

16 December 2010

**Imaginatik Plc  
("Imaginatik" or the "Company")  
Interim Results**

*Imaginatik plc (AIM: IMTK.L), a leading provider of innovation management software and consultancy, announces its unaudited Interim Results for the half year ended 30 September 2010.*

**Highlights**

- Full review completed in Q2 and new strategic direction implemented.
- Sales in the first half of the year lower than the comparative period, however evidence that restructuring is resulting in increased momentum towards the end of the period,
  - Contracts signed with Irving Oil, NASA and the United States Government - General Services Administration (the "GSA").
  - Strong level of renewals with existing customers including Pfizer and one of the world's leading aerospace corporations.
- Restructuring of management team and strengthened sales operation:
  - Appointment of Luis Solis as President, North America; Kevin Grygiel as Global Vice President of Sales; Chris Townsend as Senior Director, Strategic Marketing; and Tim Woods promoted to Head of Product Development.
- Revenues £1.48 million (H1 2010: £2.27 million).
- Loss before tax £1.42 million (H1 2010: £0.65 million).
- September 2010 placing of shares raising approximately £0.8 million (gross).
- Cash at period end of £0.56 million (30 September 2009: £1.34 million).

**Matt Cooper, Executive Chairman of Imaginatik**, commented:

"It has been a difficult 12 months for the Company, prompting a significant reorganisation of the business and a fund raising. We still have considerable work to do, but are approaching it with a clear strategy, a stronger management team, a focused product direction, a fully motivated workforce and what we consider to be a sensible degree of optimism tempered with realism."

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**About Imaginatik**

Imaginatik provides Innovation and Idea management solutions comprised of consultancy, software (Idea Central) and program management to deliver innovation outcomes to companies such as The Chubb Group of Insurance Companies, Boeing, Pfizer, Goodyear, Paccar, Kellogg and Cargill. Few companies possess the internal capability to consistently generate fresh ideas, identify those worth pursuing and reliably transform them into real, value-enhancing assets. This is Imaginatik's area of expertise.

Imaginatik is a public company whose shares are traded on the AIM market of the London Stock Exchange (LSE:IMTK.L) and a World Economic Forum Technology Pioneer with offices in Boston, MA, and London. In 2009, Imaginatik was named as one of the 500 fastest growing technology companies in the EMEA region by Deloitte. For more information visit [www.imaginatik.com](http://www.imaginatik.com).

## **Executive Chairman's Statement**

### **Operational Review**

As highlighted in the Final Results announcement released in June 2010, structural issues within the sales team, which have now been largely addressed, had a material impact upon the business within this reporting period.

The first half of our financial year saw a number of key transitions within Imaginatik, including the departure in June 2010 of the CEO and founder. Following this, I took on the role of Executive Chairman and began the task of building a stronger and more unified management team and addressing the structural issues.

Since that time we have completed a comprehensive overhaul of the sales team, the Company strategy, customer base and management team and believe we have entered the second half of the year with renewed vigour and momentum.

Imaginatik's market continues to make considerable advances. The management of Innovation is now a topic being discussed at the boardroom level in most Global 2,000 organisations and the demand for innovation solutions continues to grow. Whilst there are a number of signs that trading conditions are improving, the economic climate remains challenging.

Towards the end of the period, we started to see initial signs of the success of the re-organisation, signing some exciting new clients such as NASA and the United States Government Services Administration. Importantly, a vigorous review of our sales pipeline and reporting processes means we have greater confidence in the sales pipeline, although there remains a significant amount of work to do. While revenues for the first half of the year are lower than in the preceding year we expect to see some improvement in our traditionally stronger second half. Strengthening key metrics, such as daily lead volume, the number and quality of pipeline deals, coupled with a high level of customer renewals due in the second half give us genuine reason for greater optimism.

### **Financial Review**

Total revenue for the six months ended 30 September 2010 declined by 35% to £1.48 million (H1 2010: £2.27 million). As stated at the Company's AGM on 29 September 2010, the management team is focused on re-building the sales pipeline, which given the long lead times in our industry, will inevitably take some time to achieve. During the summer we hired Kevin Grygiel as our Global Vice President of Sales and Chris Townsend joined us as our Senior Director of Strategic Marketing, to aid this development plan.

