

17 November 2009

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

*Imaginatik plc (AIM: IMTK.L), a provider of enterprise collaboration software and services for innovation, announces its unaudited Interim Results for the half year ended 30 September 2009.*

**Financial Highlights**

- Turnover up 26% to £2.27m (H1 2008: £1.80m)
- Cash and cash equivalents of £1.34m (H1 2008: £0.49m)
- Annual recurring revenues up 8% to £3.17m as at 30 September 09 (H1 2008: £2.93m)
- Operating loss before share based payments increased to £0.57m (H1 2008: loss £0.22m)
- Increased spend on Sales and Marketing £0.89m (H1 2008: £0.62m)

**Corporate Highlights**

- Innovation market growing rapidly with validation from Gartner Group on evolution of "idea management" software sector
- Significant multi-year deals signed in the half with clients including State Farm Insurance, a global financial services company, and a leading US hospital system
- Secured £1.58 million of new funds via a placing of new shares to accelerate growth
- Significant expansion of the sales team and marketing activities
- Investment in new enhanced version of our core product, Idea Central V10, on track for January 2010 launch
- Post period end, appointment of Matthew Cooper as Non-executive Chairman

**Chief Executive, Mark Turrell commented:** "Imaginatik enjoyed a strong close to the first half year, growing turnover by 26% despite the backdrop of a challenging global economy. We secured several significant multi-year deals with organisations in insurance, manufacturing, financial services and healthcare.

"Innovation is firmly back on the corporate agenda, as is the use of collaboration software to support innovation. As one of the pioneers in the space, we are delighted that industry analysts predict Idea Management to be on track to be a mainstream business application within the next two years, having successfully navigated the technology 'chasm'. So far this year we have made significant investments in sales, marketing and in our core software platform, and we are confident that we will be able to take advantage of our current and future market opportunity as the market expands."

**For further information please contact:**

Imaginatik plc  
Mark Turrell, CEO / Shawn Taylor, CFO

Tel: 020 7917 2975

Arbuthnot Securities Limited  
Tom Griffiths

Tel: 020 7012 2000

ICIS  
Caroline Evans-Jones / Hilary Millar

Tel: 020 7651 8688

## **About Imaginatik**

Imaginatik is a provider of Innovation Management and Collective Intelligence software and services. The world's leading companies use the Company's Idea Central software platform and consulting services to identify and develop the important ideas and strategies that will drive the future of their business. For more than 10 years, Imaginatik has helped customers including CSC, Pfizer, Boeing, Chubb and Cargill achieve outstanding results with the experience of its consulting team and highly configurable web-based software.

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, UK. Imaginatik is committed to ongoing research into the nature of human networks, innovation and collective intelligence. The Company collaborates with several academic institutions including the IXL Center at Hult International Business School.

For further information please visit <http://www.imaginatik.com>

## **Chairman's Statement**

On joining the Board of Imaginatik in October this year, it was clear to me that the business had valuable software, a strong reputation for customer service, excellent consultancy capabilities and an outstanding customer base, which includes some of the largest companies in the world. The Company's unique experience and insight into corporate collaboration has the potential to enable complex and significant business problems to be solved; driving forward innovation and change at a rate previously unachievable without the assistance of technology. I therefore believe the future for Imaginatik to be an exciting one.

The first half of this year has been another period of significant development for Imaginatik. Against a backdrop of a challenging global economy, revenues have grown by 26% and through the support of the investors the Company successfully raised an additional £1.58 million of new funds by way of a share placing to drive future growth. As was flagged at the time of the AGM in July 2009, the start of this financial year was particularly quiet. However, the increased spend in sales and marketing and a renewed market interest in innovation resulted in the closing of several multi-year deals later in the half, increasing average contract values and a growing amount of upsell. The benefits of these activities combined with the investment of the funds raised in the Placing are expected to emerge in the second half with the full benefits being evidenced in the next financial year.

