Imaginatik plc
("Imaginatik", "the Company" or the "Group")

Audited Final Results for financial year ended 31 March 2017

Imaginatik plc (AIM: IMTK.L), the innovation company, announces its audited results for the financial year ended 31 March 2017.

Financial Highlights

- Reduced adjusted loss after tax of £0.55m* (FY16: adjusted net loss of £0.80m)
- Recognised revenue of £3.9m (FY16: £3.9m)
- Deferred revenue of £3.0m at 31 March 2017 (31 March 2016: £2.9m)
- Annualised renewal base at 31 March 2017: £3.2m (31 March 2016: £2.8m)
- Gross bookings of £3.6m (FY16: £4.7m)**
- Successfully completed a placing and open offer in June 2016, raising £1.67m gross proceeds

Operational Highlights

- 15 new customers signed during the year (FY16: 9), 11 added in H2 as sales momentum started to build
- Several partnership agreements signed, including strategic partnership with a US-based digital technology services company, resulting in significantly expanded market reach
- Bolstered senior management team with key hires, including Chief Technology Officer and General Manager, Software
- Continued investment in business to expand technology and consultancy offerings

Post Period End:

- Successful placing and open offer completed in July 2017, raising £1.45m gross to enable further investment in the business

**Net of an exceptional fx loss of £0.23m*
*** At constant currency, US$ to £ exchange rate of 1.2453.*

Matt Cooper, Non-Executive Chairman, commented: *"This has been a year of good progress as we continue to position the business to capitalise on the growing market opportunity available. We have delivered results broadly in line with market expectations, resulting in improved financial strength as we make further progress toward breakeven. We continue to invest in the business to add new capabilities to our consulting and technology offerings and expand our addressable market through the development of our partnership channel.*

"We are encouraged by the development of the sales pipeline arising as a result of the newly developed partnership channels. Whilst we are mindful of the task ahead, we remain optimistic about the Group's growth prospects."

For further information please contact:

Imaginatik plc Tel: 01329 243 243
Matt Cooper, Non-Executive Chairman
Ralph Welborn, CEO
Shawn Taylor, CFO

finnCap Ltd Tel: 020 7220 0500
Jonny Franklin-Adams/Giles Rolls, corporate finance

Camille Gochez, corporate broking

Alma PR Tel: 020 8004 4218
Hilary Buchanan
Robyn Fisher

About Imaginatik

Imaginatik provides a range of Innovation solutions comprised of consultancy, enterprise software and program management to deliver innovation results to companies such as Exxon Mobil, Altria, Shell, Goodyear, the Yorkshire Building Society, Caterpillar, AECOM, Novartis and Cargill, and via its strategic partnership programme. Few companies possess the internal capability to consistently generate fresh ideas, identify those worth pursuing and reliably transform them into real, value-enhancing assets. Imaginatik's mission is to help these companies build sustainable innovation competencies. In 2016 Forrester Research found that “Imaginatik has the most comprehensive innovation management solution,” providing excellent industry recognition of Imaginatik’s full-service innovation offering, combining both technology and consultancy services.

Imaginatik is a public company whose shares are traded on the AIM market of the London Stock Exchange (LSE: IMTK.L) with offices in Boston, MA, and Fareham, UK. For more information visit www.imaginatik.com.

Chairman's Statement

We are pleased to report results for the year to 31 March 2017 which are broadly in line with management and market expectations, and good underlying progress across a number of strategic fronts. During the year we have added new customers to our blue-chip client base, expanded our market reach, improved the financial strength of the business by further reducing trading losses and completing a successful equity fundraising, and maintained investment in our proprietary innovation software and services to seek to ensure the long-term success of the Group.

The financial results show the 4th consecutive year of reduced trading losses, with adjusted loss after tax of £0.55m. The result is net of an exceptional foreign exchange loss of £0.23m arising as a result of the strong US dollar over the reporting period (2016: adjusted net loss of £0.80m). This was delivered on static revenue of £3.9m (2016: £3.9m).

A total number of 15 new customers were signed during the year (2016: 9), 9 of which are on annual or multi-year contracts consisting of both technology and consulting, and 6 are on consulting engagements. Out of these new customer wins, 11 were added in the second half of the year as sales momentum started to build and also partially reflective of the inherent sales volatility often characteristic of a small company. Approximately 76% of renewals by value were converted over the period. This was due to the loss of two significant clients, one being acquired and the other through a cost reduction programme. In the last three years this renewal rate was higher at approximately 90% or more. We have contracted two new clients so far in the new financial year, in what is traditionally a slower quarter for new business and renewals. We are currently contracting with six new clients that we expect to close in the next few weeks.

During the period under review, we completed a successful placing and open offer, raising £1.67m gross in June 2016. The proceeds of the equity fundraising were used to fund development investment in the business as well as strengthen the Group's balance sheet to cover the on-going albeit diminishing trading losses.