During the period, 28% of revenue was generated from up-selling our software and services into existing customers, 23% from selling into new clients, and 49% from recurring business (H1 2010: 4:56:40%). We added 3 new customers during the period, being Irving Oil, the GSA and NASA (H1 2010: 5) and signed renewals with 11 customers, with one client declining to renew during the period (H1 2010: 12 renewals, 0 declining). The US continues to be our core market and the percentage of revenues received from the region grew in the period to 90% (H1 2010: 86%) with the remaining 10% made up from the Rest of the World (H1 2010: 14%).

Structural issues in the sales team led to a significant reduction in new customer revenue in the period, resulting in operating losses before share option costs widening to £1.33 million (H1 2010: £0.57 million). By comparison, the prior year period saw the addition of a number of new clients which, because of the high levels of flux in the sales team, has been difficult to replicate.

We still retain a significant portfolio of impressive clients, which currently provide us with approximately £2.0 million of recurring revenues (as at 30 September 2010) (H1 2010: £3.17 million). The decrease reflects the loss of several clients during the second half of the previous financial year, due to the loss of key sponsors and the impact of the economic environment. Since that point, the Company has taken considerable steps towards strengthening current client relationships and believes the current customer satisfaction levels to be significantly higher and customer levels to have stabilised.

On 30 September 2010, the Company re-based the exercise price of all subsisting share options in issue at that date, to 2.55p per share, providing both the senior management team and employees an appropriate and effective incentive for the future.

On 6 September 2010 we raised £0.8 million (gross) through a placing of 53,333,332 new ordinary shares. The additional investment in the business has been used to provide an appropriate level of working capital for the business and to facilitate further growth, including the addition of high quality sales people in the US.

## **Strategy**

Imaginatik is widely recognised as the creator of the idea management category and a pioneer in collaborative innovation. In order to ensure that we remain at the forefront of what is now a fast-growing market, in the second quarter of our financial year we instigated a full strategic review, consulting with clients and examining our market place. This has resulted in a new direction for Imaginatik which will see us building on our long-held view that innovation cannot simply be supplied via technology.

Imaginatik coined the phrase “human technology in Innovation” more than five years ago because its extensive experience in results-based solutions revealed the role of culture, leadership, change agents, and model acceptance in sustainable, wide-spread Innovation methods. The mere sale of technology we believe will be insufficient and unlikely to fully meet the clients’ needs in the long-term.

### *Innovation-as-a-Service*

It is our belief that clients seek innovation outcomes, not stand-alone Idea Management or Innovation Management software. Imaginatik has learned from its clients that sustained innovation success requires strategy consultancy, program management, and “outcomes” ownership. Our strategy is to leverage our know-how, client base and research methods in the design and delivery of Innovation-as-a-Service (“IaaS”) solutions, consisting of consultancy, programme management and Software-as-a-Service technology to achieve optimal outcomes, where clients are effectively outsourcing portions of their innovation process to Imaginatik.

### *Implementation*

Our focus is on customer outcomes and experience, not solely on the number of seats sold. Our new strategy impacts all business aspects within Imaginatik: hiring, reviews, software development, pricing, go-to-market methods, plus operational excellence, seeking to craft more of a performance-based culture. We believe we have the right people in place and will seek to add to the team with appropriate experts and thought leaders as we grow the business with a coherent market-led strategy.

We will seek growth opportunities and niche vertical and functional applications in market segments for which we can design and deliver differentiated, value-added, enterprise solutions.

We will concentrate in geographic areas where we have or can quickly attain substantial critical mass or density of clients, with knowledge-rich organisations and with English as the primary business language.

We are pleased to have signed several contracts for the provision of IaaS following the launch of the initiative in August 2010, with clients such as GSA and Philip Morris. With our base of Global 2,000 clients, our acknowledged industry thought leadership and our proven “outcomes-driven innovation” programmes, we believe we now have an appropriate strategy in place and strong fundamentals to return the business to growth.

