

28 November 2011

**Imaginatik Plc**  
**(“Imaginatik” or the “Company”)**

**Interim Results**

Imaginatik plc (AIM: IMTK.L), a leading provider of enterprise innovation services including a range of technology products and consultancy, announces its unaudited interim results for the half year ended 30 September 2011.

**Summary**

- Results for the period in line with management’s expectations:
  - Revenues increased by 10% to £1.62 million (2010: £1.48 million)
  - Administrative expenses (before share-based payments) reduced by 28% to £1.90 million (2010: £2.65 million)
  - Operating loss before share-based payments reduced to £0.43 million (2010: £1.33 million)
  - R&D tax credit £0.11 million (2010: £nil)
  - Cash at period end of £0.24 million (30 September 2010: £0.56 million)
- Successful repositioning of Imaginatik as a full service Innovation Company
- New customers signed in the period include Cotton, Inc., Cementos Argos and Lubrizol
- High level of customer renewals in the period
- Over £2.8 million of revenue visibility as at 30 September 2011 (£2.0 million as at 30 September 2010) underpinning a substantial part of annual fixed overheads
- August 2011 Open Offer and associated Placing raised £1.04 million (before expenses)

**Matt Cooper, Executive Chairman**, commented, “Following the repositioning exercise carried out over the last 12 months together with further investment in our technology and a focus on expanding our consultancy expertise, Imaginatik now occupies a unique position in the innovation management market. Imaginatik is the only company with the proven capability to support the full spectrum of enterprise innovation, from idea generation through to implementation. We continue to assist some of the world’s leading organisations, such as the World Bank, Pfizer and Kellogg, create and implement sustainable innovation programmes and we are steadily adding to that roster. While the increase in revenues is modest, we believe that this, combined with the significant drop in costs, signifies a tangible turnaround in the fortunes of Imaginatik given the current economic climate and we therefore look forward with confidence.”

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**About Imaginatik**

Imaginatik provides Innovation and Idea management solutions comprised of consultancy, enterprise software and program management to deliver innovation results to companies such as The World Bank, NYSE, 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 is a World Economic Forum Technology Pioneer with offices in Boston, MA, and Winchester, UK. For more information visit [www.imaginatik.com](http://www.imaginatik.com).

## **Executive Chairman's Statement**

### **Operational Review**

I am pleased to report that Imaginatik has achieved good progress in the first half of the year. We have successfully implemented the strategy launched and described at the time of the Interim Results last year. Building upon our powerful technology platform and innovation consultancy expertise, we are on the path to becoming the strategic innovation partner of choice to some of the world's most successful enterprises. Software alone does not achieve the sustainable results which enterprises are seeking. We believe Imaginatik now occupies a unique position in its market as the only company with the proven ability to support sustainable enterprise innovation programmes through a combination of technology, consultancy and a repeatable process.

The results of the implementation of this strategy are three-fold. Not only does it significantly strengthen our competitive positioning, through having a more effective offering than the pure software suppliers, it significantly assists client retention and increases our revenue visibility as a result of the longer term nature of these contracts.

We have been pleased with the levels of growth achieved in the period. We added 3 new customers (2010: 2), maintained renewal rates at over 90% by customer number, and upsold additional projects to existing customers. This strong level of renewals and upsell follows the investment of considerable effort into developing and maintaining stronger relationships with our existing clients ensuring they use Innovation Central to its full capability. We have a strong pipeline of additional sales opportunities as we move into the second half of the year.

We continue to carefully monitor our level of expenditure while still investing for the future. Administrative expenses have been reduced significantly in the last 12 months, ensuring a closer alignment between expected annual recurring revenues and the annual cost base.

We were delighted to have secured an additional £1.04 million of funding from investors via a share placing and open offer in August 2011, demonstrating their faith in the business, and we are grateful for their ongoing support.

