

2 Aug 2011

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

Imaginatik plc (AIM: IMTK.L), a leading provider of innovation management software and consultancy, announces its unaudited preliminary results for the year ended 31 March 2011.

Summary

- Re-organisation of the business largely completed in the second half of the year
- Results for the year in line with management's expectations:
 - Revenues £2.85 million (FY 2010: £4.55 million)
 - Costs (before share based payments) reduced by 12% to £5.1 million (FY2010: £5.8 million)
 - Operating loss before tax £2.41 million (FY 2010: £1.43 million)
 - Cash at period end of £0.47 million (31 March 2010: £1.51 million).
- Increase in new customer momentum in second half with number of significant contract wins including MedCo, Yara, Argo Insurance and Lubrizol.
 - Post year end contract wins with Cotton, Inc. and Cementos Argos
- All contracts reaching end-of-term since June 2010 have renewed bar one, demonstrating the value customers place on the services Imaginatik now provides.
- Increasing number of pilot contracts now being signed, providing strong sales pipeline for the coming year and beyond.
- Over £2.6 million of revenue visibility for FY 2012 (£2.3 million as at 31 March 2010 for FY2011) underpinning a substantial part of fixed overheads.

Matt Cooper, Executive Chairman of Imaginatik, commented:

"These results are a reflection of the significant reorganisation which was required at Imaginatik. We have spent considerable effort in the past year rebuilding the Company with particular attention to the sales team and refocusing the business. We believe we now have in place both a strong team and a product offering with which to capitalise on the growing opportunities in our market. These strengthened fundamentals combined with over 40 global customers providing revenue visibility of over £2.6m for the year ahead, gives us confidence in the future of Imaginatik."

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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.

Executive Chairman's Statement

Operational Review

As highlighted in the Interim Results announcement released in December 2010, considerable effort has continued to be invested in three key areas. These were the rebuilding of our sales capability, the upgrading of our technology platform and the clarification of our growth strategy and strategic direction.

I am pleased to report that we have made good progress in each of these three areas. While the results for the year are disappointing, the trends underlying the headline figures are moving in the right direction, namely;

- We signed 7 new customers in the second half, compared to 2 in the first (2010, 4 in the second half, 6 in the first);
- All bar one customer reaching the end of their contracts since the restructuring in summer 2010 have re-signed with us, demonstrating the value they place on the services we provide; and
- At the year end we had more pilots underway, 6 versus 4 at the same point last year.

The reasons for the reduction in revenues compared to the prior year are three-fold. First, the loss of a significant number of customers in the preceding year meant we had a lower level of renewals available to us. We are confident that we now have a more solid customer base, having spent time this year visiting and working with every customer to maximise their returns from the use of our software.

Second, we did not secure as many new customers overall as we did in the previous year as a result of the time spent rebuilding and reeducating the sales team. It is important to note that we did see an increased level of new client wins in the second half of the year, securing contracts worth over £500,000 in the final few months of the year. The majority of these revenues will be recognised in the next financial year.

The third reason was the extent of the multi-year contracts signed in the previous financial year providing a substantial revenue contribution in the year ended 31 March 2010, but a markedly lower contribution in the year ended 31 March 2011. A number of these contracts are due for renewal in the coming financial year.

Our enterprise innovation platform and consultancy services continue to be selected by some of the world's most successful businesses and organisations, including the World Bank, and the Government Services Agency of the United States Government. We believe this is a clear validation of the quality of our offering. 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 fill out 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 past year.

This steadying of the customer base and the signing of several new clients on annual contracts towards the end of the year, means we have now entered the new financial year with a higher

level of revenue visibility than the previous year, being revenue which is either under contract for the year, or available to us via renewal with existing customers. We entered the new financial year with visibility of over £2.6m (2010: £2.3m), underpinning a substantial part of our fixed overheads.

Since the year end, we have secured two additional customers, Cotton Incorporated, the research and promotions company for US cotton growers, on a multi-year contract, and Cementos Argos, one of the largest cement manufacturers in Latin America, further adding to our client base and recurring revenues.

