

23 June 2010

Imaginatik Plc
(“Imaginatik” or the “Company”)
Final Results

Imaginatik plc (AIM: IMTK.L), a provider of enterprise collaboration software and services for innovation, announces its unaudited Final Results for the year ended 31 March 2010.

Financial Highlights

- Turnover £4.6m (2009: £4.6m)
- Increased spend on Sales and Marketing £2.5m (2009: £1.6m)
- Loss before tax £1.4m (2009: loss £0.1m)
- Cash and cash equivalents of £1.5m (31 March 2009: £1.1m)

Corporate Highlights

- Successful launch of enhanced version 10 of Idea Central in January 2010 and subsequent addition of a mobile application
- Validation of the Idea Management market from leading research houses
- Significant multi-year deals signed with clients including State Farm Insurance, a global financial services company and a leading US hospital system

Post Year End

- In June 2010, CEO Mark Turrell left the Company by mutual consent. Matthew Cooper was appointed Interim Executive Chairman, Shawn Taylor appointed joint CFO and COO
- In May 2010, completion of delayed contract signing with existing customer, Goodyear
- New annual contract secured with Irving Oil

Matthew Cooper, Executive Chairman commented: “We enjoyed a strong first half of the year, signing several significant multi-year deals with new and existing customers. However, trading conditions have remained challenging and the second half did not see the increase in revenues which we had been expecting, falling short of ours and the market’s expectations.

“Whilst this is disappointing, Idea Central continues to be deployed in some of the world’s largest organisations, across multiple industries, and the enhancements we have made to our platform in the year have ensured we remain at the forefront of our industry. Our focus is now on the aggressive management of costs, while building a world-class sales and management team with the appropriate skills and expertise to grow the Company within a fast-moving marketplace.”

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About Imaginatik

Imaginatik is a provider of Innovation Management and Collective Intelligence software and services. Some of 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

Whilst the past year saw the addition of some great new customers to our client base and the launch of an exciting new version of our software, the financial results for the year were significantly below our original expectations. The strong increase in revenues in the first half of the financial year was not repeated in the second half. Whilst we still enjoy a relatively high level of recurring revenue we did not secure as many new customers as we had anticipated, resulting in a shortfall in revenues. This drop in the level of business in the second half came as a result of a combination of difficult trading conditions, which we are still experiencing, and some structural issues within the sales operations which are being addressed.

I am pleased to report that one of the contracts scheduled for closure in Q4 with an existing client, Goodyear, has subsequently been secured in Q1 of the current year and we are in contract negotiations with a number of other prospects.

Whilst we have seen some excellent validation of our marketplace by industry research firms during the year, idea management and collaborative innovation are still yet to become mainstream business processes and as such the amount of sales and marketing effort required to convert new customers continues to be relatively high. We have one hugely valuable asset in this respect, which is our extremely supportive customer base, many of whom continue to be happy to publish the excellent results they have achieved using Idea Central. However, we are still refining our sales and marketing efforts. Our commitment to this is demonstrated through the recent hire of an Interim Vice President of Sales, under whose guidance we intend to build a world-class sales team.

Following the year end, CEO Mark Turrell left the Company by mutual consent and I stepped into the role of Executive Chairman pending the appointment of a full time Chief Executive and subsequently Shawn Taylor, CFO took on the additional role of Chief Operating Officer. The Board is committed to bolstering the senior management team, in order to fortify areas which require specific skills and experience. We intend over the course of the year ahead to be able to announce several senior hires to ensure the Company has the right composition to succeed.

The market opportunity for Imaginatik remains significant. The proliferation of social networking sites, instant messaging platforms and the increased usage of software delivered via the internet in the business environment are all factors which we believe are combining to open the door for collaborative innovation in the workplace. Businesses and their leaders continue to face many large scale challenges, which our software and consultancy can help them overcome. Our challenge is to ensure that we are communicating the right messages to these business leaders in order to secure an increasing level of new business.

I would like to thank our employees, partners, customers and shareholders for their continued support and look forward to working with them in taking Imaginatik forward.

