Imaginatik PLC
("Imaginatik" or the "Company")

Final Results

Imaginatik plc (AIM: IMTK.L), the #1 ranked leader in corporate innovation management according to Forrester Research, announces its audited results for the financial year ended 31 March 2018.

Financial & Operational Highlights

- Gross bookings increased 12% to £3.6m (FY17: £3.2m*)
- Recognised revenue of £3.68m (FY17: £3.92m)
- Loss before tax £1.35m (FY17: £1.06m), increased in the year due to the impairment of intangible assets of £0.47m (FY17: £0)
- Raised £1.31m net of expenses via a placing of equity (FY17: £1.55m)

*** At constant currency, US$ to £ exchange rate of 1.3979 as at 31 March 2018*

Post period end

- Implementation of Strategic Review
- Change of Board, appointing a new Chairman and CEO
- Additional funding of £0.47m secured via two share placings, and a further £0.08m via a debt for equity swap
- Secured a loan of £0.50m from VM AV Corporate Services Limited
- Discussions ongoing with an investor to make a controlling equity investment

Strategic Review

- Cost reductions have reduced the break-even point by approximately £1.0m per year, approximately 25% of the overhead base, without any adverse effect on the business.
- Revenue generation - new marketing methods, clear sales targets and a greater focus have been introduced to the benefit of sales
- Management - there has been focus on leadership, communications and with greater accountability - targets have been agreed and will be measured against

Angus Forrest, CEO, commented, *"Imaginatik has a market leading product with many satisfied customers and employs great people who have a passion for the business. The challenge for the year ahead is to build on the strong base in the existing markets and then build out globally. On behalf of the Board I would like to thank shareholders for their support and interest, and all of our employees for their dedication, hard work and patience with the changes being implemented. Whilst we have made considerable progress, there is much to do for the Company to begin to achieve its undoubted potential and we will work to exploit the opportunity profitably."*

For further information please contact:

Imaginatik plc Angus Forrest, CEO Shawn Taylor, CFO	Tel: 01329 243 243
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About Imaginatik

Imaginatik is the only innovation solution provider which has combined a proven innovation program with purpose-built idea management software to enable companies to achieve breakthrough and continuous innovation at scale. Imaginatik works with leading global enterprises to build and integrate innovation management skills as a core competency. Customers include ExxonMobil, Altria, Shell, Goodyear, AECOM, Caterpillar, Novartis and Cargill.

Imaginatik is a public company traded on the AIM market of the London Stock Exchange (LSE: IMTK.L) with offices in Boston, MA, USA and Fareham, U.K.

For more information visit www.imaginatik.com.

Chairman's Statement

Imaginatik plc continues to be the number one ranked leader in corporate innovation management according to Forrester Research. We believe our solutions offer a combination of software and consultancy which is compelling for customers who are interested in achieving their innovation objectives. Our strengths include:

- Proven enterprise software
- The quality of our consultants many of whom have worked for companies which use Imaginatik's products
- Wide experience over many industries
- Portfolio of case studies and success stories

Innovation and improvement are activities that every Company has to focus on if it is to succeed in a world which is increasingly competitive, faster moving and where there is a need to continually improve if a business is to survive and succeed.

The 2018 financial year proved to be disappointing, with revenues down on 2017 and another loss incurred. In February of this year, and in response to our poor operating performance, the board announced that it would undertake a strategic review of the business, appointing financial advisers to assist in the process. This process was concluded in early June 2018. The board determined that despite having held detailed discussions with several interested parties and received several proposals in relation to buying the business, it was unable to recommend any of the proposals to shareholders.

In parallel to the discussions with parties interested in buying the business the board had discussions with other parties in order to secure further new funding with a view to making significant structural changes to the business in order to ensure the Company's longer term survival and providing it with an opportunity to flourish. To this end, on 4 June 2018 we announced an equity fundraise of £225,000 and a programme of cost reduction with the objective of reducing the annualised cost base by at least £750,000. We also undertook an overhaul of the senior management team as well as the introduction of new working practices. I am pleased to report that the benefits of these actions are beginning to be felt and we anticipate this will continue through the rest of the Company's financial year.

Advisers, creditors and shareholders have been very patient during the Company's recent past and continue to be so as the structural changes described above are implemented. I wish to thank them for their patience. I am hopeful and confident that the changes we are making, which are throughout the Company and affect every aspect of the operations, will result in a more stable, focussed and successful operation. I wish also to thank Matt Cooper, who has been a significant provider of financial and strategic support to the Company during the years of his chairmanship. Matt left as part of the changes described above and I am grateful for his understanding during this time. The Company wishes him well and I wish him well personally. Ralph Welborn, Chief Executive Officer, also left the business. We have also benefited post year-end from the support of our new joint broker, Peterhouse Capital Limited, for whose assistance in procuring additional funding we are very grateful.

Our new CEO, Angus Forrest, who was appointed to the position on 1 July 2018, has hit the ground running and is making progress in implementing change which is both significant and rapid, and I have every confidence that progress will continue and look forward to reporting on that progress in due course.

Simon Charles
Chairman

CEO's Statement

My short time with Imaginatik has been informative, the Company has a market leading product with many satisfied customers and employs great people who have a passion for the business. However, there were facets of the business, which required serious and immediate attention. We have prioritised those changes which have the fastest and biggest returns, gradually moving on to the areas which take time to have an impact and finally onto those with the smaller benefit. The objective is to create a cash generative, profitable Company, which is growing strongly, providing returns to shareholders and good careers to its loyal employees.