The pipeline of new business and the expected level of contract renewals remain high as we move into the traditionally stronger second half of the year. Combined with a significant recurring revenue base, we believe that Imaginatik remains well positioned to capitalise on the opportunities.

I would like to thank all our employees, customers, partners and investors for their continued support and look forward to helping Mark and the team continue to grow the business.

**Matthew Cooper**

Non-Executive Chairman

17 November 2009

## Chief Executive's Review

Imaginatik continues to make solid progress, growing revenues whilst investing for the future. The collaborative innovation market continues to grow at pace, particularly in the U.S. where we are seeing an increased level of interest in our business offering. This half has seen us solidify our position in the healthcare and insurance markets, make further progress in financial services, and enter the U.S. Government sector for the first time. Average contract values have increased year-on-year and it is encouraging to see an increased number of multi-year deals being signed.

Our software and services are designed to help companies both innovate and improve their internal processes. In the last 18 months we have aided companies implement programs for New Product Development, Research and Development, Open Innovation, Sustainability, CSR, and lean process improvements. Our major clients, which include Boeing, Chubb, Pfizer, State Farm and Whirlpool, benefit by leveraging the collective intelligence of their employee base and third parties to solve problems faster, more cheaply and with higher quality than traditional tools.

I would like to highlight five areas of particular importance in understanding our market place:

- There is a growing trend towards engaging consumers and other large groups of people in working together to solve problems and create new things. In the consumer internet world this is termed 'crowdsourcing', and in the enterprise world this is called 'collective intelligence'.
- Our technology and services have been designed explicitly to help companies manage both innovation and process improvement, giving us comfort that our services would still be needed in an economic downturn, as we have just experienced.
- Innovation is back on the corporate agenda in a major way. According to the Bain Management Tools and Trends Study 2009, 75% of executives plan to use the recession to improve their competitive position, and 76% believe that innovation is more important than cost reduction for long-term success.
- Gartner Group's recent White Paper on Emerging Technologies positions 'Idea Management', Imaginatik's core offering for collaborative innovation, as two years away from mainstream adoption. Having successfully passed the "trough of disillusionment", Idea Management joins similar Web 2.0 social technologies such as microblogging (Twitter for the enterprise) and wikis.
- There has been an influx of venture capital and private equity investment in the area of idea management and collaborative innovation, with more than \$40 million raised, primarily by US businesses in the past few months. This activity shows that there is a belief that this is a growing market that will be a successful space for specialised enterprise software vendors, such as Imaginatik.

We believe Imaginatik has a strong competitive position in this market space:

- The Company has a strong research focus, based on the Ph.D. work of its co-founders Mark Turrell and Dr. Yvonne Lindow, and continues to carry out research to drive our product and service development, both internally and with universities.
- Imaginatik has the broadest amount of practical, multi-year deployment experience across a range of different industries.
- We have a good position as industry thought leader, giving us influence and leverage in guiding the direction of the industry.

- Our software platform is very flexible and has handled a wide variety of customer uses without undue customisation or consulting work.

In my view we are entering a new stage in Imaginatik's – and the market's – evolution. We are well placed to take advantage of the new focus on innovation, and I believe the investments that we have made, and continue to make, will be successful, supporting growing customer numbers and achieving our market potential.

## **Financial Review**

Turnover for the six months ended 30 September 2009 grew by 26% to £2.27 million (H1 2008: £1.80 million). This growth was driven mainly by new customer acquisition and increasing average contract value. The revenue split between geographies has moved slightly more in favour of the U.S., being 86% U.S. and 14% Rest of World compared to a 78%:22% split in the first half of the previous year.

Annual recurring revenues have grown by 8% to £3.17 million at 30 September 2009, from £2.93 million at 30 September 2008.

As in previous years, our renewals continue to be predominantly second half weighted, and we continue to seek ways to adjust this balance over time.