### **Product Development**

Our continuing goal is to help make the best companies even better by helping them develop a deep competency in innovation. In order to achieve that goal, we are continuing to expand our offering of products and services so that we can be a complete innovation partner to our clients. We believe we have made a great deal of progress towards that goal in the first half of the year, launching Discovery Suite and Results Engine as part of the extended Innovation Central platform.

Discovery Suite helps shape the front end of the innovation process by helping executives formulate their innovation strategy. Discovery Suite was developed in conjunction with innovation guru Rowan Gibson and is based on his "Four Lenses of Innovation" method for generating business insights and innovation opportunities. These opportunities are then fed into the pipeline of Innovation Central challenges.

Results Engine brings structure to the back end of the innovation process by helping companies measure innovation outcomes, track projects and increase transparency between all stakeholders

in the innovation process - executives, community members, and project teams. Results Engine extends Innovation Central so that ideas can seamlessly graduate from the Ideation and Decisions stages of our methodology into projects that generate a genuine return on investment. Results Engine is currently being used by a number of our clients and is generating significant interest from other existing customers.

Innovation Central continues to evolve with various new refinements incorporated this year, many of which have been based on customer feedback. The latest version of Innovation Central, to be released later this year, has been a collaboration with several of our customers, incorporating some of their suggestions into the core platform. This collaborative approach helps ensure their continued partnership and high levels of satisfaction.

We partnered with customers on two co-development projects during the period. The World Bank assisted in the development of a platform to support open innovation contests, helping them collaborate and generate ideas with member countries and the public. Altria helped us take Ask the Audience, our approach to crowdsourced Q&A forums, to the next level to help position this product for a multi-division roll-out.

We have a series of ongoing projects including revamping our evaluation tools to make the crucial Decisions stage fast, flexible and efficient. Advanced methods of evaluation will give innovation sponsors additional confidence in their ability to identify top concepts and invest additional resources in their development.

We are also building a template capability that will allow customers to save Innovation Central challenges and easily re-use them later. This will also enable Imaginatik engineers and consultants to build scalable, repeatable solutions - or playbooks - as extensions of our core platform. Playbooks will solve specific customer problems or support ongoing business processes, for example capital budget allocation and after action reviews.

The next major project we plan to undertake will be to tap into the wealth of knowledge our customers are accumulating within their programmes. We will expand our data mining capabilities to allow clients to better identify trends, and insights related to their innovation activities and continue to increase our integration capabilities with other software packages such as Share Point and Jive.

### **Consultancy Development**

One of the foundations of our successful transformation to a full service Innovation company has been the expertise of our innovation consultants. Imaginatik has been a leader in the field of Idea Management for over a decade and through that time has worked directly with many of the world's largest and most successful companies to help them innovate. We remain committed to sharing those experiences and knowledge of best practice with our customers to help ensure their success.

We are now in the process of hiring a Head of Consulting to head up the group and continue the development of this important element of the business. We have developed a stable base of additional third party consultants to assist our core in-house team of consultants on a variable cost basis.

### **Financial Review**

Total revenue for the half year ended 30 September 2011 increased by 10% to £1.62 million (2010: £1.48 million). During the year, 18% of revenue was generated from up-selling our software and consultancy services into existing customers, 29% from selling into new clients, and 53% from recurring business (2010: 28%: 23%: 49% respectively). We added 3 new customers on annual contracts during the period (2010: 2).

The US continues to be our core market and the percentage of revenues received from the region grew in the period to 98% (2010:90%) with the remaining 2% made up from the Rest of the World (2010: 10%).

The current level of revenue visibility, being revenue which is either under contract or is reasonably expected to renew over the 12 months to 30 September 2012, stands at approximately £2.8 million (£2.0 million at 30 September 2010). This increase in visibility is the result of the steadying of the client base, the signing of several new clients on annual contracts and the fact that several clients that had previously signed multi-year contracts are expected to renew once again in the next 12 months.