### **Management Team**

A key objective has been to strengthen the senior management team, especially in areas which require specific skills and experience and which were previously missing.

We are therefore pleased to report that we have made several senior hires during the period, adding Luis Solis as President, North America, Kevin Grygiel as Global Vice President of Sales, and promoting Tim Woods to Head of Product Development. Luis Solis was subsequently appointed to the Board on 19 November 2010. All three have a high level of expertise in their respective fields and excellent experience in the innovation industry.

The management team therefore now consists of six executives; the three mentioned above alongside myself (Executive Chairman), Shawn Taylor (COO & CFO) and Andrew Wainwright (CTO). We believe we have a strong executive team in place with the right level of expertise to drive Imaginatik forward.

### **Product Development**

Imaginatik’s product development strategy reflects our service orientation. Unlike many other vendors, Imaginatik has always stressed the human side of innovation and this is evident in the direction of our product development. We have stepped up software innovation to add more ease-of-use, more recognition of the importance of customer experience and more intelligent decision-making capability than is readily available in the marketplace.

This is reflected by the increased size of the product development team. Imaginatik now has nine developers based in Winchester, having grown from five in September 2009.

The team has been significantly strengthened in the year through the appointment of Dr. Rob Spencer as Director of Research. Rob is working within the Product Development team on future software enhancements and will continue Imaginatik’s tradition of leading edge empirical research within our field of innovation and idea management. Previously a Senior Research Fellow, Idea Management & Innovation at Pfizer Inc. and an Imaginatik client, Rob’s deep understanding of Idea Central and the evolving market place will be invaluable to the team going forward.

A focus of the current development work is on User Experience Design, a major field in software design, looking at ease of use. Every new feature undergoes usability testing and is refined through beta testing with key customers. We have recently carried out several significant projects with current customers, integrating Idea Central within their enterprise systems meaning Idea Central is deeply embedded with the customer.

This half year has seen the launch of an advanced portfolio tracking module, which enables customers to better track the volume of ideas that are being successfully implemented, enabling the monitoring of their return on investment.

Our future plans include the launch of the next version of Idea Central in calendar Q2 next year. Developments will include advanced review and assessment tools, enabling sponsors to manage the high volumes of ideas generated within the platform; increased reporting tools for management and the deployment of new algorithms behind the system, enhancing the intelligent decision making capabilities available to our customers. We are also further developing the

platform's specific capabilities for the US Government sector in response to the growing opportunity we believe this sector offers Imaginatik.

## **Sales and Marketing**

The number of sales executives remains at approximately the same level as this time last year, being nine sales people now compared to eight this time last year. Four of our current sales team were recruited during the period and we have increased the number of senior operators within the team.

We have also strengthened our marketing team with the appointment of Chris Townsend as Senior Director of Strategic Marketing based in Boston. Chris has previously worked as an analyst at Forrester covering this market segment and more recently has carried out a marketing role at a competitor.

We therefore believe our sales and marketing capacity and capability to be significantly increased.

In conjunction with the launch of our IaaS strategy referred to above, we have established a Quarterly Client Council at which we will discuss ideas for product and service development, deepening our customer relationships and ensuring the continual enhancement of our service offering. Participating customers include Cargill, Chubb, CSC and HCA amongst others.

### *Evolution of the Innovation Management market*

The marketplace for Imaginatik's solutions has undergone a major transition in the past 12 – 18 months, moving from a niche category towards the mainstream. A clear indicator of this progression has been the publication this year by Gartner Group of its first-ever "Who's Who in Innovation Management" – a buyer's guide, in which Imaginatik was prominently mentioned, for a marketplace that is rapidly entering mainstream enterprise buying cycles. Several major market trends point strongly to this transition:

- *Innovation now seen as mission-critical.* For many years, new sales prospects needed substantial validation that "Innovation" did in fact deserve a place as a top enterprise priority and therefore worthy of a serious third-party solution. Now, most prospects come to Imaginatik already convinced that innovation is critical to their organisation's future.
- *Elevated buyer status and reach.* Increasingly, Imaginatik's customer has risen to the level of top Director and/or the C-suite. Today's global companies now view innovation as a topic to be addressed from the very top of the organisation all the way through to the bottom. As a result, large global deployments and comprehensive, transformative solutions are now more commonplace.
- *Expanding, maturing marketplace.* One of the surest signs of a mainstream marketplace is diversity of competition among providers. As we indicated a year ago, our marketplace has witnessed the proliferation of new low-cost and boutique market entrants, creating additional market tiers which allow Imaginatik the opportunity to add extra weight to the full value proposition we offer to clients; expand our footprint in both new and existing accounts; and develop a new upper tier to the provider value chain.

Imaginatik has formulated a market strategy to take full advantage of this move towards the mainstream. In 2010, Imaginatik's sales efforts have been re-focused on top decision-makers in order to sell comprehensive innovation programs and solutions at the highest level. We hope this will translate to higher average deal size, as well as increased value to the client due to the level of returns we can provide.

As the pioneer of Idea Management, and the longest-standing and most experienced of all today's innovation providers, Imaginatik now consistently leverages our deep knowledge of

innovation best-practices to offer market-leading advisory and training services. This complements our traditional emphasis on best-in-class innovation software technology. By packaging high-end innovation consulting services together with configurable software systems, Imaginatik will seek to continue to set the standard for a marketplace which looks set to enter the mainstream.

### **Outlook**

It has been a difficult 12 months for the Company, prompting a significant reorganisation of the business and a fund raising. We still have considerable work to do but are approaching it with a clear strategy, a stronger management team, a focused product direction, a fully motivated workforce and what we consider to be a sensible degree of optimism tempered with realism.

**Matt Cooper**  
**Executive Chairman**  
15 December 2010

**Condensed unaudited consolidated interim statement of Comprehensive Income  
For the six months ended 30 September 2010**

		Unaudited 6 months to 30 Sept 2010	Unaudited 6 months to 30 Sept 2009	Audited Year to 31 March 2010
	<i>Note</i>	£'000	£'000	£'000
<b>Revenue</b>		1,481	2,274	4,550
Cost of sales		(166)	(164)	(326)
<b>Gross profit</b>		<u>1,315</u>	<u>2,110</u>	<u>4,224</u>
Administrative expenses		(2,734)	(2,758)	(5,653)
<b>Operating loss before financing and taxation</b>		<u>(1,419)</u>	<u>(648)</u>	<u>(1,429)</u>
Operating loss before share option costs		(1,334)	(566)	(1,245)
Share option costs		(85)	(82)	(184)
Finance income/(costs)		-	1	(2)
<b>Loss on ordinary activities before taxation</b>		<u>(1,419)</u>	<u>(647)</u>	<u>(1,431)</u>
Taxation expense		-	-	(7)
<b>Loss on ordinary activities for the period</b>		<u>(1,419)</u>	<u>(647)</u>	<u>(1,438)</u>
Basic and diluted loss per share (p)	4	<u>(0.76)</u>	<u>(0.05)</u>	<u>(0.96)</u>

All amounts are attributable to equity holders of the parent, and all arise from continuing operations. No amounts were recognised directly in equity, and therefore no separate statement of comprehensive income has been presented.

