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

Final Results

Imaginatik plc (AIM: IMTK.L), the innovation company, is pleased to announce its audited results for the year ended 31 March 2016.

Financial Highlights

- Recognised revenue increased by 16% £3.89m (FY15: £3.34m)
- Deferred revenue steady at £2.90m (FY15: £2.90m)
- Annualised renewal base of £2.8m at year end (FY15: £3.2m)
- Gross bookings increased by 19% to £4.0m (FY15: £3.37m)*
- Loss after tax decreased by 35% £0.95m (FY15: £1.46m)
- Completion post year end of £1.67m (gross) equity placing and Open Offer

** At constant currency, exchange rate of 1.4318 US$:GBP*

Operational Highlights

- Named by Forrester Research as a leader in Innovation Management Solutions
- Secured 9 new clients in the year, across a range of sectors while maintaining over 90% renewal rates
- Continued expansion of Imaginatik's consultancy and technology offerings, including launch of algorithm-based analytics

Current trading

- 3 new customers secured in the first quarter of the year, all for operational consulting engagements

Matt Cooper, Non-Executive Chairman of Imaginatik, commented:

“We are pleased with the growth achieved in the year and the underlying progress within the business. The success of our evolution from a software company with a narrow technology focus, to a recognised industry leader with a full-service innovation offering is beginning to be reflected in the financial results.

“The funds raised in June have given us the capacity to invest in the business and capitalise on the growth in the innovation market. Our outstanding reference customers in Europe and the US, industry leading offering and strengthening financial position provide us with a solid platform on which to build and we are confident we will make further progress in the year ahead.”

For further information, please contact:

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

Group of Insurance Companies, Exxon Mobil, Altria, Shell, Mayo Clinic, Goodyear, the Yorkshire Building Society, Caterpillar and Cargill. Few companies possess the internal capability to consistently generate fresh ideas, identify those worth pursuing and reliably transform them into real, value-enhancing assets. Imaginatik's mission is to help these companies build sustainable innovation competencies.

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

I am pleased to be able to report on a year of good progress at Imaginatik. Over the past four years we made significant improvements to the business. Imaginatik has evolved from a software company with a narrow technology focus, limited client relationships and a high client churn rate to a recognised industry leader with a full-service innovation offering and deep consulting expertise, able to secure larger deals with more senior executives at some of the world's leading businesses.

The success of this strategic shift is beginning to be reflected in the financial results, which show revenue growth of 16% to £3.89m (FY15: £3.34m). This increase, combined with the containment of costs, reduced the losses after tax for the year by 35% to £0.95m (FY15: £1.46m). We highlighted to shareholders at the start of the year that a large number of contract renewals would fall due in the year. I am pleased to report that the majority of these renewed, with our customer churn level measured by the value available to renew remaining low at 10% (FY15: 8%), a significant reduction from the churn witnessed a few years ago. We added 9 new customers in the period (FY15: 21) of which 3 were annual contracts with the remainder being technology and consulting engagements. All of these new contracts provide a good base of potential revenue for future years. The new customers contain some of the world's best known brands, including a global leader in athletic footwear, and span sectors such as financial services, professional services, global food services and facilities management.

Importantly, we continue to see growth in the number of customers contracting with us for both our software platform and consultancy expertise. Consulting accounted for 28% of contracted revenue in the year, growing from 26% in 2015. We believe it is the combination of these two elements which will ensure longstanding client relationships as we help our customers create and harness their innovation expertise.

We believe the innovation market is now moving into a more mature phase. Innovation budgets are increasing and innovation is securing a more prominent position on the boardroom agenda. The recently announced fundraising has provided us with the capacity to invest in the business and take advantage of this growth in our marketplace. The funds will be deployed across sales, marketing, consulting and technology, with some retained for working capital.

I would like to take this opportunity to thank our employees in the UK and US for their passion for the business and our shareholders and customers for their support. While we have come a long way in the past four years, we still have much work to do to achieve what we believe is possible. We have a solid platform on which to build, with outstanding reference customers both in Europe and the US, an industry leading offering and a strengthened financial position. We therefore look to the future with confidence.