In August 2009 we raised £1.58 million before expenses through a placing of 26,266,666 new ordinary shares of 0.0625 pence each at a price of 6 pence per share. The net proceeds of the Placing are being used to provide the Company with the resources to pursue its growth plans and for general working capital purposes.

Spending on Sales and Marketing increased significantly in the half to £0.89 million (H1 2008: £0.62 million) resulting in total operating costs, before share option charges, increasing 41% in the half to £2.84 million (2008: £2.02 million). The Company reported an increased operating loss before share option costs of £0.57 million compared to an operating loss in 2008 of £0.22 million.

Cash and cash equivalents at the half year end remained strong at £1.34 million (H1 2008: £0.49 million) and with trade and other receivables of £2.23 million (H1 2008: £1.58 million) the Company has significant financial resources to continue the development of the business.

## **Sales and Marketing**

As a result of the new funds secured by way of the Placing in August 2009, we have been able to continue our investment in extending our sales team. We have doubled the size of the sales team since the start of the financial year, and are looking to add further headcount in the second half. This significantly enhanced team, which is predominately based in the US, is now arranged into teams divided between new business generation, upsell opportunities, renewals and front-end lead generation.

While we have signed fewer new customers in the half compared with last year, we have been successful in signing larger, multi-year contracts rather than smaller pilot projects. In the period, we signed four new customers onto annual licenses and a number of pilot projects, which are all delivered via the Software as a Service (SaaS) model. We continue to sell across a range of verticals adding new clients from the telecommunications, public and manufacturing sectors.

We invested in increased marketing activities during the period. Our US PR campaign launched in the period has started to show promising results to raise our profile, and we have started to engage with industry analysts in order to capitalise on the growing awareness of our market, particularly with the upcoming launch of Idea Central Version 10. We have put considerable effort towards enhancing our web presence and will be launching an improved website in the second

half of the year. The internet continues to be a significant driver of new business and we believe this increased web presence will work towards securing new business leads.

It is said that a company's best sales people are its own clients, and Imaginatik is no exception. The Imaginatik Global Forum, a community event for our clients, prospects and partners, was held in Boston in October 2009, and attracted a record level of attendees. We are in the process of planning our European event for February 2010, and a series of regional events across the US to further expand our 'client sales team'.

### **Customer Case Studies**

Idea Central continues to deliver significant results for some of the world's leading organisations. Some examples of projects implemented over the year through the use of our software are as follows;

- *Boeing taps its managers worldwide to enhance business decision making:* The US-based global aerospace leader wished to rapidly secure feedback from 8,000 managers on ways to improve decision support. A rapidly executed idea campaign yielded 35% participation across Boeing, generating new ideas on making smarter business decisions. Rob Williams, Senior Manager Innovation & Integration at Boeing IDS stated, "The work we've done with Idea Central enables us to reach broadly and deeply into our diverse enterprise to harvest new business and process improvement ideas."
- *Goodyear strengthens bonds with suppliers through collaborative innovation efforts:* A world leader in tire manufacturing, Goodyear wished to take better advantage of the technical knowledge and research advances of its strategic suppliers. A collaborative innovation event achieved 100% participation and jump-started a new channel for Goodyear's collaboration with suppliers. Yves Sinner, Idea Portfolio Manager at The Goodyear Tire and Rubber Company, stated "Goodyear's success is in creating a productive, efficient and secure environment for solving complex problems collaboratively within the supply chain. We see Imaginatik as an important part of that success."

### **Product and Services**

During the period we have significantly progressed work on Version 10 of our software platform, with a substantial overhaul of the user interface and new tools to support Web 2.0 social computing and community requirements. The product is entering its Beta phase in December 2009, and will be launched to clients in January 2010, in line with plan.

We have further advanced our work on the ChemBioConnect product, launched in August 2009, working closely with Pfizer and our co-development partner, CambridgeSoft. The product adds collaboration and workflow functionality to the market leading chemistry and biology visualisation software, and early customer feedback indicates that it is a revolutionary approach to chemistry for large organisations.