Since my appointment the following changes have been made:

a. Cost reductions have reduced the break-even point by approximately £1.0m per year, approximately 25% of the overhead base, without any adverse effect on the business.

b. Revenue generation - new marketing methods, clear sales targets and a greater focus have been introduced to the benefit of sales.

c. Management - there has been increased focus on leadership, communications both internally and externally and with greater accountability - targets have been agreed and will be measured against.
These changes have only recently been introduced, but so far we are ahead of target and the Company's employees are all participating in these initiatives, actively contributing to the improvements.

It is exciting to be able to report that over the past several months the Company has been approached by several third parties interested in working with the Company and those talks continue.

On behalf of the Board I would like to thank shareholders for their support and interest, and all of our employees for their dedication, hard work and patience with the changes being implemented.

Whilst we have made considerable progress, there is much to do for the Company to begin to achieve its undoubted potential and we will work to exploit the opportunity profitably.

Outlook

The year to 31 March 2019 is one of significant change with the emphasis being on improving the performance of every part of the business. Although there may be some adverse impact in the short term, this will build firm foundations for the future development of the enterprise. The first objective for the Company is to improve its financial performance which comprises both cost reduction and revenue improvement, we are making progress on both fronts and I look forward to reporting further progress in due course.

Angus Forrest
Chief Executive Officer

Strategic Report for the Year Ended 31 March 2018

Business Review

Imaginatik plc is a well established leading player in the global innovation market. The Company has a suite of technology and consultancy products used by blue chip clients, mainly in North America and Europe. The challenge for the Company is to build on the strong base in the existing markets and then build out globally.

Strategy

Our strategy in the short term is one of organic growth whilst improving the business as described in the CEO statement. When the effectiveness of the improvement programmes outlined have been proven we will look to accelerate growth through strategic partnerships and possibly opportunistic acquisition.

Product

Imaginatik's products deliver a targeted and managed process that facilitates employee led innovation and improvement. The customers use the products in a variety of ways to maximise their benefits for example:

- Pharmaceuticals to accelerate drug development and testing programmes – reducing time to market
- Retailers to improve sales techniques
- Engineering to improve reliability
- All to improve efficiencies and processes, reduce costs and improve revenues.

The product incorporates analytical tools for example to seek out specialists in large organisations with thousands of employees to bring their proven skills to bear in resolving current business challenges.

Market

The potential market is one of large and medium sized businesses and organisations. These businesses find the greatest benefits from a targeted and managed improvement process. The benefits of innovation and improvement are very visible and even the most traditional business will not succeed unless it innovates and improves. The car industry is a prime example where there has been massive change with new entrants and many of those prepared to innovate succeeding; whereas those which were complacent failing.

Imaginatik has a wide range of customer case studies showing how the use of the Imaginatik solution has helped businesses innovate and improve, delivering successful projects in a wide range of industries over multiple disciplines and in turn generating very substantial returns on investment.

Future developments

Technology

As predicted last year the Company has to innovate and recently announced the release of a new mobile and tablet version of Innovation Central, the Company's leading product.

The use of our analytic tools is enhancing the product's capabilities deploying artificial intelligence in our solutions to augment decision-making and provide valuable insights for our customers.
Further product and market developments, will be announced as appropriate.

Sales and Marketing

The marketing focus adopted last year to drive more inbound relevant leads has continued and been further refined. The cost per lead has fallen significantly, and whilst there are fewer leads, they are of a higher quality which is more effective as it allows the sales team to focus their efforts on real opportunities.

After the year end a new approach has been taken to the sales process which is beginning to show promise as the conversion rates are improving, value per sale increasing and in recent months a number of new customers have been contracted.
We have some interesting partnerships with potential, and we want to build on that in the future with additional strategic partnerships. It is important that partnerships work for both parties. At present we are considering the key objectives to attract the best partners and how to build long term relationships,

success requires both parties to invest time and money in setting up and building the business case together.

Consultancy

Since the arrival of new management the role of the consultants has changed. The most important focus is now to ensure that Imaginatik's expertise built up over many years, markets and projects is brought to bear on all customers to make sure every project delivers value for our customers.

KPIs & Financial Review

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

KPI	**2018**	**2017**
Gross bookings [1] *	£3.6m	£3.2m
Recognised revenue	£3.7m	£3.9m
New & expansion bookings [2] *	£1.6m	£1.7m
Renewal bookings [3] *	£2.1m	£1.5m
Number of clients renewing their contracts	23/30	22/30
Number of new client wins in the year	12	15
Total number of annual contracts at year end	38	40
Consulting as a % of contracted revenue	23%	26%
Loss after tax	(£1.15m)	(£0.84m)
Cash balance	£0.06m	£0.12m

*At constant currency, exchange rate of 1.3979 as at 31 March 2018.

[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

Gross bookings for the period were £3.6m, an increase of 12% on FY17 at constant currency. After a disappointing first quarter for gross bookings the levels increased in Q2 and Q3 (July 17 to December 17), with £2.5m arising in this period. The uneven distribution of sales bookings is significantly influenced by the timing of renewals, with most renewals arising in the period from August to December each year.

The overall level of renewal bookings in the year was £2.1m (FY17:£1.5m), with the increase on FY17 principally the result of one large multi-year contract closing with a significant customer, although post period end the contract size was reduced in scope by £0.4m. The Company ended the year with 38 customers (FY17:40).

New and expansion business at £1.6m (FY17:£1.7m) was lower than had been anticipated but nevertheless the Company was successful in securing 12 new customers in the period (FY17:15), of which seven were technology customers taking an annual or multi-year licence, two were pilots and three via new consulting engagements. During the period we successfully renewed 23 out of 30 possible renewals (FY17:22/30) and amounting to 88% by reference to the previous year's value contracted.