Matt Cooper
Non-executive Chairman
16 August 2016

Strategic Report

Over the last four years our strategy has been to reposition Imaginatik as a global full service innovation provider, utilising our unique and extensive consultancy and technology offerings. We have continued to invest in all of our core competencies during the year; consultancy, technology, sales and marketing and believe the revenue growth delivered in the year is a result of this successful evolution of the business.

Industry recognition

In April 2016 Imaginatik was cited by Forrester Research, an independent research firm, as a leader in Innovation Management solutions and we believe this provides excellent validation of Imaginatik's long-term strategy to provide comprehensive Innovation Management solutions to senior executives.

The report, *The Forrester Wave™: Innovation Management Solutions, Q2 2016*, a copy of which can be found on the Company's website, found that "Imaginatik has the most comprehensive innovation management solution." The report further explained that "Imaginatik's product goes beyond crowdsourced idea collection and idea development to support customers with a balanced corporate innovation program." Imaginatik earned the top score for both Current Offering (4.88 out of 5) and Strategy (4.26 out of 5). In particular, Forrester cited Imaginatik for our "breadth of both front-end innovation and idea management processes as well as back-end underlying governance processes and structures." Further, Forrester named Imaginatik as one of only two vendors which also "scored higher for strategic vision and value creation."

Importantly, the report describes professional services as "essential" for innovation programme success, in line with Imaginatik's strategy. The report's marketplace analysis highlighted the importance of professional services for Innovation Management. As the analysts explained, this is because: "In many situations, innovation processes need to be built from scratch, innovation leadership structures need to be instilled, and new skills and innovation elements need to be developed."

Market

We believe the market trends are positive, there is growing evidence that the market for innovation technology and consulting services is poised to move into the mainstream. Innovation expenditure continues to grow. Between 2005 and 2014 the Bloomberg *Global Innovation 1000 Study* shows that innovation R&D investment has increased from US$400billion to US$650billion. External innovation investments increased between 2012 and 2014 from US$2.089billion in Q1 2012 to US$4.019billion in Q2 2014, according to CB Insights.

It is clear that innovation matters to today's companies. A report published by Imaginatik last year, *State of Global Innovation: New Industry Report 2015* found that 95% of companies include innovation on the management agenda, 59% now have a formal innovation program in place, and 40% of those companies surveyed now employ a Chief Innovation Officer (or have a person in a similar role). In today's maturing innovation marketplace we believe that Imaginatik is well positioned for growth.

Strategy

Imaginatik has seen a strategic shift over the past four years. Prior to 2012 the Company was operating in what was an immature innovation market, selling a narrow technology offering to mid-level technology buyers with a limited consulting offering. During this period Imaginatik experienced a high level of churn within its client base and with little or no revenue growth resulting in operating losses.

From 2013 we embarked on a new strategy. We set about creating a full-service innovation offering to enable our customers to build an effective innovation competency and in doing so increase the strength of our customer relationships. This entailed building out a consulting team, broadening the technology offering with new products and recruiting new employees, including an experienced CEO with significant innovation and consulting expertise based in the US. We now have an extensive enterprise software platform, enabling customers to scale consistent innovation practices across their organisation, combined with a highly experienced consulting team with an average of 15+ years' experience in corporate innovation management including running innovation programmes within global businesses.

Operational Review

Imaginatik is now uniquely positioned, with a full service innovation offering spanning the three main sectors within the innovation industry, being Innovation Advisory Consulting, Innovation Capability Building and Innovation Software platforms.

Consultancy

We are pleased to report continued progress in the Consulting division, including successfully growing our footprint with several existing customers and expanding the range of our consultancy engagements to include portfolio valuation work, the creation of long term strategy for creating deep innovation capabilities, as well as our more traditional consulting support work with our various technology offerings.

Examples of customer engagements successfully delivered in the year include:

A global industrials manufacturer: An early-stage consulting engagement to devise innovation processes

The client felt they needed to re-think their innovation process. They had an outdated process, with no strong front end for idea generation and no fast track execution process for breakthrough ideas. This led the business to a series of incremental innovations which were not driving the desired level of growth. The client hired Imaginatik to support the development of a new process and identify key recommendations to assist in the further development of the company's innovation competence.