To deliver these improvements, we have added further in-house capacity to Development, and engaged contract resources to allow us to deliver more functionality faster and with more confidence.

### **Outlook**

Following a slow start to the year, Imaginatik enjoyed a strong close to the first half, growing turnover by 26% despite the backdrop of a challenging global economy. We secured several significant multi-year deals with organisations in insurance, manufacturing, financial services and healthcare. The Placing carried out in August 2009 has enabled us to continue our accelerated investment into sales and marketing which we believe positions us well as we enter our

traditionally stronger second half of the year. With innovation back on the agenda and a significant level of renewals expected to close in the second half, we remain confident of a successful outcome to the year and the continued growth of Imaginatik.

**Mark Turrell**  
Chief Executive  
17 November 2009

**Condensed unaudited consolidated interim income statement  
For the six months ended 30 September 2009**

	<b>Unaudited 6 months to 30 Sept 2009 £'000</b>	<b>Unaudited 6 months to 30 Sept 2008 £'000</b>	<b>Audited Year to 31 March 2009 £'000</b>
<b>Note</b>			
<b>Revenue</b>	2,274	1,801	4,581
Staff costs	(1,504)	(1,159)	(2,643)
Depreciation written off tangible non-current assets	(43)	(30)	(66)
Amortisation written off intangible non-current assets	(34)	(17)	(43)
Other external charges	(164)	(136)	(312)
Other operating charges	(1,177)	(712)	(1,622)
<b>Operating loss before financing and taxation</b>	<b>(648)</b>	<b>(253)</b>	<b>(105)</b>
<hr/>			
Operating (loss)/profit before share option costs	(566)	(220)	128
Share option costs	(82)	(33)	(233)
<hr/>			
Finance costs	-	(2)	(7)
Finance income	1	5	9
<b>Loss on ordinary activities before taxation</b>	<b>(647)</b>	<b>(250)</b>	<b>(103)</b>
<hr/>			
Taxation expense	-	-	-
<b>Loss on ordinary activities for the period</b>	<b>(647)</b>	<b>(250)</b>	<b>(103)</b>
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Basic and diluted loss per share (p)	4 (0.05)	(0.19)	(0.08)

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 balance sheet

	<b>Unaudited 30 Sept 2009 £000</b>	<b>Unaudited 30 Sept 2008 £000</b>	<b>Audited 31 March 2009 £000</b>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	130	69	91
Intangible assets	154	83	154
Trade & other receivables	675	-	-
	<hr/>	<hr/>	<hr/>
	959	152	245
<b>Current assets</b>			
Trade and other receivables	1,554	1,582	1,552
Cash and cash equivalents	1,340	494	1,136
	<hr/>	<hr/>	<hr/>
	2,894	2,076	2,688
<b>Total assets</b>	<hr/> <b>3,853</b>	<hr/> <b>2,228</b>	<hr/> <b>2,933</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	99	82	83
Share premium	3,919	2,403	2,430
Retained earnings	6 (1,627)	(1,409)	(1,062)
<b>Total equity attributable to equity holders of the parent</b>	<hr/> <b>2,391</b>	<hr/> <b>1,076</b>	<hr/> <b>1,451</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	-	5	-
<b>Total non-current liabilities</b>	<hr/> <b>-</b>	<hr/> <b>5</b>	<hr/> <b>-</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	6	27	20
Trade and other payables	1,456	1,120	1,462
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	1,462	1,152	1,482
<b>Total equity and liabilities</b>	<hr/> <b>3,853</b>	<hr/> <b>2,228</b>	<hr/> <b>2,933</b>