Matthew Cooper
Executive Chairman
23 June 2010

Operational Review

Whilst the financial results achieved this year have been disappointing, several of our key metrics have demonstrated continued progress. The average contract value has increased by 27% and there is clearly a growing appetite for longer-term, multi-year contracts not seen in previous years. This gives us confidence that the organisations purchasing our software and consultancy have a strong understanding of the merits of idea management and collaborative innovation and are willing to make a significant long-term commitment to it.

Imaginatik continues to hold several significant competitive advantages in the collaborative innovation market. We have the broadest amount of practical, multi-year deployment experience across a range of different industries. Our software platform is very flexible and has handled a wide variety of customer uses at scale without undue customisation or consulting work. We have over 10 years of experience and expertise gained through working with some of the world's most demanding companies. As highlighted in the Interim Results statement, the industry is becoming more competitive as it begins to move towards the mainstream. To that end we have invested significantly in our software platform over the year to ensure that we remain competitive. Our plans are to diversify out of a single product offering, developing solutions for specific verticals and increasing the size of our development team.

Whilst we secured some excellent new client wins during the year, within sectors such as healthcare, insurance, financial services and technology and have increased the size of deals to current clients, including Kelloggs and Chubb Insurance, we did not secure as many new clients as we had anticipated, especially in the second half of the financial year. This is in part due to the difficult global economic circumstances but also due to structural issues within our sales operations. These issues are being addressed; we have recently appointed an Interim Vice President of Sales to take responsibility for the function and one of his early goals is to seek a permanent U.S. based sales manager. We will give further updates to shareholders on this restructuring in due course.

In the face of ongoing economic pressures we are aggressively managing costs, aligning the Company in terms of size, operations and structure to the current market opportunity.

Financial Review

Turnover for the year ended 31 March 2010 was broadly the same, year on year at £4.6m (2009: £4.6m). 20% of this revenue was derived from up-selling our software and services into existing customers, 29% from selling into new clients, and 51% from recurring business (2009: 18:33:49%). We added an additional 6 new customers on annual contracts during the course of the year (2009: 11). The US continues to be our core market and the percentage of revenues received from the region grew this year to 90% (2009: 81%) with the remaining 10% made up from the Rest of the World (2009: 19%).

Due to a number of contract cancellations, largely driven by the deteriorating economic climate, annual recurring revenues have decreased by 32% to £2.2m (2009: £3.3m).

Total operational costs increased 30% in the year to £5.7m (2009: £4.4m). This rise in cost base is a consequence of the significant investment we have made in strengthening our sales and marketing capabilities in the expectation of driving future revenues. As a result of this substantial rise in the cost base and lower than anticipated revenues, our operating loss before tax has increased to £1.4m (2009: loss of £0.1m).

In August 2009 we raised £1.49 million net of 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.

Our cash position has strengthened over the year with cash and cash equivalents at the year end standing at £1.51m (2009: £1.14m) and net total equity attributable to shareholders has risen to £1.70m (2009: £1.45m).

Sales and Marketing

During the first half of the year we grew our sales team from seven to 10 people. However, the deterioration in new business wins in the second half of the year caused us to carry out some restructuring to the team. We are now putting in place new management and reporting systems and we are pleased to welcome, after the year end, Giles Howard as Interim Vice President of Sales. Giles is working alongside the existing management team with specific responsibility for building Imaginatik's sales team and helping to identify a permanent candidate for the position. Giles has extensive commercial and sales-based experience with a career spanning over 20 years in various aspects of the sales industry.

In the year, we signed six 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.

Post the year end we closed two important contracts; the first a two year deal delayed from Q4 with Goodyear, a long-standing customer which has increased its use of Idea Central; the second a new customer win with Irving Oil in North America. We continue to be in contract discussions with several other existing and new customers, one of which remains delayed from Q4.

We increased our marketing budget during the year to support our sales efforts. This includes the launch of an enhanced new website in the second half of the year and an increased web presence. We have engaged with a U.S. PR agency and continue to have ongoing dialogue with industry analysts, aiming to capitalise on the growing awareness of our industry. We continue to build our sales pipeline through attendance at key industry events, including most recently the Front End of Innovation in Boston, the CFO summit in Florida and World Innovation Forum in New York.