New customers acquired include a US based global airline and several businesses from the insurance and financial services sectors, all of which are well recognised global brands.

The Company's cash balances are a key KPI and are monitored on a daily basis during the period under review and shared with the management team and board on a regular basis.

Financial Review

Total recognised revenue for the year ended 31 March 2018 was £3.68m (FY17: £3.92m) with 77% of revenue arising from technology (FY17: 74%) and consulting revenues comprising 23% of the total (FY17: 26%).

In terms of geographic distribution of revenues, the US market remains our core sales market as it has done for many years with 62% of revenues arising from the region (FY17:71%) with the remaining 38% derived from the Rest of the World (FY17:29%). The increase to Rest of the World revenues was the result of acquiring several new customers in the Asia-Pacific region.

One of the consequences of the post period end restructuring and the appointment of a new CEO, has been a re-focusing of the portfolio of technology development projects. As a result there were a number of development projects that have been either terminated or put on hold such that there is now a degree of uncertainty over whether those projects will be completed. Given this level of uncertainty the board has determined that those assets are impaired and under IAS 36 must be written off in the reporting period. This one off write down amounted to £0.47m in total and has been included within administrative expenses.

Administrative expenses for the period were £5.02m, an increase of 9% on FY17 (£4.6m) and largely due to the impairment of intangible assets described above. Headcount in the period was an average of 35 employees across the US and UK operations (FY17: 35) although the headcount numbers have been reduced post period end as a result of the restructuring of the business referred to in the CEO report. The foreign exchange gains of £0.14m in the year (FY17: £0.23m loss) were largely the result of unrealised gains on the retranslation of $US denominated deferred revenues. Other operating income of £0.06m (FY17:£0.06m) reflects rental income arising from the sub-lease of property in Boston, USA.

As a result of the impairment described above, the loss before tax rises to £1.35m (FY17: £1.06m). The Company secured an R&D tax credit of £0.20m in the year (FY17:£0.21m), the result of the Company's leading edge research and development work undertaken in the UK.

The Company made a prior year adjustment of £0.06m to cover holiday pay accruals, increasing the loss in FY17 to £0.84m.

Cash outflows from operating activities were £0.80m (FY17:£0.86m) and the Company invested £0.56m across the business, primarily in the development of its technology assets (FY17:£0.59m). The cash requirements of these combined outflows were met through the proceeds of an institutional fund raising of £1.31m net of expenses (FY17:£1.55m).

The Directors have reviewed the Group's expected operating overheads as well as global sales forecasts for the next 12 months in order to form a view on the Company's likely cash requirements. The budgeted operating overheads take into account the programme of structural changes that have been underway since June 2018 as well as other anticipated changes that are expected to yield further benefits and cost savings expected to take place later in the new financial year. The sales forecasts have considered the likely level of renewals that might be expected by customer including the likelihood of contract closure as well as timing and quantum, in doing so the directors have taken into account historic experience and current knowledge. Sales forecasts for new and upsell business have also been reviewed and have taken into account the current state of the sales pipeline in the USA and Rest of World and considered what new sales opportunities might reasonably be forecast to arise further in the year given the Company's current marketing plans, available resources and expertise.

Since the year end the Company has, through two share placings, secured additional equity funding of £0.47m gross of expenses as well as a debt for equity swap with certain creditors amounting to £0.08m. In addition the Company has secured a £0.5m loan from VM AV Corporate Services Limited. As announced on 4 September 2018 the Company continues to be in discussions with an investor to make a controlling equity investment. Given the funding secured post year end and providing the Company is able to successfully conclude the ongoing controlling equity investment the Directors consider that the Company will have 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 specifically due to the material uncertainty over the raising of funds. These financial statements do not take into account any potential impairment.

Principal business risks and uncertainties

The directors have identified below the major risks of the business, their impact and the tactics used to manage and mitigate the risks. The Company monitors the principal risks by the production of reports and the board considers them regularly at Board Meetings. The Company operates internal controls in order to reduce or eliminate risks as part of normal operating processes. The board considers the principal risks and uncertainties in the business as shown below.

- Loss of major customers

The Group has a small number of major customers. Accordingly, there is a risk of loss of major clients that could result in a reduction in revenue and cashflow. The Group endeavours to provide an excellent service to customers at competitive pricing. In the event of the loss of a major customer, steps would be taken to reduce the Group's cost base.

- Customer failure

The Group has a small number of major customers and, accordingly, is exposed to potentially significant bad debts should a major customer become insolvent. The Group operates a credit control policy to reduce the risk of customer failure, although the Group does not have credit insurance in place.

- Competition

The Group's competitors may offer superior services to the market or lower prices, which could reduce the attractiveness of the Group's services and result in a reduction in revenue. In the event of a significant reduction in revenue, steps would be taken to reduce the Group's cost base.
- Attraction and retention of key employees.

The success of the Group depends on the abilities and experience of the key employees. The loss of key employees or the inability to recruit replacements could have a significant adverse effect on the day to day running of the Group and on the development of the Group's business. The Group seeks to reward key employees at appropriate levels, including the provision of equity incentive schemes, designed to attract and retain key employees of appropriate calibre.

- Financial risks

The Group finances its operations through a mixture of cash generated from operations and, where necessary to fund expansion or capital expenditure programmes, through leasing or the proceeds of the sale of shares. There are also risks relating to financial exchange fluctuations.

- Future funding

Whilst the Company has substantially reduced its cost base and has raised equity and loan capital post year end, the Company may require further funding for working capital and future development. The successful conclusion of the current discussions with an investor to take a controlling equity investment in the business is critical.