Our core focus is to help businesses achieve and realise the value from a sustainable innovation programme, delivered through our portfolio of unique solutions, which combines innovation consultancy services and software. As more and more organisations are waking up to the importance of harnessing business-critical innovation, the message is becoming even clearer: businesses that innovate survive and thrive, while those that fail to do so, risk failure. We believe that this realisation is driving a 'coming of age' for the innovation market and we have seen an acceleration in the maturing of the market. This is evidenced by new buyers entering the market with access to larger budgets for innovation programmes.

As the market opportunity grows, our focus is on ensuring we remain the leaders in the space through continued investment in our capabilities and expanding our routes to market, including the development of our channel partnership programme. A key achievement in the year was the signing of several partnership agreements, the most significant of which is with a leading digital technology services company. We have already launched our first jointly-developed innovation offering which is currently being marketed to both partners' global customer bases. To capitalise on these channel partner opportunities, a proportion of the July 2017 fundraising proceeds were allocated for investment in sales and marketing for the channel partnership programme, along with further investment in technology. On behalf of the Board, I would like to thank our shareholders for their continued support. We will continue to pursue a strategy of building relationships with strategic partners to continue to expand the Group's market reach and open up new opportunities.

I would like to thank all of our dedicated employees and colleagues whose vision and hard work is invaluable as we drive Imaginatik forward. As we look ahead, we have a clear, focused strategy, a good pipeline of opportunities and a growing market opportunity. We remain encouraged by the Group's growth prospects.

Matt Cooper
Non-executive Chairman
4 August 2017

Strategic Report

Imaginatik is a comprehensive, full service innovation provider. Our unique ability to provide consultancy services and also deliver innovation programmes through our software platform remains a powerful differentiator in the market. During the year we have added to our capabilities through continued investment in our consultancy and technology solutions and have expanded our addressable market through the development of our partnership channel programme. We have secured contractual arrangements with several partners, opening up a new potential client base to Imaginatik through mutual referral as well as bringing added value to our existing customer base through access to an expanded range of services.

Market

We firmly believe that companies that have innovation as part of their corporate DNA are better equipped to navigate and thrive in the business world whilst those that are less innovative find it increasingly difficult to compete and survive, and this message is resounding louder among our customers and prospective customers. In recognition, organisations are allocating innovation responsibilities to senior leaders whose responsibilities span across their respective businesses, including more frequently to the role of CEO, and away from silo-ed departments with limited budgets. These new buyers are entering the market for the first time with dedicated budget spend.

While awareness is on the rise, the majority of these new buyers are still unclear of what they need to do and this is evidenced by a growing number of inbound enquiries. There is no 'one size fits all' solution to build an innovation ethos within an organisation. It requires a significant amount of guidance to ensure the solution is appropriate and effective for each individual case. Our enterprise software platform, enabling customers to scale consistent innovation practices across their organisation, combined with a highly qualified consulting team with many years of experience in corporate innovation management is ideally positioned to help these customers.

In response to the growing value of this market, large, broad-based consulting firms are starting to enter the space in a meaningful way and we see this as further validation of the opportunity available. Examples of this activity includes Deloitte's purchase of Doblin, an innovation consultancy, adding it to their services portfolio; KPMG Netherlands acquired Innovation Factory to strengthen its innovation technology capabilities, E&Y Belgium acquired Cognistreamer in January 2017; and IBM is expanding its innovation focus with a series of technology-specific innovation services. While there are new participants emerging in the market, Imaginatik's established offering, which has been developed and refined over years of industry practice and experience, is recognised as the leading solution. In a report by Forrester (*The Forrester Wave™: Innovation Management Solutions, Q2 2016)* Imaginatik was named as having "*the most comprehensive innovation management solution*." The report also ranked Imaginatik above all other market competitors in terms of its current suite of offerings as well as its strategy.

Strategy

Our strategy is to capitalise on the Group's leading reputation to grow the business organically through new customer acquisition whilst also maintaining a focus on customer renewals and growth within existing accounts. In line with the strategy, we remain committed to the ongoing investment in the Group's technology platform and service capabilities to continually improve our offering, with a particular focus on extending its analytic insight capabilities, including the recruitment and hiring of additional personnel across technology, sales and consulting functions.

Operational Review

Imaginatik's full service innovation offering covers three main sectors within the innovation industry, being Innovation Strategy Advisory, Innovation Capability Building and Innovation Software platforms.

a. Innovation strategy advisory

This involves advisory consulting to help senior executives build and develop their corporate innovation programs, such programs of work typically have a duration of one to three months.

b. Innovation capability building

This type of consulting is more operational in nature involving the Company providing workshops, training, facilitation and innovation management services in support of a client's ongoing program. These activities are frequently project based with delivery taking place over a few months, but may also be embedded within annual or multi-year contracts sitting alongside a technology purchase.

c. Innovation software platform

The Company provides an enterprise innovation software platform that enables large global organisations to scale innovation practices across the enterprise in a repeatable way. This is usually deployed as annual or multi-year software as a service ("SaaS") contracts.