Financial Review

Total revenue for the year ended 31 March 2011 decreased by 37% to £2.85 million (FY 2010: £4.55 million). During the year, 21% of revenue was generated from up-selling our software and services into existing customers, 29% from selling into new clients, and 50% from recurring business (FY 2010: 20:29:51%). We added 9 new customers during the year (FY 2010: 10).

The US continues to be our core market and the percentage of revenues received from the region grew in the period to 96% (FY 2010: 90%) with the remaining 4% made up from the Rest of the World (FY 2010: 10%).

We took steps during the year to reduce overheads, largely through lower head count and reduced spend on marketing activities deemed to be unnecessary in a period where many leads are now generated through web activity and referrals. The overheads for the year were inflated due to approximately £350,000 of one-off legal costs incurred as a result of litigation against the former CEO. This litigation has resulted in a successful result for the Company, obtaining judgment in each of its actions. A significant portion of this cost is expected to be recovered in due course although in order to be prudent this has not been recognised in the financial statements.

As a result, total costs have been reduced by 12% in the year from £5.979 million to £5.257 million this year. The Company continues to seek means to reduce costs post year-end.

Operating losses after share option costs widened to £2.41 million (FY 2010: £1.43 million) primarily as a function of the drop in revenues as referred to above.

We continued to invest in our software platform in the year, upgrading and adding new functionality to improve our competitiveness. In the year we invested £0.57 million (FY2010: £0.42 million) all of which has been prudently written off as incurred but the software remains the Company's primary asset.

On 6 September 2010 the Company announced that it had raised approximately £0.8 million (gross) through a placing of 53,333,332 new ordinary shares of 0.0625p each ("Ordinary Shares") with existing institutional and other investors at a price of 1.5 pence per share.

The Company is in the final stages of securing further financing for the business, and expects to make a market announcement on this very shortly. The financing being raised is expected to be sufficient to provide an appropriate level of working capital for the business and to facilitate further growth, including the addition of further sales and consulting capacity in the US.

Strategy Implementation

Innovation-as-a-Service

We have been pleased with the traction we have gained following the launch of our 'Innovation-as-a-Service' strategy towards the end of the first half of the year which differentiates us from the competition and ensures that our portfolio of clients are assured of success in their innovation

programmes. There is a clear demand in the market place for assisted innovation, with Imaginatik providing strategy consultancy and program management alongside our enterprise technology platform. We believe our many years' experience in this area means we are uniquely positioned to deliver this type of service. Clients to whom we now provide Innovation-as-a-Service include Philip Morris, Argo Insurance, Pfizer, Novartis, Cementos Argos and the World Bank.

Innovation Central

In the past year, we have cemented our claim to offer a market-leading product platform.

In April 2011, after the year end, we launched Innovation Central, an expanded version of Idea Central. Innovation Central supports the entire lifecycle of innovation management, from Discovery, through Ideation and Decisions, through the Results – a claim only Imaginatik can make. Innovation Central includes many market leading improvements, including:

- The launch of Discovery Suite, a new offering to serve the Discovery phase of innovation, a first in our market;
- The first version of Portfolio Monitor, designed for the Results phase following Innovation Central's traditional focus on Ideation;
- Social features at the vanguard of Ideation, including community monitoring (Look Who's Talking); and idea and participant profiling of innovation styles (Kudos); and related-idea exploration (Ideas Like This); and
- Powerful new decision and reviewing tools, including a group prioritisation tool (Bubble Up) and a statistically rich pairwise evaluator's tool (Head-to-Head Reviews).

These developments represent a significant step forward in our ability to support innovation at major organisations.

We are committed to continuing product innovation and believe that it is a vital ingredient for success in this growth market.

Outlook

The outlook for the business is stronger now than it has been for the last 18 months. The final quarter of the year saw the signing of several significant contracts which gives us confidence in our strategy and adds to our increasing levels of revenue visibility for this coming year. We have also increased the number of pilots signed in the second half, which we expect to see converted into annual licence deals during the next financial year.

Importantly, we believe our sales team now has the correct structure, the team is largely complete and well trained and has the tools with which to capitalise on the growing number of opportunities in our market.