Management objectives are to:

- Retain sufficient liquid funds to enable the group to meet its day to day obligations as they fall due whilst maximising returns on surplus funds; and
- Match the repayment schedule of any external borrowings with the expected future cash flows expected to arise from the group's trading activities.

As all the group’s surplus funds are invested in Pound Sterling and US Dollar bank deposit accounts foreign exchange risk arises.

The group’s surplus funds are held primarily in short term variable rate deposit accounts. The directors believe that this gives them the flexibility to release cash resources at short notice and also allows them to take advantage of changing conditions in the finance markets as they arise.

Summary and Outlook

The Company did not achieve all the objectives set out in the 2017 Report and Accounts. However, customers continue to renew their contracts and there are new customer wins which we believe to be a very positive sign for the future of the business. Post period end actions have been taken to substantially reduce the cost base and therefore improve the Company's financial performance. These changes have begun to make an impact but it is a medium term set of projects, which will take some months to see the full benefits emerge.

Shawn Taylor
Chief Operating and Financial Officer

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2018

	Note	2018 £ 000	(As restated) 2017 £ 000
Revenue		3,681	3,920
Cost of sales		(201)	(194)
Gross profit		3,480	3,726
Administrative expenses		(5,026)	(4,603)
Foreign exchange gains / (losses)		139	(230)
Other operating income	6	65	63
Operating loss	7	(1,342)	(1,044)
Finance costs	9	(13)	(13)
Loss before tax		(1,355)	(1,057)
Income tax receipt	10	200	215
Loss on ordinary activities for the year and total comprehensive income		(1,155)	(842)
Loss per share - Basic and diluted	11	0.56p	0.62p

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 2018

(As restated)

	Note	2018 £ 000	2017 £ 000
Assets			
Non-current assets			
Property, plant and equipment	13	23	25
Intangible assets	14	928	933
Trade and other receivables		341	97
		1,292	1,055
Current assets			
Trade and other receivables	15	757	1,789
Cash and cash equivalents		61	117
		818	1,906
Total assets		2,110	2,961
Equity and liabilities			
Equity			
Share capital	16	4,765	4,041
Share premium		8,350	7,765
Other reserves		1,252	1,198
Retained losses		(14,814)	(13,659)
Equity attributable to owners of the Company		(447)	(655)
Non-current liabilities			
Deferred income	18	582	737
Current liabilities			
Trade and other payables	19	1,975	2,879
Total liabilities		2,557	3,616
Total equity and liabilities		2,110	2,961

Statement of Financial Position as at 31 March 2018

	Note	2018 £ 000	(As restated) 2017 £ 000
Assets			
Non-current assets			
Property, plant and equipment	13	23	25
Intangible assets	14	928	933
Trade and other receivables		341	97
		1,292	1,055
Current assets			
Trade and other receivables	15	876	1,936
Cash and cash equivalents		61	117
		937	2,053
Total assets		2,229	3,108
Equity and liabilities			
Equity			
Share capital	16	4,765	4,041
Share premium		8,350	7,765
Other reserves		1,252	1,198
Retained earnings		(14,695)	(13,512)
Total equity		(328)	(508)
Non-current liabilities			
Deferred income	18	582	737
Current liabilities			
Trade and other payables	19	1,975	2,879
Total liabilities		2,557	3,616
Total equity and liabilities		2,229	3,108

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 2018 a loss of £1,182,000 (2018 - loss of £871,000) is attributable to the Company.

Consolidated and Company Statement of Cash Flows for the Year Ended 31 March 2018

			(As restated)
	Note	**2018 £ 000**	**2017 £ 000**
Cash flows from operating activities			
Loss for the year		(1,155)	(842)
Adjustments to cash flows from non-cash items			
Depreciation, amortisation and impairments	7	568	151
Share based payment transactions		54	55
Income tax credit	10	(200)	(215)
Finance costs	9	13	13
		(720)	(838)
Working capital adjustments			
Decrease/(increase) in trade and other receivables	15	788	(209)
Decrease in trade and other payables	19	(1,059)	(13)
Cash generated from operations		(991)	(1,060)
Finance costs		(13)	(13)
Income taxes received	10	200	215
Net cash flow from operating activities		(804)	(858)
Cash flows from investing activities			
Acquisitions of property plant and equipment		(11)	(22)
Acquisition of intangible assets	14	(550)	(575)
Net cash flows from investing activities		(561)	(597)
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs		1,309	1,549
Net (decrease)/increase in cash and cash equivalents		(56)	94
Cash and cash equivalents at 1 April		117	23
Cash and cash equivalents at 31 March		61	117

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2018

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	(Restated) 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 (restated)	-	-	-	(842)	(842)
At 31 March 2017	4,041	7,765	1,198	(13,659)	(655)

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2017	4,041	7,765	1,198	(13,659)	(655)
Employee share-based payment options	-	-	54	-	54
Issue of share capital	724	585	-	-	1,309
Transactions with owners	724	585	54	-	1,363
Loss for the year and total comprehensive income	-	-	-	(1,155)	(1,155)
At 31 March 2018	4,765	8,350	1,252	(14,814)	(447)

Statement of Changes in Equity for the Year Ended 31 March 2018

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	(Restated) Retained earnings £ 000	Total £ 000
At 1 April 2016	3,374	6,883	1,143	(12,641)	(1,241)
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 (restated)	-	-	-	(871)	(871)
At 31 March 2017	4,041	7,765	1,198	(13,512)	(508)

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2017	4,041	7,765	1,198	(13,512)	(508)
Employee share-based payment options	-	-	54	-	54
Issue of share capital	724	585	-	-	1,309
Transactions with owners	724	585	54	-	1,363
Loss for the year and total comprehensive income	-	-	-	(1,183)	(1,183)
At 31 March 2018	4,765	8,350	1,252	(14,695)	(328)

Notes to the Financial Statements for the Year Ended 31 March 2018

Non-statutory financial statements

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 2018 or 2017 but is derived from those financial statements. Statutory financial statements for 2017 have been delivered to the Registrar of Companies. Those for 2018 will be delivered following the Company's Annual General Meeting, which will be convened on 15 October 2018. 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 2018 were authorised for issue by the Board of Directors on 10 September 2018 and the balance sheet was signed on behalf of the Board by 10 September 2018.