Sales and Marketing

Marketing efforts during the year focused on leveraging more web-based digital advertising with a shift away from more traditional conference activity for lead generation. This has proved beneficial over the year as this change in focus, combined with growing market awareness, has resulted in more inbound leads than previously experienced. Particularly important was an investment in a new public website, which featured a refinement of Imaginatik's message and positioning, as well as an evolution of the Company's brand image.

The combination of redoubled digital advertising and content dissemination, along with improvements in website user experience, have led to consistently higher lead acquisition and conversion at the front end of the marketing funnel. We believe demand patterns will continue to strengthen going forward, as we further expand our digital marketing efforts. In addition, we have introduced a new internal resource to help target particular market verticals, particularly those where we have existing client and sales pipeline concentrations, in sectors such as retail banking, insurance, manufacturing and healthcare.

To improve sales velocity through the pipeline, this year saw the institution of streamlined go-to-market solution packages, with simplified pricing and targeted use cases, across our service and product lines. The simplified offerings structure, combined with clarity of what needs each solution serves, has improved our ability to target the right prospects and present them with the most appropriate solutions. The resulting consolidation of Imaginatik's sales processes and selling materials has resulted in improved velocity and clarity at each pipeline stage.

In addition, we invested in a number of new personnel, mostly in the US, spanning both technology development and software sales. Looking forward, the Company intends to further bolster its sales function in line with the market opportunity.

Partnership channel

We have expanded our partnership programme over the year which has added a new sales channel to the Group and broadened our market reach. We signed several channel partners, which cover a range of agreement arrangements including advocate partners through to referral partners and finally, to a more significant strategic partnership channel which we signed in the year with a leading digital technology services company. In this latter case, we have been working with the partner since the early part of calendar 2017 to develop a joint go-to-market strategy across a set of new offerings, including the launch of our first jointly-developed innovation offering post period end, as well as employee training.

Going forward, the Group will look to add further US-based sales and consulting resources to take advantage of the sales opportunities afforded by the developing partnerships and growing innovation market as a whole.

Consultancy

The market's growing maturity is evidenced by more business executives being involved in the decision making process around innovation. Driving this involvement is the acceleration of change taking place across industries as well as the recognition that shifts in technology and business models create new opportunities. It is our intention to take advantage of these buyers within the innovation space.

Examples of customer engagements successfully delivered in the year include:

a. Innovation Strategy Advisory: *A life insurance and asset management company: helping the CEO to realise their vision through Advisory engagement*

The client had a specific strategic vision and was aware that innovation is key to helping realise that vision. However, the client had no clear idea as to how to proceed. Imaginatik was hired to meet two of the client's objectives: firstly, to bridge the gap between the CEO's vision and re-focusing the executive team around how to meet that vision, and secondly, to design an innovation program to develop new capabilities to deliver on the CEO's vision. The innovation strategy we created following the Advisory engagement is expected to lead to the client acquiring our technology platform as the foundation of the innovation program.

b. Innovation Capability Building: *A pharmaceutical company specialising in ophthalmology: Innovating for specific disease categories*.

The client needed to address innovation across specific disease areas in an effort to mitigate the loss of patents. The client engaged Imaginatik to support the ideation process. As a first phase, we designed a virtual ideation process to enable participation across the globe. The virtual ideas were then used as a starting point for a small group facilitated session. The small group developed the ideas with transformational potential and then prioritised the ideas into concepts most likely to have a significant impact. These prioritised concepts were then presented to the leadership team for funding and further development.

Technology

During the year we made good progress in advancing our technology roadmap including a new mobile app, enhanced analytics capabilities and workflows, as well as further enhancing the user experience. The technology team was bolstered with the appointments of David Boghossian, General Manager, Software, and Kai Chuang who joined the Group as our Boston based Chief Technology Officer. David is based in Boston and has a remit to be the interface between our technology and sales activities, as well as assisting the sales team with their sales pursuits. David is a Harvard graduate with over 25 years' experience in running technology businesses. Kai has more than 20 years' experience in creating digital technology solutions and has previously worked at Accenture and Google.

We are seeing several emerging trends that we are focused on taking advantage of. First, connectivity between innovation platforms and other applications that support innovation ideation or core business applications. For example, Facebook's Workplace is a rapidly growing application that many organisations have. We have been asked to provide connectivity capabilities from Workplace into our platform to broaden the source of ideas that we can then apply our analytic capabilities to – which we are doing. Second, many organisations are struggling with how to make more sense of their innovation ideas. We are strong in terms of existing analytics tools, and we are building upon that strength through further investment in our technology platform, with a particular emphasis on helping organisations drive sustainable user engagement for their innovation programs across the enterprise, deploying artificial intelligence in our solutions to augment decision making capabilities, and delivering more "insight capabilities" into different sources of data that will strengthen the relevance and usefulness of our platform.