**Condensed unaudited consolidated interim Statement of Financial Position  
As at 30 September 2010**

	<b>Unaudited 30 Sept 2010 £000</b>	<b>Unaudited 30 Sept 2009 £000</b>	<b>Audited 31 March 2010 £000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	125	130	152
Intangible assets	134	154	161
Trade & other receivables	52	675	-
	<u>311</u>	<u>959</u>	<u>313</u>
<b>Current assets</b>			
Trade and other receivables	1,776	1,554	1,596
Cash and cash equivalents	563	1,340	1,506
	<u>2,339</u>	<u>2,894</u>	<u>3,102</u>
<b>Total assets</b>	<u>2,650</u>	<u>3,853</u>	<u>3,415</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	133	99	99
Share premium	4,651	3,919	3,919
Other reserves	6 (3,650)	(1,627)	(2,316)
<b>Total equity attributable to equity holders of the parent</b>	<u>1,134</u>	<u>2,391</u>	<u>1,702</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	-	-	230
<b>Total non-current liabilities</b>	<u>-</u>	<u>-</u>	<u>230</u>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	-	6	-
Trade and other payables	1,516	1,456	1,483
	<u>1,516</u>	<u>1,462</u>	<u>1,483</u>
<b>Total liabilities</b>	<u>1,516</u>	<u>1,462</u>	<u>1,713</u>
<b>Total equity and liabilities</b>	<u>2,650</u>	<u>3,853</u>	<u>3,415</u>

**Condensed unaudited consolidated interim statement of cash flows**  
**For the six months ended 30 September 2010**

	<b>Unaudited 6 months to 30 Sept 2010 £000</b>	<b>Unaudited 6 months to 30 Sept 2009 £000</b>	<b>Audited Year to 31 March 2010 £000</b>	
<b>Cash outflows from operating activities</b>	7	(1,694)	(1,171)	(866)
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment		(10)	(82)	(172)
Acquisition of intangible fixed assets		(5)	(34)	(77)
<b>Net cash outflow from investing activities</b>		(15)	(116)	(249)
<b>Cash flows from financing activities</b>				
Net proceeds from the issue of share capital		766	1,505	1,505
Repayment of borrowings		-	(14)	(20)
<b>Net cash inflow from financing activities</b>		766	1,491	1,485
Net (decrease)/increase in cash and cash equivalents		(943)	204	370
Cash and cash equivalents at start of period		1,506	1,136	1,136
<b>Cash and cash equivalents at end of period</b>		563	1,340	1,506

**Condensed unaudited consolidated interim statement of changes in equity  
For the six months ended 30 September 2010**

	<b>Share capital £000</b>	<b>Share premium £000</b>	<b>Share option reserve £000</b>	<b>Retained earnings £000</b>	<b>Total £000</b>
<b>Balance at 1 April 2009</b>	83	2,430	336	(1,398)	1,451
Loss for the period		-	-	(647)	(647)
Share option costs	-	-	82	-	82
Shares issued	16	1,489	-	-	1,505
	16	1,489	82	(647)	940
<b>Balance at 30 September 2009</b>	99	3,919	418	(2,045)	2,391
Loss for the period		-	-	(791)	(791)
Share option costs	-	-	102	-	102
Shares issued	-	-	-	-	-
	-	-	102	(791)	(689)
<b>Balance at 31 March 2010</b>	99	3,919	520	(2,836)	1,702
Loss for the period		-	-	(1,419)	(1,419)
Share option costs	-	-	85	-	85
Shares issued	34	732	-	-	766
	34	732	85	(1,419)	(568)
<b>Balance at 30 September 2010</b>	133	4,651	605	(4,255)	1,134

## **Notes to the unaudited condensed consolidated interim financial statements**

### **1. Background**

Imaginatik plc (the "Company") is a company domiciled in the United Kingdom. The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 September 2010 comprise the Company and its subsidiary (together referred to as the "Group").

The condensed consolidated interim financial statements were authorised for issuance on (15 December 2010).

The interim financial statements are not statutory accounts for the purposes of S435 of the Companies Act 2006. The comparative figures for the year ended 31 March 2010 are not the Company's statutory accounts for that financial year. The financial information for the year ended 31 March 2010 is based on the statutory accounts for the financial year ended 31 March 2010 restated for the effects of the adoption of International Financial Reporting Standards in issue and adopted for use in the European Union ("IFRSs"). Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

### **2. Basis of preparation**

The financial statements are presented in pounds sterling, rounded to the nearest thousand, unless stated otherwise. They are prepared on the historical cost basis.

These interim financial statements have been prepared using accounting policies based on IFRS as adopted by the European Union (including IAS and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC")) that are expected to be applicable for the full reporting year in 2010. These remain subject to ongoing amendment and/or interpretation and are therefore subject to possible change. Consequently, information contained in these interim financial statements may need updating for any subsequent amendments to IFRS, or for any new standards that the Group may elect to adopt early.