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 the UK.

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

The Company's ordinary shares are traded on the Alternative Investment Market (AIM) of the 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.

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 before tax of £1,355,000 (2017 - £1,057,000) for the period, has current net liabilities of £1,157,000 (2017 - £973,000) and retained losses of £14,814,000 (2017 - £13,659,000). The group had net funds at 31 March 2018 of £61,000 (2017 - £117,000).

The group meets its financing requirements through the regular 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, the forecasts also include the ability to flex these investments and costs should predicted revenues be lower than forecast or timings change.

Since the year end the Company has, through two share placings, secured additional equity funding of £0.47m gross of expenses as well as a debt for equity swap with certain creditors amounting to £0.08m. In addition the Company has secured a £0.5m loan from VM AV Corporate Services Limited. As announced on 4 September 2018 the Company continues to be in discussions with an investor to make a controlling equity investment. Given the funding secured post year end and providing the Company is able to successfully conclude the ongoing controlling equity investment the Directors consider that the Company will have 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 specifically due to the material uncertainty over the raising of funds. These financial statements do not take into account any potential impairment.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 March 2018. 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.

Prior period adjustments

The Company made a prior period adjustment of £0.06m to cover holiday pay accruals, increasing the loss for FY17 to £0.84m from £0.78m as originally stated. Administrative expenses increased from £4.54m to £4.60 and accruals increased from £2.45m to £2.51m. The basic and diluted loss per share increased from 0.57p to 0.62p.

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 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 assess 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 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 2019
IFRS 15	Revenues	1 January 2018
IFRS 16	Leases	1 January 2019

IAS 12	Income Taxes	1 January 2019
IAS 23	Borrowing Costs	1 January 2019

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 judgement 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 (see Note 17).

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 assess it's ability to continue for a period of at least 12 months from the date the financial statements are approver, by reviewing budgets and forecasts for future trading years (as noted above in Note 2).

Estimates

Significant assumptions were necessary in arriving at the inputs into the valuation model for modified and new share option scheme (see Note 17).

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.

	2018 £'000	2017 £'000
Segmental revenue:		
Technology	2,841	2,911
Consultancy	840	1,009
	3,681	3,920

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:

	2018 £'000	2017 £'000
Segmental revenue:		
United States of America	2,272	2,784
Rest of the World	1,409	1,136
	3,681	3,920
Segmental non-current assets:		
United States of America	357	92
Rest of the World	935	943

	1,292	1,035

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 two customers (2017 - one customer) who accounted for revenues of more than 10% of Group revenues, accounting for 10.7% and 12.7% of turnover respectively (2017 - 11.5%). These revenues arose in the Technology segment.

4 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018 £ 000	(As restated) 2017 £ 000
Wages and salaries	2,349	2,385
Social security costs	230	259
Other short-term employee benefits	133	83
Pension costs, defined contribution scheme	9	2
Share-based payment expenses	54	55
	2,775	2,784

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2018 No.	2017 No.
Administration and support	35	35

5 Key management personnel

Key management compensation

	2018 £ 000	2017 £ 000
Salaries and other short term employee benefits	794	800
Post-employment benefits	5	1
Share-based payments	-	29
	799	830

Retirement benefits are accruing to one of the Company directors under a defined contribution scheme (2017 - one).

The directors' emoluments are shown in the remuneration report on page 16.

6 Other operating income

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

	2018 £ 000	2017 £ 000
Sub lease rental income	65	63

7 Operating loss

Arrived at after charging/(crediting)

	2018 £ 000	2017 £ 000
Depreciation expense	13	16
Amortisation expense	171	135
Impairment loss	384	-
Research and development cost	241	322
Foreign exchange (gains) / losses	(139)	230
Operating lease expense - property	147	153

8 Auditors' remuneration

	2018 £ 000	2017 £ 000

Fees payable to the Company's auditor for the audit of the Company's annual accounts	28	24
Fees payable to the Company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	1	1
Tax advisory services	4	3
	33	28

9 Finance income and costs

	2018 £ 000	2017 £ 000
Finance costs		
Other finance costs	13	13

10 Income tax

Tax credited in the income statement

	2018 £ 000	2017 £ 000
Current taxation		
UK corporation tax	(200)	(215)

The tax on (loss)/ profit before tax for the year is less than (2017 - less than) the standard rate of corporation tax in the UK of 19% (2017 - 20%).

The differences are reconciled below:

	2018 £ 000	**(As restated)** 2017 £ 000
Loss before tax	(1,355)	(1,057)
Corporation tax at standard rate	(257)	(201)
Effect of revenues exempt from taxation	(5)	(6)
Effect of expenses not deductible in determining taxable profit (tax loss)	16	12
Increase (decrease) from effect of tax incentives	1	(2)
Other tax effects for reconciliation between accounting profit and tax expense (income)	(3)	-
Increase (decrease) in UK and foreign current tax from unutilised tax losses	248	197
Increase (decrease) in UK and foreign current tax from R&D tax credits received relating to prior periods	(200)	(215)
Total tax credit	(200)	(215)

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 2018 the group has estimated tax losses of £11,050,270 (2017 - £9,744,144) 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.