KPIs & Financial Review

The key performance indicators on which we judge the progress of our business are as follows:

KPI	2017	2016

Gross bookings[1] *	£3.6m	£4.7m
Recognised revenue	£3.9m	£3.9m
New & expansion bookings[2] *	£1.9m	£2.5m
Renewal bookings[3] *	£1.7	£2.2m
Number of clients renewing their contracts	22/30	28/35
Number of new client wins in the year	15	9
Total number of annual contracts at year end	40	39
Consulting as a % of contracted revenue	26%	28%
Adjusted loss after tax[4]	(£0.55m)	(£0.80m)
Cash balance	£0.12m	£0.02m

**At constant currency, exchange rate of 1.2453.*

[1] *Gross value of contracted sales in the period*
[2] *Gross value of contracted sales in the period with new clients and expansion within existing clients*
[3] *Gross value of contracted sales in the period for clients renewing their contract*
[4] *Adjusted for impact of £0.23m of fx loss in the period*

At £3.6m this year our gross bookings were down on the prior year, in part that was the result of the way in which our multi-year renewals fell, with more of the larger customers renewing last year than this, and in part the result of lower new and expansion bookings achieved in the year.

The lower level of renewals secured in FY17 was disappointing and in contrast to the higher levels seen in prior years. The Company lost nine clients in the period (2016: 7) with two of the losses amounting to almost half the loss. We were however pleased with the 15 new client wins achieved in the period (2016: 9), with 9 now on annual or multi-year contracts and the balance a mixture of consulting engagements, the most significant on which was a three month strategy engagement with a leading Canadian financial institution. This initial engagement is expected to lead to a subsequent annual technology sale post period end.

During the year, 28% of bookings were generated from expansion sales of our software and consulting services into existing customers, 25% from selling into new clients, and 47% from renewals business (FY16: 31%:22%:47%).

Our new clients acquired in the period include an impressive array of large global businesses, that cover a variety of sectors including financial services, pharmaceutical, manufacturing and technology. By the period end we had 40 clients (FY16: 39) on annual or multi-year contracts. Of this base we have 30 clients with contracts set for renewal in FY18, worth approximately £2.4m.

The Company's cash balances are a key KPI which were monitored on a regular basis during the period under review.

Financial Review

Total recognised revenue for the year ended 31 March 2017 remained flat at £3.90m (FY16: £3.89m) with consulting revenues comprising 26% of the total recognised revenue (FY16: 28%) and 74% derived from technology revenues (FY16: 72%). Whilst consulting is often the first point of contact for new clients the technology offering remains core to our client engagements and we see the Company as a technology business with various consulting offerings wrapped around. We do not expect this ratio to change materially in the future.

In terms of geographic split the US market remains our core sales market with 71% of recognised revenues arising from the region (2016: 76%) with the remaining 29% derived from the Rest of the World (FY16: 24%).

Administrative expenses for the period were £4.54m, broadly similar to the prior year at £4.57m. Head count across the business remained at 35 at period end, the same as the prior year reflecting a re-configuration of the staff base over the year as well as a determined effort to contain the cost base. Other operating income represents income arising as a result of sub-leasing office space in Boston.

The Company secured a further R&D tax credit from HMRC of £0.22m (FY16: £0.17m), reflected in the taxation line in the consolidated statement of comprehensive income.

Losses on ordinary activities after tax were £0.78m in the year ended 31 March 2017, a reduction of 18% on the prior year (FY16: £0.95m). This net result for the period includes a foreign exchange loss of £0.23m (2016: £0.15m) arising as a result of the retranslation of certain US$ based balance sheet assets and liabilities. Adjusting for this fx loss, the net result for the period was £0.55m (FY16: £0.80m).

During the period we have invested in both our technology platform and consulting offerings, adding the new products and new capabilities to improve our competitiveness and widen our addressable market. In the year we capitalised £0.57m of costs (FY16: £0.26m).

Cash outflows from operating activities was £0.86m (FY16: £0.46m) these outflows were met through the proceeds of an institutional fund raising undertaken in the period.

In June 2016 the Company undertook placings of new ordinary shares with both new and existing shareholders, raising aggregate gross proceeds of £1.67m.