We continued to invest in our software platform in the year, upgrading and adding new functionality to improve our competitiveness. In the period we invested gross £0.25 million (2010: £0.28 million). We were pleased to have been awarded an R&D tax credit by HMRC of £0.11 million reflecting the pioneering nature of the research and development work we undertake. This is reflected in the taxation line in the income statement.

Administrative expenses were significantly lower during the period than the comparable half year due to actions taken in the last 12 months, reducing by 28% from £2.65 million to £1.90 million (in each case before share-based payments) This has largely been achieved through lower head count but also reduced expenditure on marketing activities deemed to be unnecessary in a period where many leads are now generated through web activity and referrals.

Over the last year the Company has undertaken litigation against its former CEO, in connection with a number of actions which he has undertaken which have been against the interests of the Company. The Company issued proceedings against him in the High Court in respect of actions for defamation and for breach of confidence. On 13 June 2011, pursuant to an Order of Sharp J in the High Court, judgment was awarded in favour of the Company in respect of each of these actions and on the terms sought by the Company.

On 24 November 2011, before Tugendhat J in the High Court, there was a hearing to decide the issues of costs, damages and other remedies. Tugendhat J will deliver his decision in due course and the Company will update investors at that time.

Operating losses before share-based payments reduced significantly to £0.43 million (2010: £1.33 million) as a function of the increase in revenues and substantially reduced cost base.

Cash outflows from operating activities narrowed to £1.20 million in the first six months of the year (2010: £1.70 million). While the Company's cash flow requires close monitoring, we have a strong book of receivables and approximately 75% of the Company's expected annual renewals by value occur in the second half of the year, which is expected to have a further beneficial impact on the Company's cash flows in that period. Cash outflows from operating activities in the second half of last year were £0.12 million.

On 26 August 2011, the Company announced that it had raised £1.04 million (before expenses) by way of a Placing and Open Offer, providing the Company with funds for working capital and to facilitate further growth, including the addition of further sales and consulting capacity in the US.

## **Board Appointments**

On 3 October 2011, we announced the appointment to the Board of three new Non-Executive Directors, Brian Hays, Simon Charles and David Gammon. All three bring a valuable set of skills and experience to the Company. Brian has many years of industry expertise and experience with growth businesses, Simon has a comprehensive understanding of the public company environment and corporate governance, and David has a strong technology focus, having had extensive involvement in high growth technology businesses in particular. On the same date,

Paul Morland resigned from the Board as a Non-Executive Director and we thank him for his valued contribution to the Company over the last five years and we wish him well in his career.

Imaginatik now benefits from a highly experienced and committed Board of Directors which is focused on maintaining a stable operating environment while implementing the growth strategy.

### **Outlook**

We are encouraged by the progress that we have made in the first half of the year, in what remains a challenging economic climate. We believe that our ability to provide strategic innovation consultancy alongside a powerful software offering means we have a unique position in the innovation market.

The increase in revenue visibility to approximately £2.8 million and the reduced level of overheads, combine with a growing pipeline of opportunities for the second half of the year to give us confidence in the future.

**Matt Cooper**  
**Executive Chairman**  
28 November 2011

**Condensed unaudited consolidated interim statement of Comprehensive Income  
For the six months ended 30 September 2011**

	<b>Note</b>	<b>Unaudited 6 months to 30 Sept 2011 £'000</b>	<b>Unaudited 6 months to 30 Sept 2010 £'000</b>	<b>Audited Year to 31 March 2011 £'000</b>
<b>Revenue</b>		1,624	1,481	2,847
Cost of sales		(158)	(166)	(341)
<b>Gross profit</b>		<u>1,466</u>	<u>1,315</u>	<u>2,506</u>
Administrative expenses		(1,958)	(2,734)	(4,917)
<b>Operating loss before financing and taxation</b>		<u>(492)</u>	<u>(1,419)</u>	<u>(2,411)</u>
Operating loss before share-based payments		(434)	(1,334)	(2,277)
Share-based payments		(58)	(85)	(134)
Finance income/(costs)		-	-	(5)
<b>Loss on ordinary activities before taxation</b>		<u>(492)</u>	<u>(1,419)</u>	<u>(2,416)</u>
Taxation		108	-	-
<b>Loss on ordinary activities for the period</b>		<u>(384)</u>	<u>(1,419)</u>	<u>(2,416)</u>
Basic and diluted loss per share (p)	4	<u>(0.15)</u>	<u>(0.76)</u>	<u>(1.26)</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 other comprehensive income has been presented.