11. 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 £1,155,000 (2017 - loss of £842,000) and a weighted average of 206,677,091 (2017 - 136,474,544) 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.

12 Investments

Group

Details of undertakings

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held 2018	2017
Subsidiary undertakings				
Imaginatik (Goswell) Limited	England and Wales	Ordinary shares	100%	100%
Imaginatik Inc.	United States of America	Ordinary shares	100%	100%

Subsidiary undertakings

The principal activity of Imaginatik (Goswell) Limited is the licencing of intellectual property.

Imaginatik Inc. is dormant.

13 Property, plant and equipment

Group and Company

	Leasehold improvements £ 000	Fixtures and fittings £ 000	Equipment £ 000	Total £ 000
Cost or valuation				
At 1 April 2016	50	62	352	464
Additions	-	-	22	22
At 31 March 2017	50	62	374	486
At 1 April 2017	50	62	374	486
Additions	-	-	11	11
At 31 March 2018	50	62	385	497
Depreciation				
At 1 April 2016	44	62	339	445
Charge for year	2	-	14	16
At 31 March 2017	46	62	353	461
At 1 April 2017	46	62	353	461
Charge for the year	2	-	11	13
At 31 March 2018	48	62	364	474
Carrying amount				
At 31 March 2018	2	-	21	23
At 31 March 2017	4	-	21	25

14 Intangible assets

Group and Company

	Software £ 000	Development costs £ 000	Total £ 000
Cost or valuation			
At 1 April 2016	365	761	1,126
Additions	44	531	575
At 31 March 2017	409	1,292	1,701
At 1 April 2017	409	1,292	1,701
Additions	-	550	550
At 31 March 2018	409	1,842	2,251
Amortisation			
At 1 April 2016	339	294	633
Amortisation charge	(6)	141	135
At 31 March 2017	333	435	768
At 1 April 2017	333	435	768
Amortisation charge	45	126	171
Impairment	-	384	384
At 31 March 2018	378	945	1,323
Carrying amount			
At 31 March 2018	31	897	928
At 31 March 2017	76	857	933

At the Statement of Financial Position date, impairment testing was undertaken by comparing the carrying values of intangibles against the recoverable amount of the CGU to which the asset has been allocated. Recoverable amounts are based on value-in-use calculations using pre-tax cashflows covering a three year period based on forecasts approved by management. No terminal value has been attributed to the development projects. The two key assumptions used in the impairment review are the revenue growth rates and the discount rate applied. In terms of the revenue assumption, and given the historic performance of the business, management have assumed broadly zero growth. Whilst management would expect growth to be higher than this, it should be noted that for forecasting a discount rate of 12% has been used reflecting management's assessment of the risks specific to CGUs. Sensitivity analysis performed on these projections demonstrate significant valuation headroom above the carrying values of each CGU if the discount rate is increased to 25%. It should be noted that the forecasting process is difficult and subject to a high degree of volatility, therefore prior year forecasts have not always been met. The average remaining amortisation period, for those assets still being amortised is 26 months. The longest remaining amortisation period for a single asset is 46 months.

As disclosed in the financial review on page 6 one of the consequences of the post period end restructuring and the appointment of a new CEO has been a re-focusing of the portfolio of technology development projects. As a result there were a number of development projects that have been terminated or put on hold such that there is now some degree of uncertainty over whether those projects will be completed. The board has therefore determined that those assets are impaired and under IAS 36 must be written off in the reporting period. This one off write down amounted to £0.47m in total, of which £0.38m relates to costs capitalised in prior periods and £0.09m to work undertaken in the current financial year that forms part of the amortisation charge.

15 Trade and other receivables

	Group		Company	
	2018 £ 000	2017 £ 000	2018 £ 000	2017 £ 000
Trade receivables	459	1,442	459	1,442
Provision for impairment of trade receivables	(6)	(10)	(6)	(10)
Net trade receivables	453	1,432	453	1,432
Receivables from related parties	-	-	119	147
Accrued income	1	79	1	79
Prepayments	301	270	301	270
Other receivables	2	8	2	8
Total current trade and other receivables	757	1,789	876	1,936

Details of non-current trade and other receivables

Group
£341,000 (2017 - £97,000) of trade or other receivables is classified as non current.

Company
£341,000 (2017 - £97,000) of trade or other receivables is classified as non current.
The inter-company receivables are not past due, not impaired and are regarded as fully performing assets. They are unsecured and repayable on demand.

Customer invoices are due for payment within 30 to 60 days of issue, however trade receivables that are less than 3 months old are not considered past due in view of normal customer payment patterns. As of 31 March 2018 £nil (2017: £nil) were past due but not impaired following management review of the receivables.

The Group trades only with recognised, credit-worthy third parties. Receivable balances are monitored on an ongoing basis with the aim of minimising the group's exposure to bad debts or being unable to realise amounts recoverable on contracts. The maximum exposure is the carrying amount above. There are no significant concentrations of credit risk within the group.
The Group has reviewed in detail all items comprising the above past due but not impaired trade receivables to ensure that no impairment exists.

As at 31 March 2018, trade receivables of £6,000 (2017 - £10,000) were impaired and provided for.
Materially all of the Group and Company's trade and other receivables are denominated in US Dollars.

Movements on the group provision for impairment of trade receivables are as follows:

	£'000
At 1 April 2017	10
Movements on the provision for receivables impairment	(4)
Receivables written off during the year uncollectable	-
At 31 March 2018	6

The creation and release of provision for impaired receivables have been included in 'Administrative expenses' in the income statement.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security.