The Imaginatik team took a design thinking approach, interviewing key company stakeholders, at all levels of the organisation, to gain a deep understanding of the current state of innovation. From the interviews, Imaginatik developed four key themes to address. Various globally based individuals were brought together for a face to face re-think of the innovation process. At the meeting, process design principles were combined with creativity techniques to explore where the current processes were failing. The team was able to experiment with Imaginatik's proprietary Head to Head review process, a module within Imaginatik's Innovation Central platform, to prioritise existing projects. The output to the project included a process re-design to include front end ideation, a fast track process for breakthrough innovations and four key recommendations were presented to the company leadership team to assist in the further development of the company's innovation competence.

US iconic footwear company: A new approach to capture new sources of value

The client came to Imaginatik unsure where to focus for future growth and how they might consider engaging their customer base more effectively and looking for new business models.

Through a process of workshops with senior client personnel and customer groups across North America, we were able to elicit the key questions to focus on, define a new customer engagement model that makes sense for the business in the changing world of consumer retail and helped define a new innovation strategy providing a clearer direction for where to move the company longer term.

Technology

We continue to invest in our existing technology platform with efforts going into the development of further analytic tools to be used in both the review and decision processes. We see this as an area of differentiation from many of our competitors and will seek to continue to invest in this important area. With the assistance of various third parties working alongside our team, we have also invested in a couple of new products that combine our consulting expertise with our technical capabilities, including "Scale Up" – an engagement that enables organisations to bridge the gap between leading edge innovation and market uptake of those ideas at scale, enabling the company to move beyond the initial insight, minimum viable product or pilot to achieve mainstream success.

Sales and Marketing

Building on the stable foundations created in the prior year, many core activities this year focused on consolidating and optimising our operational base. We added two new sales people in North America, both of whom were able to ramp up to full pipeline productivity during the period. Implementation of Salesforce as our company-wide CRM system has allowed us to realise substantial gains in efficiency, productivity, and teamwork by consolidating key sales and marketing processes. Marketing more than doubled the volume of senior-exec level prospecting events, and dissemination of high-end (thought leadership) oriented content in the marketplace.

FY16 was also a time to expand into new levers for market access and revenue growth. We invested significantly in building relationships with key marketplace influencers. Most notably, these efforts resulted in Imaginatik receiving top scores in the Forrester Wave on Innovation Management Solutions. In addition, new types of partnerships have begun to open new sales channels and marketing levers. Most notably, during FY16 we built formalised, public marketing partnerships with MassChallenge (a global startup accelerator program) and Ingenin (an advisory firm to insurance industry executives). A variety of other sales-oriented channel partnerships have also contributed to new lead sources and augmented deal flow.

In the coming year, we expect to add incremental headcount to both Marketing and Sales. The expanded team will create a significantly higher volume of marketing content and digital advertising; focus more deeply on customer care and up-selling; and be able to target the market more thoroughly with a larger, more geographically distributed sales force. Partnerships will continue to be a focus for increasing access to new buyers, and for augmenting our ability to spread the brand message and thought leadership more widely.

KPIs & Financial Review

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

KPI	2016	2015
Gross bookings *	£4.0m	£3.4m
Recognised revenue	£3.9m	£3.4m
New & Upsell bookings *	£2.1m	£2.6m
Renewal bookings *	£1.9m	£0.6m
Number of clients renewing their contracts	28/35	12/15
Number of new client wins in the year	9	21
Total number of annual contracts at year end	39	42
Consulting as a % of contracted revenue	28%	26%
Net result	(£0.95m)	(£1.47m)

**At constant currency, exchange rate of 1.4318.*

It is evident from the KPIs how important a successful renewals programme was to the business this year. This was a key focus of the sales team and we are pleased with the number of renewal contracts signed, being 28 out of a possible 35. While new client wins were lower than the previous year, being only 9 in comparison to 21, these deals represent a healthy addition to our client base and will provide us with additional revenue generation opportunities in the future. Three of the new clients were on annual contracts with the remaining being technology with consulting engagements.