Imaginatik continues to be regarded as one of the leaders in the high growth innovation market. This strong reputation, outstanding customer list and strengthening fundamentals mean we view the future with increased confidence.

Matt Cooper
Executive Chairman
2 August 2011

Consolidated statement of comprehensive income for the year ended 31 March 2011

	Note	Unaudited 2011 £	Audited 2010 £
Revenue	2	2,847,438	4,550,646
Cost of sales		(341,533)	(326,267)
Gross profit		2,505,905	4,224,379
Administrative expenses		(4,915,787)	(5,653,189)
Operating loss before financing and taxation		(2,409,882)	(1,428,810)
Operating loss before share option costs		(2,275,717)	(1,244,933)
Share option costs		(134,165)	(183,877)
Finance costs		(4,899)	(2,870)
Loss on ordinary activities before taxation		(2,414,781)	(1,431,680)
Income tax expense		-	(7,215)
Loss on ordinary activities for the year		(2,414,781)	(1,438,895)
Loss per share: Basic and diluted	3	(1.26p)	(0.96p)

Consolidated statement of financial position as at 31 March 2011

	Unaudited 2011		Audited 2010	
	£	£	£	£
ASSETS				
Non-current assets				
Property, plant and equipment	100,356		151,802	
Intangible assets	<u>103,783</u>		<u>161,359</u>	
		204,139		313,161
Current assets				
Trade and other receivables	983,045		1,596,020	
Cash and cash equivalents	<u>469,022</u>		<u>1,506,148</u>	
		1,452,067		3,102,168
Total assets		<u>1,656,206</u>		<u>3,415,329</u>
EQUITY AND LIABILITIES				
Equity				
Issued capital	134,723		99,515	
Share premium	4,690,652		3,918,881	
Share option reserve	654,817		520,652	
Retained earnings	<u>(5,252,038)</u>		<u>(2,837,257)</u>	
Total equity attributable to equity holders of the parent		228,154		1,701,791
Liabilities				
Non-current liabilities				
Other payables	<u>23,801</u>		<u>230,307</u>	
		23,801		230,307
Current liabilities				
Interest-bearing loans and borrowings	-		-	
Trade and other payables	<u>1,404,251</u>		<u>1,483,231</u>	
		1,404,251		1,483,231
Total liabilities		<u>1,428,052</u>		<u>1,713,538</u>
Total equity and liabilities		<u>1,656,206</u>		<u>3,415,329</u>

Consolidated cash flow statements for the year ended 31 March 2011

	Note	£	Unaudited 2011 £	£	Audited 2010 £
Cash outflows from operating activities	6		(1,819,186)		(866,463)
Investing activities					
Acquisition of property, plant and equipment		(20,258)		(172,048)	
Acquisition of intangible assets		(4,661)		(77,399)	
Net cash used in investing activities			(24,919)		(249,447)
Net cash flow before financing activities			(1,844,105)		(1,115,910)
Financing activities					
Net proceeds from the issue of share capital		806,979		1,505,540	
Repayment of borrowings		-		(19,713)	
Net cash generated from financing activities			806,979		1,485,827
Net (decrease)/increase in cash and cash equivalents			(1,037,126)		369,917
Opening net cash and cash equivalents			<u>1,506,148</u>		<u>1,136,231</u>
Closing net cash and cash equivalents			<u>469,022</u>		<u>1,506,148</u>

Statement of changes in equity for the year ended 31 March 2011

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total £
Balance at 1 April 2009	82,920	2,429,936	336,775	(1,398,362)	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>	<u>250,522</u>
Balance at 31 March 2010	<u>99,515</u>	<u>3,918,881</u>	<u>520,652</u>	<u>(2,837,257)</u>	<u>1,701,791</u>
Loss for the year	-	-	-	(2,414,781)	(2,414,781)
Share option costs	-	-	134,165	-	134,165
Shares issued	35,208	771,771	-	-	806,979
	<u>35,208</u>	<u>771,771</u>	<u>134,165</u>	<u>(2,414,781)</u>	<u>(1,473,637)</u>
Balance at 31 March 2011	<u>134,723</u>	<u>4,690,652</u>	<u>654,817</u>	<u>(5,252,038)</u>	<u>228,154</u>

Notes forming part of the financial statements for the year ended 31 March 2011

1. Basis of preparation

The company has adopted the requirements of International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

These financial statements have been prepared in accordance with the accounting policies set out below, which have been consistently applied to all the years presented. These accounting policies comply with applicable IFRS and IFRIC interpretations issued and effective at the time of preparing these statements.