**Condensed unaudited consolidated interim statement of cash flows**  
**For the six months ended 30 September 2009**

	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>	
	<b>6 months</b>	<b>6 months</b>	<b>Year to 31</b>	
<i>Note</i>	<b>to 30 Sept</b>	<b>to 30 Sept</b>	<b>March 2009</b>	
	<b>2009</b>	<b>2008</b>	<b>£000</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
<b>Cash flows from operating activities</b>	7	(1,171)	(782)	1
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment		(82)	(39)	(97)
Acquisition of intangible fixed assets		(34)	-	(98)
<b>Net cash from investing activities</b>		(116)	(39)	(195)
<b>Cash flows from financing activities</b>				
Net proceeds from the issue of share capital		1,505	237	264
Repayment of borrowings		(14)	(12)	(24)
<b>Net cash from financing activities</b>		1,491	225	240
Net increase /(decrease) in cash and cash equivalents		204	(596)	46
Cash and cash equivalents at start of period		1,136	1,090	1,090
<b>Cash and cash equivalents at end of period</b>		1,340	494	1,136

## **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 2009 comprise the Company and its subsidiary (together referred to as the "Group").

The condensed consolidated interim financial statements were authorised for issuance on 17 November 2009.

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 2009 are not the Company's statutory accounts for that financial year. The financial information for the year ended 31 March 2009 is based on the statutory accounts for the financial year ended 31 March 2009 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 237(2) or (3) of the Companies Act 1985.

### **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 2009. 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 £198,633 (6 months ended 30 September 2008: £80,000; year ended 31 March 2009: £ 246,000) 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 2009 was based on the loss attributable to ordinary shareholders of £647,179 (period ended 30 September 2008: £249,659; year ended 31 March 2009: £102,428) and a weighted average number of ordinary shares outstanding during the period ended 30 September 2009 of 140,267,985 (period ended 30 September 2008: 126,304,402; year ended 31 March 2009: 129,258,575).

##### Diluted loss per share

The options in place during the periods ended 30 September 2009 and 30 September 2008 and during the year ended 31 March 2009 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 2009 £000</b>	<b>Unaudited 6 months to 30 Sept 2008 £000</b>	<b>Audited Year to 31 March 2009 £000</b>
<b>Segment revenue</b>			
United States of America	1,966	1,397	3,699
Rest of the world	308	404	882
	<hr/> 2,274	<hr/> 1,801	<hr/> 4,581
<b>Segment (loss)/profit</b>			
United States of America	(236)	(135)	(68)
Rest of the world	(411)	(115)	(35)
	<hr/> (647)	<hr/> (250)	<hr/> (103)

## 6. Share Capital and Reserves

	Unaudited 6 months to 30 Sept 2009 £000	Unaudited 6 months to 30 Sept 2008 £000	Audited Year to 31 March 2009 £000
<b>Share Capital</b>			
At the beginning of the period	83	78	78
Shares issued	16	4	5
<b>At the end of the period</b>	<u>99</u>	<u>82</u>	<u>83</u>
<b>Share premium</b>			
At the beginning of the period	2,430	2,170	2,170
Shares issued in the period, net of expenses	1,489	233	260
<b>At the end of the period</b>	<u>3,919</u>	<u>2,403</u>	<u>2,430</u>
<b>Retained earnings</b>			
At the beginning of the period	(1,062)	(1,192)	(1,192)
Loss for the period	(647)	(250)	(103)
Share-based payments	82	33	233
<b>At the end of the period</b>	<u>(1,627)</u>	<u>(1,409)</u>	<u>(1,062)</u>

## 7. Cash flows from operating activities

	Unaudited 6 months to 30 Sept 2009 £000	Unaudited 6 months to 30 Sept 2008 £000	Audited Year to 31 March 2009 £000
<b>Operating loss</b>	(648)	(253)	(105)
Depreciation of tangible fixed assets	43	30	66
Amortisation of intangible fixed assets	34	17	43
Net interest expense	1	3	2
Share-based payment expense	82	33	233
(Increase)/decrease in trade and other receivables	(677)	(697)	(666)
Increase/(decrease) in payables	(6)	85	428
<b>Net cash from operating activities</b>	<u>(1,171)</u>	<u>(782)</u>	<u>1</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).