The accounting policies have been applied consistently throughout the Group for purposes of these condensed unaudited consolidated interim financial statements.

### **3. Barter transactions**

During the period barter transactions totaling £6,051 (6 months ended 30 September 2009: £198,633; year ended 31 March 2010: (£229,392)) were entered into. No profit or loss was recorded on these transactions.

#### 4. Loss per share

##### Basic loss per share

The calculation of basic loss per share for the period ended 30 September 2010 was based on the loss attributable to ordinary shareholders of £1,419,174 (period ended 30 September 2009: £647,179; year ended 31 March 2010: £1,438,895) and a weighted average number of ordinary shares outstanding during the period ended 30 September 2010 of 184,738,713 (period ended 30 September 2009: 140,267,985; year ended 31 March 2010: 149,297,866).

##### Diluted loss per share

The options in place during the periods ended 30 September 2010 and 30 September 2009 and during the year ended 31 March 2010 are considered to have an anti-dilutive effect. Therefore, basic and diluted loss per share is the same for each of the three periods.

#### 5. Segment reporting

Segment information is presented in the condensed consolidated interim financial statements in respect of the Group's geographical segments, which are the primary basis of segment reporting. The geographical segment reporting format reflects the Group's management and internal reporting structure.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

##### Geographical segments

The Group's operations comprise the following main geographical segments, determined on the basis of the location of customers:

	<b>Unaudited 6 months to 30 Sept 2010 £000</b>	<b>Unaudited 6 months to 30 Sept 2009 £000</b>	<b>Audited Year to 31 March 2010 £000</b>
<b>Segment revenue</b>			
United States of America	1,337	1,966	4,073
Rest of the world	144	308	477
	<u>1,481</u>	<u>2,274</u>	<u>4,550</u>
<b>Segment (loss)</b>			
United States of America	(752)	(236)	(1,275)
Rest of the world	(667)	(411)	(163)
	<u>(1,419)</u>	<u>(647)</u>	<u>(1,438)</u>

## 6. Share Capital and Reserves

	Unaudited 6 months to 30 Sept 2010 £000	Unaudited 6 months to 30 Sept 2009 £000	Audited Year to 31 March 2010 £000
<b>Share Capital</b>			
At the beginning of the period	99	83	83
Shares issued	34	16	16
<b>At the end of the period</b>	<u>133</u>	<u>99</u>	<u>99</u>
<b>Share premium</b>			
At the beginning of the period	3,919	2,430	2,430
Shares issued in the period, net of expenses	732	1,489	1,489
<b>At the end of the period</b>	<u>4,651</u>	<u>3,919</u>	<u>3,919</u>
<b>Other reserves</b>			
At the beginning of the period	(2,316)	(1,062)	(1,062)
Loss for the period	(1,419)	(647)	(1,438)
Share-based payments	85	82	184
<b>At the end of the period</b>	<u>(3,650)</u>	<u>(1,627)</u>	<u>(2,316)</u>

## 7. Cash flows from operating activities

	Unaudited 6 months to 30 Sept 2010 £000	Unaudited 6 months to 30 Sept 2009 £000	Audited Year to 31 March 2010 £000
<b>Operating loss</b>	(1,419)	(648)	(1,429)
Depreciation of tangible fixed assets	37	43	112
Amortisation of intangible fixed assets	31	34	70
Net interest expense	-	1	(2)
Share-based payment expense	85	82	184
Corporation tax paid	-	-	(7)
(Increase) in trade and other receivables	(231)	(677)	(45)
(Decrease) / increase in payables	(197)	(6)	251
<b>Net cash from operating activities</b>	<u>(1,694)</u>	<u>(1,171)</u>	<u>(866)</u>

## 8. Availability of announcement

Copies of this announcement will be available from the Company's offices at 6 Wessex Way, Colden Common, Winchester SO21 1WP and from its website, [www.imaginatik.com](http://www.imaginatik.com).