Basis of consolidation

The group financial statements for the year ended 31 March 2011 consolidate the financial statements of Imaginatik plc and its subsidiary undertaking using the acquisition method. Subsidiaries are entities that are directly or indirectly controlled by the group.

The company has taken advantage of the exemption under S408 of the Companies Act 2006 and has not presented its own statement of comprehensive income. Of the consolidated result for the year ended 31 March 2011, a loss of £2,435,781 (2010: loss of £1,465,424) is attributable to the company.

Going concern

The Company is in the final stages of securing further financing for the business, and expects to make a market announcement on this very shortly. The financing being raised is expected to be sufficient to provide an appropriate level of working capital for the business and to facilitate further growth, including the addition of further sales and consulting capacity in the US. As a result the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

	2011 £	2010 £
Segmental revenue:		
United States of America	2,734,350	4,073,195
Rest of the World	113,088	477,451
	<hr/> 2,847,438	<hr/> 4,550,646
Segmental result:		
United States of America	(2,317,820)	(1,275,536)
Rest of the World	(96,961)	(163,359)
	<hr/> (2,414,781)	<hr/> (1,438,895)

	(2,414,781)	(1,438,895)
Carrying amount:		
United States of America		
Assets	1,235,945	2,666,212
Liabilities	(1,102,975)	(1,336,531)
Rest of the World		
Assets	420,261	749,117
Liabilities	(325,077)	(377,007)
	228,154	1,701,791
Additions to property, plant and equipment, and intangible assets:		
United States of America	14,131	172,321
Rest of the World	10,789	77,126
	24,920	249,447
Other:		
Depreciation		
United States of America	38,927	79,811
Rest of the World	32,777	31,746
Amortisation		
United States of America	10,962	12,378
Rest of the World	51,275	57,901
Share option costs		
United States of America	34,413	34,937
Rest of the World	99,752	148,940

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 £2,414,781 (2010: £1,438,895) and on a weighted average number of ordinary shares in existence during the year of 191,084,986 (2010: 149,297,866).

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 £5,900 (2010: £229,392) 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 £nil (2010: £5,900) and deferred costs of £nil (2010: £5,900) in respect of barter transactions.

5. Share capital

	2011 £	2010 £
Allotted, called up and fully paid		
159,223,876 ordinary shares of 0.0625p each	-	99,515
215,557,208 ordinary shares of 0.0625p each	134,723	-
	134,723	99,515

On 9 September 2010:

- 53,333,332 new ordinary shares of 0.0625p each were placed with investors for a gross cash consideration of £800,000. Issue costs relating to the above placing were £38,021, and have been deducted from the share premium account.

On 17 January 2011:

- 3,000,000 new ordinary shares of 0.0625p each were issued for a gross cash consideration of £45,000. There were no costs in relation to this issue.

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

	2011	2010
	£	£
Operating loss	(2,409,882)	(1,428,810)
Depreciation of tangible fixed assets	71,704	111,557
Amortisation of intangible fixed assets	62,237	70,279
Share option charge	134,165	183,877
Corporation tax paid	-	(7,215)
Net interest (paid)/ received	(4,899)	(2,870)
Operating cash flows before movements in working capital	<u>(2,146,675)</u>	<u>(1,073,182)</u>
Decrease/(Increase) in trade and other receivables	612,975	(44,498)
(Increase)/decrease in payables	(285,486)	251,217
Net movement in working capital	<u>327,489</u>	<u>206,719</u>
Net cash outflows from operating activities	<u><u>(1,819,186)</u></u>	<u><u>(866,463)</u></u>

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 in due course and will also be available on the Company's website.