16 Share capital and reserves

	2018		2017	
	No. 000	**£ 000**	**No. 000**	**£ 000**
Ordinary shares of £0.01 (2017 - £0.01) each	224,194	2,242	151,829	1,518
Deferred shares of £0.04 (2017 - £0.04) each	63,084	2,523	63,084	2,523
	287,278	4,765	214,913	4,041

New shares allotted

During the year 72,365,113 ordinary shares having an aggregate nominal value of £723,651 were allotted for an aggregate consideration of £1,308,915. Issue costs relating to the above package were £138,000 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 the profit with respect to unexercised share options.

Share capital reorganisation

On 29 June 2018 shareholders approved a share capital reorganisation, which had the effect of reducing the number of shares by a factor of 10 and amending the nominal value of the shares to 0.002p per share.

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.

Allotted, called up and fully paid shares

	2018		2017	
	No. 000	**£ 000**	**No. 000**	**£ 000**
At 1 April	214,912,886	4,041	148,195,874	3,374
Issued in the year	72,365,113	724	66,717,012	667
At 31 March	287,277,999	4,765	214,912,886	4,041

17 Share-based payments

Enterprise management scheme

Scheme details and movements

During the year the Group operated an approved Enterprise management scheme, an approved Incentive stock option agreement and an unapproved share option scheme.

For all schemes, options vest provided the employee who has been granted the option remains employed by the group at the earliest date that they may exercise the option. Each director or employee may exercise 50% of the options granted to them between two and ten years after the date of the grant. The remainder may be exercised between three and ten years after the date of the grant. Options are forfeited if the employee leaves the Company before the options vest. The options will be settled by the issue and allotment of fully-paid ordinary shares. The options are .
The movements in the number of share options during the year were as follows:

	2018 Number	2017 Number
Outstanding, start of period	17,961,000	9,791,841
Granted during the period	8,575,000	9,650,000
Forfeited during the period	(1,592,134)	(1,067,350)
Exercised during the period	-	(413,491)
Outstanding, end of period	24,943,866	17,961,000
Exercisable, end of period	8,694,711	6,395,974

The movements in the weighted average exercise price of share options during the year were as follows:

	2018	2017
Outstanding, start of period	3.5925p	5.4626p
Granted during the period	1.7500p	1.6202p
Forfeited during the period	1.5111p	3.2641p
Outstanding, end of period	3.0919p	3.5925p
Exercisable, end of period	5.4841p	6.0412p

Outstanding share options at year end:

2018 Number of options	2018 Exercise price	2017 Number of options	2017 Exercise price
3,918,171	6.736p	3,918,171	6.736p
77,406	25.2p	77,406	25.2p
3,960,415	3.75p	3,974,582	3.75p
622,874	4.88p	660,841	4.88p
300,000	2.88p	300,000	2.88p
7,140,000	1.625p	7,340,000	1.625p
350,000	1.375p	1,690,000	1.375p
8,575,000	1.75p		
24,943,866		17,961,000	

The weighted average remaining contractual life is 8.09 years (2017 - 8.45 years).
The cost of options granted is spread over the option vesting period. The charge for the year in relation to options held during the year is £54,433 (2017 - £54,740).

Fair value of options granted

The fair value of the new options of £75,047 (2017 - £88,214) and the incremental fair value of the modified options of £nil (2017 - £nil) were calculated using the Black-Scholes-Merton model. The cancelled options had fully vested prior to cancellation. The inputs into the model were as follows:

	2018	2017	2016	2015
Volatility	100%	100%	88%	88%
Expected life	10 years	10 years	10 years	10 years
Share price	1.75p	1.625p	4.880p	3.750p
Exercise price	1.75p	1.625p	4.880p	3.750p
Dividend yield	0%	0%	0%	0%
Risk-free rate	0.25%	0.25%	2%	2%

External independent experts were used in determining the expected volatility. The figure used was determined by calculating the historical volatility of the share price of companies considered by the experts to be comparable to the Company.

18 Non-current liabilities

	Group 2018 £ 000	Company 2018 £ 000	Group 2017 £ 000	Company 2017 £ 000
Deferred income	582	582	737	737

19 Trade and other payables

	Group	(As restated)	Company	(As restated)
	2018 £ 000	2017 £ 000	2018 £ 000	2017 £ 000
Trade payables	249	235	249	235
Accrued expenses	1,630	2,514	1,630	2,514
Social security and other taxes	16	41	16	41
Outstanding defined contribution pension costs	11	10	11	10
Other payables	69	79	69	79
	1,975	2,879	1,975	2,879

20 Pension and other schemes

Defined contribution pension scheme
The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group and Company in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund.

The total pension charge for the year represents contributions payable by the Group to the scheme and amounted to £9,149 (2017 - £2,315).

Contributions totalling £9,103 (2017 - £9,814) were payable to the scheme at the end of the year and are included in creditors.

21 Commitments

Group

Capital commitments
There are no material capital commitments at the year end (2017 - £Nil).

Other financial commitments
As at 31 March 2018 the group had non-cancellable operating leases relating to three properties occupied by the group as set out below:

Minimum future payments:	**2018 Land and buildings £ 000**	**2017 Land and buildings £ 000**
Due within one year	98	71
Later than one year and not later than five years	87	84
	185	155

22 Financial instruments

Financial assets
Loans and receivables

	Carrying value 2018 £ 000	**Carrying value 2017 £ 000**	**Fair value 2018 £ 000**	**Fair value 2017 £ 000**
Cash and cash equivalents	61	117	61	117
Trade and other receivables	797	1,616	797	1,616
	858	1,733	858	1,733

Valuation methods and assumptions
Loans and receivables:

The directors believe that the fair value of financial assets and liabilities approximates to the carrying value.