**Condensed unaudited consolidated interim Statement of Financial Position  
As at 30 September 2011**

	Unaudited 30 Sept 2011 £'000	Unaudited 30 Sept 2010 £'000	Audited 31 March 2011 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	70	125	100
Intangible assets	73	134	104
Trade & other receivables	-	52	-
	143	311	204
<b>Current assets</b>			
Trade and other receivables	1,624	1,776	983
Cash and cash equivalents	244	563	469
	1,868	2,339	1,452
<b>Total assets</b>	2,011	2,650	1,656
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	6 267	133	135
Share premium	6 5,539	4,651	4,691
Other reserves	6 (4,924)	(3,650)	(4,598)
<b>Total equity attributable to equity holders of the parent</b>	882	1,134	228
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	-	-	-
Other payables	-	-	24
<b>Total non-current liabilities</b>	-	-	24
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	-	-	-
Trade and other payables	1,129	1,516	1,404
	1,129	1,516	1,404
<b>Total liabilities</b>	1,129	1,516	1,428
<b>Total equity and liabilities</b>	2,011	2,650	1,656

**Condensed unaudited consolidated interim Statement of Cash Flows  
For the six months ended 30 September 2011**

	<b>Note</b>	<b>Unaudited 6 months to 30 Sept 2011 £'000</b>	<b>Unaudited 6 months to 30 Sept 2010 £'000</b>	<b>Audited Year to 31 March 2011 £'000</b>
<b>Cash outflows from operating activities</b>	7	(1,204)	(1,694)	(1,819)
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment		(1)	(10)	(20)
Acquisition of intangible fixed assets		-	(5)	(5)
<b>Net cash outflow from investing activities</b>		(1)	(15)	(25)
<b>Cash flows from financing activities</b>				
Net proceeds from the issue of share capital		980	766	807
Repayment of borrowings		-	-	-
<b>Net cash inflow from financing activities</b>		980	766	807
Net (decrease)/increase in cash and cash equivalents		(225)	(943)	(1,037)
Cash and cash equivalents at start of period		469	1,506	1,506
<b>Cash and cash equivalents at end of period</b>		244	563	469

**Condensed unaudited consolidated interim Statement of Changes in Equity  
For the six months ended 30 September 2011**

	<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 2010</b>	99	3,919	520	(2,836)	1,702
Loss for the period	-	-	-	(1,419)	(1,419)
Share-based payments	-	-	85	-	85
Shares issued	34	732	-	-	766
	<u>34</u>	<u>732</u>	<u>85</u>	<u>(1,419)</u>	<u>(568)</u>
<b>Balance at 30 September 2010</b>	<u>133</u>	<u>4,651</u>	<u>605</u>	<u>(4,255)</u>	<u>1,134</u>
Loss for the period	-	-	-	(997)	(997)
Share-based payments	-	-	49	-	49
Shares issued	2	40	-	-	42
	<u>2</u>	<u>40</u>	<u>49</u>	<u>(997)</u>	<u>(906)</u>
<b>Balance at 31 March 2011</b>	<u>135</u>	<u>4,691</u>	<u>654</u>	<u>(5,252)</u>	<u>228</u>
Loss for the period	-	-	-	(384)	(384)
Share-based payments	-	-	58	-	58
Shares issued	132	848	-	-	980
	<u>132</u>	<u>848</u>	<u>58</u>	<u>(384)</u>	<u>654</u>
<b>Balance at 30 September 2011</b>	<u>267</u>	<u>5,539</u>	<u>712</u>	<u>(5,636)</u>	<u>882</u>

## **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 2011 comprise the Company and its subsidiary (together referred to as the "Group").

