |                                             |
|-----------------------------------------------|------------|---------------|-------------|--------------------------------|-------------|----------------|------------------|----------|----------------|---------------------------------------------|
| Details                                       |            |               |             | Options for shares outstanding |             |                |                  |          |                | Vested options for shares not yet exercised |
| Exercise price                                | Grant date | Exercise date | Expiry date | 31 March 2010                  | Transferred | Issued         | Exercised        | Expired  | 31 March 2011  | 31 March 2011                               |
| <b>Enterprise management incentive scheme</b> |            |               |             |                                |             |                |                  |          |                |                                             |
| 6.25                                          | 02/07/2003 | 02/07/2004    | 02/07/2013  | 34,999                         | -           | -              | -                | -        | 34,999         | 34,999                                      |
| 6.25                                          | 02/07/2003 | 02/07/2005    | 02/07/2013  | 35,000                         | -           | -              | -                | -        | 35,000         | 35,000                                      |
| 6.25                                          | 02/07/2003 | 02/07/2006    | 02/07/2013  | 35,001                         | -           | -              | -                | -        | 35,001         | 35,001                                      |
| 46.50                                         | 29/09/2008 | 31/03/2009    | 29/09/2018  | 83,334                         | (83,334)    | -              | -                | -        | -              | -                                           |
| 46.50                                         | 29/09/2008 | 31/03/2010    | 29/09/2018  | 83,334                         | (83,334)    | -              | -                | -        | -              | -                                           |
| 46.50                                         | 29/09/2008 | 31/03/2011    | 29/09/2018  | 77,957                         | (77,957)    | -              | -                | -        | -              | -                                           |
| 87.50                                         | 02/12/2010 | 31/03/2012    | 31/03/2022  | -                              | -           | 43,334         | -                | -        | 43,334         | -                                           |
| 87.50                                         | 02/12/2010 | 31/03/2013    | 31/03/2022  | -                              | -           | 43,333         | -                | -        | 43,333         | -                                           |
| 87.50                                         | 02/12/2010 | 31/03/2014    | 31/03/2022  | -                              | -           | 43,333         | -                | -        | 43,333         | -                                           |
| <b>Unapproved schemes</b>                     |            |               |             |                                |             |                |                  |          |                |                                             |
| 11.75                                         | 31/10/2001 | 31/10/2001    | 31/10/2011  | 50,000                         | -           | -              | -                | -        | 50,000         | 50,000                                      |
| 46.50                                         | 29/09/2008 | 31/03/2009    | 29/09/2018  | -                              | 83,334      | -              | (83,334)         | -        | -              | -                                           |
| 46.50                                         | 29/09/2008 | 31/03/2010    | 29/09/2018  | -                              | 83,334      | -              | (14,248)         | -        | 69,086         | 69,086                                      |
| 46.50                                         | 29/09/2008 | 31/03/2011    | 29/09/2018  | 5,376                          | 77,957      | -              | -                | -        | 83,333         | 83,333                                      |
| <b>Approved Schemes</b>                       |            |               |             |                                |             |                |                  |          |                |                                             |
| 44.00                                         | 24/01/2001 | 24/01/2004    | 24/01/2011  | 20,000                         | -           | -              | (20,000)         | -        | -              | -                                           |
| 13.50                                         | 26/09/2001 | 26/09/2004    | 26/09/2011  | 5,000                          | -           | -              | -                | -        | 5,000          | 5,000                                       |
| <b>Total</b>                                  |            |               |             | <b>430,001</b>                 | <b>-</b>    | <b>130,000</b> | <b>(117,582)</b> | <b>-</b> | <b>442,419</b> | <b>312,419</b>                              |
| <b>Weighted Average Exercise price</b>        |            |               |             | <b>32.13p</b>                  | <b>-</b>    | <b>87.50p</b>  | <b>46.07p</b>    | <b>-</b> | <b>44.69p</b>  | <b>26.88p</b>                               |

In accordance with the transitional provisions of FRS, the requirements of FRS 20 Share Based Payment have not been applied to equity instruments that were granted before 7 November 2002 or equity instruments that were granted after 7 November 2002 that had vested before the date of transition, being 1 April 2005. Therefore the following disclosures relate only to awards made after 7 November 2002 that had not vested by 1 April 2005.

As disclosed in note 13, a share based payment charge of £23,963 (2011: £12,805) has been recognised in the profit and loss during the year in relation to the above schemes.

### 17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company and controlling party is iomart Group plc, a company registered in Scotland, which heads the smallest and largest group in which the results of iomart Cloud Services Limited are consolidated.

The consolidated financial statements are available from iomart Group plc, Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow G20 0SP.

### 18. POST BALANCE SHEET EVENT

On 1 April 2012, the cloud computing hosting business servicing the larger SME and corporate market of Titan Internet Limited, a subsidiary undertaking of iomart Group plc, was transferred to the company.