Financial liabilities

Financial liabilities at amortised cost

	Carrying value 2018 £ 000	**Carrying value 2017 £ 000**	**Fair value 2018 £ 000**	**Fair value 2017 £ 000**
Trade and other payables	543	552	543	552

Valuation methods and assumptions
Financial liabilities at amortised cost
The directors believe that the fair value of financial assets and liabilities approximates to the carrying value.

Risk management
The group is exposed through its operations to the following financial risks:

- credit risk;
- foreign exchange risk; and
- liquidity risk.

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the group, from which financial instrument risk arises, are as follows:

- trade receivables;
- cash at bank; and
- trade and other payables.

General objectives, policies and processes

The board has overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function. The board receives monthly reports from the chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the board is to set polices that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. Further details regarding these policies are set out below.

Interest rate risk
At present the directors do not believe that the group has significant interest rate risk and consequently does not hedge against such risk. Cash balances earn interest at variable rates.

The group's financial assets as at 31 March 2018 comprised cash at bank of £61,000 (2017 - £117,000). Interest is paid on cash at floating rates in line with prevailing market rates.

Sensitivity analysis
At 31 March 2018, had the LIBOR 1 MONTH rate increased by 1% with all other variables held constant, the increase in interest receivable on financial assets would amount to approximately £1,000 (2017 - £1,000). Similarly a 1% decrease in the LIBOR 1 MONTH rate with all other variables held constant would result in a decrease in interest receivable on financial assets of approximately £1,000 (2017 - £1,000).

Credit risk and impairment
Credit risk is the risk of financial loss to the group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The group is mainly exposed to credit risk from credit sales. It is group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings take into account local business practices.

The group has a credit policy under which each new customer is analysed individually for creditworthiness before the group's standard payment and delivery terms and conditions are offered.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. To manage this, the group has made sure that they use reputable banks.

The group's chief financial officer monitors the utilisation of the credit limits regularly and at the reporting date does not expect any losses from non-performance by the counterparties other than what has already been provided for.

Foreign exchange risk

Foreign exchange risk arises because the group has operations located in various parts of the world whose functional currency is not the same as the functional currency in which the group companies are operating. Although its global market penetration reduces the group's operational risk in that it has diversified into several markets, the group's net assets arising from such overseas operations are exposed to currency risk resulting in gains or losses on retranslation into sterling. Only in exceptional circumstances will the group consider hedging its net investments in overseas operations as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques.

The group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency (primarily US dollars or pound sterling) with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the group.
Currency profile

Financial assets
- Cash Sterling: £10,000 (2017 - £23,000)
- Cash US dollar: £51,000 (2017 - £94,000)
- Trade receivables Sterling: £50,000 (2017 - £194,000)
- Trade receivables US dollar: £772,000 (2017 - £986,000)
- Trade receivables Euro: £14,000 (2017 - £279,000)

Financial liabilities
- Trade payables Sterling: £75,000 (2017 - £69,000)
- Trade payables US dollar: £175,000 (2017 - £160,000)
- Trade payables Euro: £1,000 (2017 - £2,000)

Sensitivity analysis

At 31 March 2018, if Sterling had strengthened by 10% against USD with all other variables held constant, loss before tax for the year would have been approximately £110,000 (2017 - £92,000) higher, mainly as a result of foreign exchange losses on translation of USD denominated cash and cash equivalents and trade receivables, compensated by foreign exchange gains on translation of USD denominated trade payables and deferred revenues.

Conversely, if Sterling had weakened by 10% against USD with all other variables held constant, loss before tax for the year would have been approximately £110,000 (2017 - £92,000) lower.

Liquidity risk

Liquidity risk arises from the group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due.
The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The board receives rolling 12-month cash flow projections on a regular basis as well as information regarding cash balances. At the statement of financial position date, these projections indicated that the group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

There were no undrawn facilities at 31 March 2018 or 31 March 2017.

Capital risk management

Capital management
The Group's capital management objectives are to ensure the Group is appropriately funded to continue as a going concern and to provide an adequate return to shareholders commensurate with risk. The Group defines capital as being total shareholders equity. The Group has no external debt finance and hence gearing is not measured. The Group's capital structure is periodically reviewed and, if appropriate, adjustments are made in the light of expected future funding needs, changes in economic conditions, financial performance and changes in Group structure.

The Group adheres to the capital maintenance requirements as set out in the Companies Act.

Capital for the reporting periods under review is summarised as follows:
- Total equity: £(447,000) (2017 - £(655,000))
- Cash and cash equivalents: £61,000 (2017 - £117,000)

23 Related party transactions
M J Cooper, S K Taylor, S Charles and R Welborn are all related parties by virtue of their directorships during the year. The directors' emoluments are shown in the remuneration report on page 15.
S Charles is a partner in Marriott Harrison, legal advisors to the Company. During the year Imaginatik plc incurred legal fees with Marriott Harrison amounting to £63,456 (2017 - £57,047). At the year end £22,757 (2017 - £6,000) was outstanding.
The following transactions occurred during the year and at the end of the year the following amounts were due to related parties:

The Company made purchases of services from Imaginatik (Goswell) Limited in the year totalling £28,000 (2017 - £30,000). At 31 March 2018 Imaginatik (Goswell) Limited owed the Company £119,000 (2017 - £147,000).

24 Controlling party
The directors do not believe that a controlling party exists.