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;

- *Fireman's Fund insurance company tap into deeply rooted culture of innovation:* The premier property and casualty insurer wished to identify the best ideas implemented and share them across the company, and also to embed innovation into its culture and practices. In the first year, Fireman's Fund achieved a 58% participation rate among all employees, collecting nearly 2,200 implemented ideas with an estimated business value in the millions of dollars. Jan Schultz, Senior Director of Innovation at Fireman's Fund Insurance Company, stated, "Fireman's Fund's goal is to make innovation a part of our culture – our everyday way of doing things. It can't be just the flavour of the day. We're on the path to achieving that now and Imaginatik has been an important partner on that journey."
- *Xerox generates high quality ideas through Idea Central event:* One of the world's leaders in technology sought to increase the number of top quality research ideas, provide measurable results, and fit well within the corporate culture. An Idea Central event by Imaginatik generated 10 times the amount of high quality ideas compared to the face-to-face approach, many of which were integrated into the company's research portfolio almost immediately. George Gibson, a leader within the Xerox Innovation Group, stated, "For our application, we found Idea Central to be the best, most integrated, and most comprehensive idea management software available on the market. We were really

impressed with the energy of the people at Imaginatik, and the openness of the community. We felt they were committed to making us successful.”

Product Development

During the year under report we have made significant investment in increasing the size of our product development team in order to enhance our software and solutions platform. Highlights of the period include the release in January 2010 of Idea Central 10, providing a major update to our award-winning collective intelligence software solution. We have also introduced Idea Central Mobile, which has been developed in collaboration with one of our clients, Chubb Insurance. The product was demonstrated recently at a Chubb conference in Boston allowing all conference attendees to participate in an Idea Central event from their mobile device.

Other product developments include a new solution that integrates Idea Central with Microsoft SharePoint. This module will enable clients to integrate Idea Central with other software products.

We shall seek to further strengthen our product range over the next year by introducing new offerings that complement the core Idea Central platform. These will include a portfolio tracking solution, advanced review and assessment tools, further focus on integration with enterprise systems and expanding access via mobile devices.

Board Changes

As previously announced, Matthew Cooper joined the Board of Imaginatik as non-executive Chairman on 9 October 2009 replacing Howard Marshall who retired from the Board following three years with the Company. The Board is grateful to Mr. Marshall for his contribution to the growth of the Company during his time with Imaginatik. His assistance throughout the IPO and the Company's first years as a public company was invaluable.

On the 22 December 2009, Geoffrey Carss, Executive Director responsible for Sales and Professional Services, resigned from the Board. The Board would like to thank Mr. Carss for his contribution to the development of Imaginatik over the past three years and wish him well in his future endeavours.

On the 7 June 2010, following the year end, the Company announced that Mark Turrell, CEO, left the Company by mutual consent. Matthew Cooper was appointed as interim Executive Chairman pending the appointment of a full time Chief Executive. Subsequently, on the 15 June 2010, Shawn Taylor, CFO, was appointed Chief Operational Officer and CFO, assuming responsibility for the operational management of the Company alongside his current financial responsibilities as CFO.

Outlook

The first quarter of the financial year is a traditionally slow one and that trend has continued this year although we have seen some improvement over the first quarter of 2009. We continue to sign new business and are particularly pleased to have entered the resource sector, one in which we have not previously had a presence.

Idea Central continues to be deployed in some of the world's largest organisations, across multiple industries, and the enhancements we have made to our platform in the year have ensured we remain at the forefront of our industry. Our focus is now on the aggressive management of costs, while building a world-class sales and management team with the appropriate skills and expertise to grow the Company within a fast-moving marketplace.

Shawn Taylor
COO & CFO
23 June 2010

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2010

	Note	2010 £	2009 £
Revenue	2	4,550,646	4,580,809
Cost of sales		<u>(326,267)</u>	<u>(302,386)</u>
Gross profit		4,224,379	4,278,423
Administrative expenses		<u>(5,653,189)</u>	<u>(4,382,790)</u>
Operating loss before financing and taxation		(1,428,810)	(104,367)
Operating (loss)/profit before share option costs		(1,244,933)	128,893
Share option costs		(183,877)	(233,260)
Finance (costs)/income		<u>(2,870)</u>	1,939
Loss on ordinary activities before taxation		(1,431,680)	(102,428)
Taxation expense		<u>(7,215)</u>	-
Loss on ordinary activities for the year		<u>(1,438,895)</u>	<u>(102,428)</u>
Loss per share: Basic and diluted	3	<u>(0.96p)</u>	<u>(0.08p)</u>