Subsequent to the period end, the Company raised a further £1.45m gross via a placing and open offer to shareholders including management and employees. A proportion of the net proceeds will be invested in sales and marketing for the Company's partnership channels. The Company has been developing its partnership channels providing the technology platform and consultancy services to both the partner and to the partner's customer base as part of a jointly developed innovation offering. For this the Company receives subscription revenues and consulting fees and will also be entitled to receive success-based fees based on the total contract value of the joint offering. The Company will also use the proceeds to invest in both new and existing technology. The focus on existing technology will be to: improve reporting; mobile enablement; and user experience. Spend on new product development will be primarily focussed on further enhancing the analytical tools. The balance of the net proceeds will provide additional working capital to help better manage the seasonality of renewals and volatility often seen in the sales pipeline and protect strategic options as the market evolves.

The Directors have reviewed the Group's budgets and forecasts for the coming 12 months, which have been prepared with appropriate regard to the current macroeconomic environment and the conditions in the principal markets served by the Group. The Directors have taken into consideration the Group's net funds, the level of anticipated renewals by reviewing on a customer by customer basis, forecast new and up sell revenues based on sales in the pipeline and anticipated costs. There is inherent uncertainty in the level of anticipated renewals and up sell revenues and assumptions are based on reasonable expectations taking into account historic experience and current knowledge. The forecasts include investments and additional costs commensurate with expected levels of growth and options available to the Directors include the ability to flex these investments and costs should predicted revenues be lower than forecast.

As a result, at the time of approving the financial statements, the Directors consider that the Group has sufficient financial resources to continue in operational existence for the foreseeable future and, therefore, that it is appropriate to adopt the going concern basis in preparing these financial statements. As with all business forecasts, the Directors' statement cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events.

Summary and Outlook

This has been a year of good progress as we continue to position the business to capitalise on the growing market opportunity available. We have delivered results broadly in line with market expectations, resulting in improved financial strength as we make further progress toward breakeven, while also continuing to invest in the business to add new capabilities to our consulting and technology offerings and expand our addressable market through the development of our partnership channel.

We are encouraged by the development of the sales pipeline arising as a result of the newly developed partnership channels. Whilst we are mindful of the task ahead, we remain optimistic about the Group's growth prospects.

Ralph Welborn
Chief Executive Officer

Shawn Taylor
Chief Operating and Financial Officer

4 August 2017

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2017

	Note	2017 £ 000	2016 £ 000
Revenue	3	3,920	3,893
Cost of sales		(194)	(232)
Gross profit		3,726	3,661
Administrative expenses		(4,540)	(4,570)
Foreign exchange (gains) / losses		(230)	(150)
Other operating income	4	63	14
Operating loss	5	(981)	(1,045)
Finance costs	7	(13)	(65)
Loss before tax		(994)	(1,110)
Income tax receipt	8	215	165
Loss on ordinary activities for the year and total comprehensive income		(779)	(945)
Loss per share - Basic and diluted	9	0.57p	1.15p

The above results were derived from continuing operations.

The Group has no recognised income or expenses other than the results for the year as set out above.

All of the above losses for the year are attributable to equity holders of the parent.

Consolidated Statement of Financial Position as at 31 March 2017

	Note	2017 £ 000	2016 £ 000
Assets			
Non-current assets			
Property, plant and equipment		25	19
Intangible assets		933	493
Trade and other receivables		97	273
		1,055	785
Current assets			
Trade and other receivables		1,789	1,403
Cash and cash equivalents		117	23
		1,906	1,426
Total assets		2,961	2,211
Equity and liabilities			
Equity			
Share capital	10	4,041	3,374
Share premium		7,765	6,883
Other reserves		1,198	1,143
Retained losses		(13,596)	(12,817)
Equity attributable to owners of the company		(592)	(1,417)
Non-current liabilities			
Deferred income		737	736
Current liabilities			
Trade and other payables		2,816	2,892
Total liabilities		3,553	3,628
Total equity and liabilities		2,961	2,211

Consolidated Statement of Cash Flows for the Year Ended 31 March 2017

	Note	2017 £ 000	2016 £ 000
Cash flows from operating activities			
Loss for the year		(779)	(945)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	151	180
Share based payment transactions		55	67
Income tax credit	8	(215)	(165)
Finance costs		13	65
		(775)	(798)
Working capital adjustments			
(Increase)/decrease in trade and other receivables		(209)	320
Decrease in trade and other payables		(76)	(82)
Cash generated from operations		(1,060)	(560)
Finance costs		(13)	(65)
Income taxes received	8	215	165
Net cash flow from operating activities		(858)	(460)
Cash flows from investing activities			
Acquisitions of property plant and equipment		(22)	(1)
Acquisition of intangible assets		(575)	(264)
Net cash flows from investing activities		(597)	(265)
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs		1,549	623
Net increase/(decrease) in cash and cash equivalents		94	(102)
Cash and cash equivalents at 1 April		23	125
Cash and cash equivalents at 31 March		117	23

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2017

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2015	3,154	6,480	1,076	(11,872)	(1,162)
Employee share-based payment options	-	-	67	-	67
Issue of share capital	220	403	-	-	623
Transactions with owners	220	403	67	-	690
Loss for the year and total comprehensive income	-	-	-	(945)	(945)
At 31 March 2016	3,374	6,883	1,143	(12,817)	(1,417)

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2016	3,374	6,883	1,143	(12,817)	(1,417)
Employee share-based payment options	-	-	55	-	55
Issue of share capital	667	882	-	-	1,549
Transactions with owners	667	882	55	-	1,604
Loss for the year and total comprehensive income	-	-	-	(779)	(779)
At 31 March 2017	4,041	7,765	1,198	(13,596)	(592)

Notes to the Financial Statements for the Year Ended 31 March 2017

1. General information

The Group headed by Imaginatik PLC is one of the leading providers of collaborative innovation software and related professional services to large and medium-sized enterprises.