The condensed consolidated interim financial statements were authorised for issuance on 28 November 2011.

The interim financial statements are not statutory accounts for the purposes of section 435 of the Companies Act 2006. The comparative figures for the year ended 31 March 2011 are not the Company's statutory accounts for that financial year. The financial information for the year ended 31 March 2011 is based on the statutory accounts for the financial year ended 31 March 2011 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 were applicable for the full reporting year. 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 totalling £nil (6 months ended 30 September 2010: £6,051; year ended 31 March 2011: £5,900) 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 2011 was based on the loss attributable to ordinary shareholders of £384,000 (period ended 30 September 2010: £1,419,000; year ended 31 March 2011: £2,415,000) and a weighted average number of ordinary shares outstanding during the period ended 30 September 2011 of 256,097,842 (period ended 30 September 2010: 184,738,713; year ended 31 March 2011: 191,649,286).

##### Diluted loss per share

The options in place during the periods ended 30 September 2011 and 30 September 2010 and during the year ended 31 March 2011 are considered to have an anti-dilutive effect. Therefore, since the loss per share would not be diluted by an exercise of options, the calculation of the 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 2011</b>	<b>Unaudited 6 months to 30 Sept 2010</b>	<b>Audited Year to 31 March 2011</b>
		<b>£'000</b>	<b>£'000</b>
<b>Segment revenue</b>			
United States of America	1,590	1,337	2,734
Rest of the world	34	144	113
	<u>1,624</u>	<u>1,481</u>	<u>2,847</u>
<b>Segment loss</b>			
United States of America	(163)	(752)	(2,318)
Rest of the world	(221)	(667)	(98)
	<u>(384)</u>	<u>(1,419)</u>	<u>(2,416)</u>
<b>Segment total assets</b>			
United States of America	1,517	1,886	1,236
Rest of the world	494	764	420
	<u>2,011</u>	<u>2,650</u>	<u>1,656</u>

## 6. Share Capital and Reserves

	Unaudited 6 months to 30 Sept 2011 £'000	Unaudited 6 months to 30 Sept 2010 £'000	Audited Year to 31 March 2011 £'000
<b>Share Capital</b>			
At the beginning of the period	135	99	99
Shares issued	132	34	36
<b>At the end of the period</b>	<u>267</u>	<u>133</u>	<u>135</u>
<b>Share premium</b>			
At the beginning of the period	4,691	3,919	3,919
Shares issued in the period, net of expenses	848	732	772
<b>At the end of the period</b>	<u>5,539</u>	<u>4,651</u>	<u>4,691</u>
<b>Other reserves</b>			
At the beginning of the period	(4,598)	(2,316)	(2,316)
Loss for the period	(384)	(1,419)	(2,416)
Share-based payments	58	85	134
<b>At the end of the period</b>	<u>(4,924)</u>	<u>(3,650)</u>	<u>(4,598)</u>

## 7. Cash flows from operating activities

	Unaudited 6 months to 30 Sept 2011 £'000	Unaudited 6 months to 30 Sept 2010 £'000	Audited Year to 31 March 2011 £'000
<b>Operating loss</b>	(492)	(1,419)	(2,410)
Depreciation of tangible fixed assets	31	37	72
Amortisation of intangible fixed assets	31	31	62
Net interest expense	-	-	(5)
Share-based payments	58	85	134
Corporation tax repayment	108	-	-
(Increase) in trade and other receivables	(641)	(231)	613
(Decrease) / increase in payables	(299)	(197)	(285)
<b>Net cash from operating activities</b>	<u>(1,204)</u>	<u>(1,694)</u>	<u>(1,819)</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).