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2010

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total £
Balance at 1 April 2008	78,182	2,170,258	103,515	(1,295,934)	1,056,021
Loss for the year		-	-	(102,428)	(102,428)
Share option costs	-	-	233,260	-	233,260
Shares issued	4,738	259,678	-	-	264,416
	<u>4,738</u>	<u>259,678</u>	<u>233,260</u>	<u>(102,428)</u>	<u>395,428</u>
Balance at 31 March 2009	<u>82,920</u>	<u>2,429,936</u>	<u>336,775</u>	<u>(1,398,362)</u>	1,451,269
Loss for the year		-	-	(1,438,895)	(1,438,895)
Share option costs	-	-	183,877	-	183,877
Shares issued	16,595	1,488,945	-	-	1,505,540
	<u>16,595</u>	<u>1,488,945</u>	<u>183,877</u>	<u>(1,438,895)</u>	250,522
Balance at 31 March 2010	<u>99,515</u>	<u>3,918,881</u>	<u>520,652</u>	<u>(2,837,257)</u>	1,701,791

Consolidated Balance Sheet as at 31 March 2010

	2010		2009	
	£	£	£	£
ASSETS				
Non-current assets				
Property, plant and equipment	151,802		91,311	
Intangible assets	<u>161,359</u>		<u>154,239</u>	
		313,161		245,550
Current assets				
Trade and other receivables	1,596,020		1,551,522	
Cash and cash equivalents	<u>1,506,148</u>		<u>1,136,231</u>	
		3,102,168		2,687,753
Total assets		<u>3,415,329</u>		<u>2,933,303</u>
EQUITY AND LIABILITIES				
Equity				
Issued capital	99,515		82,920	
Share premium	3,918,881		2,429,936	
Share option reserve	520,652		336,775	
Retained earnings	<u>(2,837,257)</u>		<u>(1,398,362)</u>	
Total equity attributable to equity holders of the parent		1,701,791		1,451,269
Liabilities				
Non-current liabilities				
Other payables	<u>230,307</u>		-	
		230,307		-
Current liabilities				
Interest-bearing loans and borrowings	-		19,713	
Trade and other payables	<u>1,483,231</u>		<u>1,462,321</u>	
		1,483,231		1,482,034
Total liabilities		<u>1,713,538</u>		<u>1,482,034</u>
Total equity and liabilities		<u>3,415,329</u>		<u>2,933,303</u>

Consolidated Cash Flow Statement for the Year Ended 31 March 2010

	Note	2010		2009	
		£	£	£	£
Cash (outflows)/inflows from operating activities	6		(866,463)		781
Investing activities					
Acquisition of property, plant and equipment		(172,048)		(97,456)	
Acquisition of intangible assets		<u>(77,399)</u>		<u>(97,478)</u>	
Net cash used in investing activities			(249,447)		(194,934)
Net cash flow before financing activities			(1,115,910)		<u>(194,153)</u>
Financing activities					
Net proceeds from the issue of share capital		1,505,540		264,416	
Repayment of borrowings		<u>(19,713)</u>		<u>(24,522)</u>	
Net cash generated from financing activities			1,485,827		239,894
Net increase in cash and cash equivalents			369,917		<u>45,741</u>
Opening net cash and cash equivalents			<u>1,136,231</u>		<u>1,090,490</u>
Closing net cash and cash equivalents			<u>1,506,148</u>		<u>1,136,231</u>

Notes to the consolidated financial statements

1. Basis of preparation

The preliminary financial information has been prepared in accordance with IRFS (as adopted by the European Union), in accordance with the accounting policies as set out in the financial statements for the year ended 31 March 2009 and the AIM Rules for Companies. These preliminary results for the year ended 31 March 2010, which are not audited, do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative financial information for the year ended 31 March 2009 has been extracted from the full audited accounts of the group in respect of that financial period. These accounts received an unqualified audit opinion and did not contain a statement under either section 237(2) or (3) of the Companies Act 1985 and have been delivered to the Registrar of Companies. The statutory accounts for the 12 months ended 31 March 2010 will be finalised based on the announcement and will be delivered to the Registrar of Companies following the Company's annual general meeting.