The Company is a public company limited by share capital incorporated and domiciled in England and Wales.

The address of its registered office is:
27/28 Eastcastle Street
London
W1W 8DH

The Company's ordinary shares are traded on the AIM market, London Stock Exchange.

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, except for the treatment of share options, and are in accordance with applicable accounting standards.

The financial information set out in this preliminary results announcement does not constitute the Group's statutory financial statements for the year ended 31 March 2017 or 2016 but is derived from those financial statements. Statutory financial statements for 2016 have been delivered to the Registrar of Companies. Those for 2017 will be delivered following the Company's forthcoming Annual General Meeting. The auditors have reported on those accounts: their reports on those financial statements were unqualified and did not contain statements under section 498 of the Companies Act 2006.

The financial statements, and this preliminary statement, of the Group for the year ended 31 March 2017 were authorised for issue by the Board of Directors on 4 August 2017 and the balance sheet was signed on behalf of the board by 4 August 2017.

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.

2. Accounting policies

Going concern

The Group posted a loss of £779,000 (2016: £945,000) for the period, has current net liabilities of £910,000 (2016: £1,466,000) and retained losses of £13,596,000 (2016: £12,817,000). The Group has net funds at 31 March 2017 of £117,000 (2016: £23,000).

The Group met its financing requirements through the placing of new shares and completed a placing of new ordinary shares with institutional and other investors in June 2017 raising a total of £1,450,000 before expenses.

The Directors have reviewed the Group's budgets and forecasts for the coming 12 months, which have been prepared with appropriate regard to the current macroeconomic environment and the conditions in the principal markets served by the Group. The Directors have taken into consideration the Group's net funds, the level of anticipated renewals by reviewing on a customer by customer basis, forecast new and up sell revenues based on sales in the pipeline and anticipated costs. There is inherent uncertainty in the level of anticipated renewals and up sell revenues and assumptions are based on reasonable expectations taking into account historic experience and current knowledge. The forecasts include investments and additional costs commensurate with expected levels of growth and options available to the Directors include the ability to flex these investments and costs should predicted revenues be lower than forecast.

As a result, at the time of approving the financial statements, the Directors consider that the Group has sufficient financial resources to continue in operational existence for the foreseeable future and, therefore, that it is appropriate to adopt the going concern basis in preparing these financial statements. As with all business forecasts, the Directors' statement cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 March 2017. Subsidiaries are entities over which the Group has the control. Control comprises an investor having power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power.

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 2017 a loss of £805,000 (2016: loss of £974,000) is attributable to the Company.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of sales related taxes. Income for the Group is derived from two sources: Technology and Consultancy. These sources are service-based rather than through the sale of goods. Following the principles of IAS 18 Revenue, the policies for income recognition in respect of each of the different sources of income are such that income is recognised by reference to the stage of completion of the transaction at the end of the reporting period. In applying the income recognition policies below where there is a requirement for a contract to be signed, income is recognised in accordance with the policy when the contract has been signed or persuasive evidence that an arrangement exists.

a) Consulting:
   Income derived from our consulting offering subject to contracts is recognised in the month in which the consulting takes place. Income from longer term consulting arrangements shall be recognised evenly over the term of the contract.

   b) Technology:
   The provision of our suite of technology products includes provision of software licences, hosting and maintenance in relation to the product over the contract term. Income arising from the provision of these bundled services are recognised evenly over the term of the contract, once an agreement has been signed or persuasive evidence of an arrangement exists.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Costs in respect of operating leases are charged on a straight line basis over the term of the lease in arriving at the operating loss before taxation.

Defined contribution pension obligation

Contributions to the Group's defined contributions pension scheme are charged to profit or loss in the period in which they become payable.

Property, plant and equipment

All property, plant and equipment is stated at cost less subsequent depreciation and impairment. The costs of the property, plant and equipment is their purchase price plus any incidental costs of acquisition. Depreciation commences at the point the asset is brought into use.

If there is any indication that an asset's value is less than its carrying amount an impairment review is carried out. Where impairment is identified an asset's value is reduced to reflect this.