2. Segmental reporting

The directors consider that the group has one class of business, being the provision of innovation software and related professional services. These services are provided to clients in different geographical areas using resources shared between those markets. Therefore segmental information is presented in respect of the group's geographical segments relating to where customers are based. This is the primary basis of segmental reporting. The geographical segmental reporting reflects the group's management and internal reporting structure.

Segmental results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The location of customers is not significantly different to the location of assets.

	2010 £	2009 £
Segmental revenue:		
United States of America	4,073,195	3,698,510
Rest of the World	477,451	882,299
	<u>4,550,646</u>	<u>4,580,809</u>
Segmental result:		
United States of America	(1,275,536)	(67,984)
Rest of the World	(163,359)	(34,444)
	<u>(1,438,895)</u>	<u>(102,428)</u>
Carrying amount:		
United States of America		
Assets	2,666,212	2,380,269
Liabilities	(1,336,531)	(919,413)
Rest of the World		
Assets	749,117	553,034
Liabilities	(377,007)	(562,621)
	<u>1,701,791</u>	<u>1,451,269</u>

Additions to property, plant and equipment, and

intangible assets:		
United State of America	172,321	58,774
Rest of the World	77,126	136,160
	<hr/>	<hr/>
	249,447	194,934
Other:		
Depreciation		
United States of America	79,811	49,422
Rest of the World	31,746	16,658
Amortisation		
United States of America	12,378	-
Rest of the World	57,901	42,865
Share option costs		
United States of America	34,937	53,650
Rest of the World	148,940	179,610
Other share-based payments		
Rest of the World	-	68,490

3. Earnings per share

Basic loss per share (EPS) has been calculated in accordance with IAS 33 'Earnings per share'. The calculation of EPS is based on losses of £1,438,895 (2009: £102,428) and on a weighted average number of ordinary shares in existence during the year of 149,297,866 (2009: 129,258,575).

The share options issued during the current and prior year are considered to be anti-dilutive, and therefore diluted EPS equals basic EPS.

4. Barter transactions

During the year barter transactions totalling £229,392 (2009: £246,000) were entered into by the Group. There was no profit or loss recorded on these transactions. At the year end there was deferred income balance of £5,900 (2009: £13,000) and deferred costs of £5,900 (2009: £13,000) in respect of barter transactions.

5. Share capital

	2010	2009
	£	£
Allotted, called up and fully paid		
132,671,917 ordinary shares of 0.0625p each	-	82,920
159,223,876 ordinary shares of 0.0625p each	99,515	-
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	99,515	82,920
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On 3 July 2009:

- 247,793 new ordinary shares of 0.0625p each with a fair value of £15,693 were issued to directors and other staff in lieu of accrued salary.

On 13 August 2009:

- 26,266,666 new ordinary shares of 0.0625p each were placed with investors for a net cash consideration of £1,487,597. Issue costs relating to the above placing were £88,402, and have been deducted from the share premium account.

On 20 August 2009:

- 37,500 new ordinary shares of 0.0625p each were issued for a net cash consideration of £2,250. This was in relation to the exercise of share options.

6. Reconciliation of operating loss to net cash (outflow)/ inflow from operating activities

	Group 2010	Group 2009
	£	£
Operating loss	(1,428,810)	(104,367)
Depreciation of tangible fixed assets	111,557	66,080
Amortisation of intangible fixed assets	70,279	42,865
Share option charge	183,877	233,260
Corporation tax paid	(7,215)	-
Net interest (paid)/ received	(2,870)	1,939
Operating cash flows before movements in working capital	(1,073,182)	239,777
Increase in trade and other receivables	(44,498)	(666,036)
Increase in payables	251,217	427,040
Net movement in working capital	206,719	(238,996)
Net cash from operating activities	(866,463)	781

7. Report and Accounts

Copies of the Company's unaudited preliminary results announcement are available from its offices at 6 Wessex Way, Colden Common, Winchester SO21 1WP and on its website, www.imaginatik.com. A copy of the Report and Accounts will be sent to all shareholders with notice of the AGM and will also be available on the Company's website.