The residual values and useful economic lives of fixed assets are reviewed by management on an annual basis and revised to the extent required.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all property, plant and equipment equally over their expected useful lives. It is calculated at the following rates:

Asset class	Depreciation method and rate
Leasehold improvements	Over the life of the lease
Fixtures and fittings	33% per annum
Equipment	33% per annum

Intangible assets

Software licences

The costs of significant groups of software licences are capitalised and then amortised over the useful economic lives of the software concerned. Amortisation is charged to administrative expenses. The cost of intangible assets is their purchase price plus any incidental costs of acquisition. Amortisation begins from the time the asset is brought into use.

Research and development

The cost of research is charged to the statement of comprehensive income in the period in which it is incurred. Development expenditure is capitalised only if the Company can demonstrate the following conditions:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probably future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs not meeting the criteria for capitalisation are expensed in the period in which they are incurred. The cost of an internally generated intangible asset comprises all directly attributable costs, including labour costs, necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Until completion of the development project, the assets are subject to impairment testing only. Amortisation commences when the asset is brought into use, and is shown within 'Administrative Expenses' on the consolidated statement of comprehensive income.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Software	20% to 33% per annum
Development costs	20% per annum

Impairment

At the end of each accounting period the Group assesses the recoverable amounts of intangible assets. Where there is an indication of impairment an impairment loss is recognised for the amount by which the assets carrying value exceed its recoverable amount. Impairment losses are recognised in the profit and loss.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax and current tax are charged or credited to profit or loss, except when it relates to items charged or credited in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or equity respectively.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Share based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement. The Group has no cash settled share based payments.

Foreign currency transactions and balances

The presentational currency of the Group and functional currency of the trading entities is Sterling. Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate (their “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the statement of financial position date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Employee benefits

The Company accounts for employee benefits in accordance with IAS 19. Under IAS 19 there is a requirement to recognise the monetary value of employee benefits accruing to employees but not yet settled, typically holiday pay. There is a requirement to account for the value of the liability for employee benefits to be paid in the future for services provided up to the reporting date.

Financial assets

Classification

Financial assets currently comprise trade and other receivables, cash and cash equivalents.

Recognition and measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Included within loans and receivables are trade and other receivables. Trade and other receivables are recognised at fair value less transaction costs. Subsequently they are carried at amortised cost.

Cash and cash equivalents

Cash and other short-term deposits in the Statement of Financial Position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less and where there is an insignificant risk of changes in value. In the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial liabilities

Classification

Financial liabilities currently comprise trade and other payables.

Recognition and measurement

Trade and other payables

Trade and other payables are initially recognised at fair value less transaction costs and thereafter carried at amortised cost.

Share capital

Equity comprises the following:

"Issued capital" represents the nominal value of equity shares.

"Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares net of expenses of the share issue.

"Share option reserve" represents equity-settled share-based employee remuneration until such share options are exercised.

"Retained losses" represents retained losses.

Changes in accounting policy

New standards, interpretations and amendments not yet effective

Standards and interpretations		**Effective for annual periods beginning on or after**
IFRS 2	Share based payment	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenues	1 January 2018
IFRS 16	Leases	1 January 2017

The directors have not yet considered the full impact of the above standards on the financial statements of the Company. The directors anticipate that as a minimum the changes will have a significant impact on the disclosures provided in the financial statements.

Critical judgements and significant accounting estimates

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group should it later be determined that a different choice would be more appropriate. The most significant areas where judgements and estimates have been applied are as follows:

Judgements

The value of the awards under the modified and new share option scheme was measured, in accordance with IFRS 2, by reference to their fair value at the date on which they were granted. Judgement was required in determining the most appropriate valuation model.

At the end of each accounting period the Group assesses the recoverable amounts of intangible assets. Where there is an indication of impairment an impairment loss is recognised for the amount by which the assets carrying value exceed its recoverable amount. Impairment losses are recognised in the profit and loss.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Until completion of the development project, the assets are subject to impairment testing only. Amortisation commences upon completion of the asset, and is shown within 'Administrative Expenses' on the consolidated statement of comprehensive income.

At the end of each accounting period, the Group assesses it's ability to continue for a period of at least 12 months from the date the financial statements are approved, by reviewing budgets and forecasts for future trading years.

Estimates
Significant assumptions were necessary in arriving at the inputs into the valuation model for modified and new share option scheme.

3. **Segmental reporting**

Management currently identifies the Group's two revenue streams as its operating segments. These operating segments are monitored by the Group's chief operating decision maker. For these operating segments only revenues are reported to the Group's chief operating decision maker as results, other costs and assets and liabilities cannot be reliably allocated to the operating segments.

	2017	2016
	£'000	£'000
Segmental revenue:		
Technology	2,911	2,778
Consultancy	1,009	1,115
	3,920	3,893

All other information presented to the Chief Operating Decision Maker is the same as is reported in these financial statements.

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

	2017	2016
	£'000	£'000
Segmental revenue:		
United States of America	2,784	2,977
Rest of the World	1,136	916
	3,920	3,893
Segmental non-current assets:		
United States of America	92	219
Rest of the World	943	566
	1,035	785

Revenues from external customers have been identified on the basis of the customer's geographical location. Non-current assets are allocated based on their physical location.

The Group has one customer (2016: nil customers) who accounted for revenues of more than 10% of Group revenues, accounting for 11.5% of turnover. These revenues arose in the Technology segment.

4. Other operating income

The analysis of the group's other operating income for the year is as follows:

	2017 £ 000	2016 £ 000
Sub lease rental income	63	14

5. Operating loss

Arrived at after charging/(crediting)

	2017 £ 000	2016 £ 000
Depreciation expense	16	17
Amortisation expense	135	163
Research and development cost	322	330
Foreign exchange losses	230	150
Operating lease expense - property	153	76

6. Auditor's remuneration

	Note	2017 £ 000	2016 £ 000
Fees payable to the Company's auditor for the audit of the Company's annual accounts		24	22
Fees payable to the Company's auditor and its associates for other services:			
Audit of the accounts of subsidiaries		1	1
Tax advisory services		3	3
		28	26

7. Finance income and costs

	2017 £ 000	2016 £ 000
Finance costs		
Other finance costs	13	65
Total finance costs	13	65

8. Income tax

Tax credited in the income statement

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	(215)	(165)

The tax on (loss)/profit before tax for the year is less than (2016 - less than) the standard rate of corporation tax in the UK of 20% (2016 - 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Loss before tax	(994)	(1,110)
Corporation tax at standard rate	(189)	(183)
Effect of revenues exempt from taxation	(6)	(39)
Effect of expense not deductible in determining taxable profit (tax loss)	12	15
Increase (decrease) from effect of tax incentives	(2)	1
Increase (decrease) in UK and foreign current tax from unrecognised tax loss or credit	185	206
Increase (decrease) in UK and foreign current tax from adjustment for prior periods	(215)	(165)
Total tax credit	(215)	(165)

Factors that may affect future tax charges

Based on current capital investment plans, the Group expects to be able to continue to claim capital allowances in excess of depreciation in future periods at a slightly lower level than in the current period.

At 31 March 2017 the Group has estimated tax losses of £10,311,685 (2016: £9,981,625) carried forward and available indefinitely for offset against future profits. No deferred tax asset has been recognised in respect of these losses as there is insufficient evidence that future profits will be sufficient for recovery of the losses.

9. Earnings per share

The calculation of basic loss per share (EPS) is based on the loss attributable to equity holders of the parent for the year of £776,000 (2016: loss of £945,000) and a weighted average of 136,474,544 (2016: 81,948,369) ordinary shares in issue.

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

10. Share capital and reserves

	2017		2016	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £0.01 (2016 - £0.01) each	151,829	1,518	85,112	851
Deferred shares of £0.04 (2016 - £0.04) each	63,084	2,523	63,084	2,523
	214,913	4,041	148,196	3,374

New shares allotted

During the year 66,717,012 ordinary shares having an aggregate nominal value of £667,170 were allotted for an aggregate consideration of £1,667,925. Issue costs relating to the above placings were £119,000 and have been deducted from the share premium account.

Share premium account

This reserve records the consideration premium for shares issued at a value that exceeds their nominal value, less any costs incurred relating directly to the issue of these shares.

Other reserve account

This account acts as the share option reserve and records the charges to profit with respect to unexercised share options.

Rights, preferences and restrictions

Ordinary have the following rights, preferences and restrictions:
The Ordinary shares carry rights to participate in dividends and distributions declared by the Company and each share carries the right to one vote at any general meeting. There are no rights of redemption attaching to the Ordinary shares.

Deferred have the following rights, preferences and restrictions:
The deferred shares carry no rights to receive any dividend or distribution and carry no rights to vote at any general meeting. On a return of capital the Deferred share holders are entitled to receive the amount paid up on them after the Ordinary share holders have received £100,000,000 in respect of each share held by them. The Company may purchase all or any of the Deferred shares at an appropriate consideration of £1.

Alloted, called up and fully paid shares

	2017		2016	
	No. 000	**£ 000**	**No. 000**	**£ 000**
At 1 April	148,195,874	3,374	63,084,290	3,154
Issued in the year	66,717,012	667	22,027,294	220
Share sub-division	-	-	63,084,290	-
At 31 March	214,912,886	4,041	148,195,874	3,374

11. Report and Accounts

Copies of the Company's full statutory financial statements will be available from the Company's place of business at Carnac Cottage, Cams Hall Estate, Fareham, PO16 8UU and on its website,www.imaginatik.com. A copy of the report and accounts will be sent to all shareholders with the notice of the AGM in due course.