Once again, our new clients include an impressive array of large global businesses, across a variety of sectors including financial services, pharmaceutical, professional services and aviation. By the period end we had 39 clients (FY15: 42) on annual or multi-year contracts, which although a drop is still higher than in previous years and represents a healthy renewal base of £2.9m (FY15: £3.1m).

The value of our contracts and our continued strong renewal rates provides the Board confidence that, as greater proportion of the fixed cost base is covered by the existing customer base, the Company's contracted revenue base will be able to underpin the fixed cost base of the business in the long term.

Financial Review

Total bookings for the year to 31 March 2016 amounted to £4.0m (FY15: £3.4m) with a significant contribution in the year arising from contract renewals, with a large number of multi-year contracts being available for renewal in the period.

Customer churn, as measured by contract value, has reduced over the last several years and is now at 10% or less. We attribute these low churn rates to the role that our consulting services now play in ensuring that our clients secure ongoing material benefits from the use of the technology and services.

During the year, 31% of bookings were generated from up-selling our software and consulting services into existing customers, 22% from selling into new clients, and 47% from renewals business (FY15: 39:42:19%). We added 9 new customers during the year (FY15: 21). Of the 39 clients contracted at the period end, some 21 are on a multi-year contract (FY15: 26), with 28 available for renewal in the next financial year.

Total recognised revenue for the year ended 31 March 2016 increased by approximately 16% to £3.89 million (FY15: £3.34 million). Recognised revenue has improved over each of the last three years. Key to this has been an increase in the amount derived from the consulting services that the Company offers, growth which is largely a function of the innovation advisory work contracted. Consulting revenue has increased approximately 127% from £0.44m in FY14 to approximately £1.0m in FY16. This is often the first point of contact for new clients as we seek longer term relationships.

The US continues to be our core sales market and the percentage of recognised revenues from the region grew in the period to 31 March 2016 to 77% (FY15: 71%) with the remaining 23% made up from the rest of the world (FY15: 29%).

Administrative expenses for the period were broadly in line with the prior year at £4.7m (FY15: £4.6m including £0.15m of FX losses (FY15: £0.2m loss). Head count dropped from 39 at the end of the prior year, to 35, reflecting the Company's focus on the containment of costs. This resulted in a loss before tax of £1.11m (FY15: £1.58m). We were again successful in securing an R&D tax credit from HMRC of £0.17m (FY15: £0.12m), reflected in the taxation line in the consolidated statement of comprehensive income.

Losses on ordinary activities after tax were £0.95m in the year ended 31 March 2016 a reduction of 35% on the prior year (FY15: £1.46 million). This improved position is driven by the higher revenues achieved with only a small increase in the total cost base.

We have continued to invest in our technology platform and consulting offerings in the year, upgrading and adding new functionality and new products to improve our competitiveness. In the year we capitalised £0.27m of costs (FY15: £0.2m), mainly relating to internal salaries, with £70k of third party development costs (FY15: all internal costs).

Cash outflows from operating activities was £0.45m (FY15: £1.03m) these outflows were met through the institutional fund raisings undertaken in the period and the loan from Matt Cooper, both referred to below.

In May and June 2015 the Company undertook placings of new ordinary shares with both new and existing shareholders, raising aggregate net proceeds of £0.62m.

The Company announced on 19 January 2015, that Matt Cooper had agreed to lend to the Company the sum of US$250,000. This loan was repaid in full after the end of the year, following the equity fundraise carried out in June 2016. There are no further Director loans outstanding.

Subsequent to the period end, the Company raised £1.58m gross via a placing and a further £0.09m via an Open Offer to shareholders. These funds will be used to add additional sales and consulting capabilities to capture increased volume of opportunities, to increase the marketing spend to build the Company's brand in the marketplace, to build new technology capabilities to capture growing market demand, and to hire a full-time CTO and add additional developer capacity. An increase in working capital will allow the Company to smooth out the seasonality in the sales pipeline.
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 for 2016

We are pleased with the growth achieved in the year and the underlying progress within the business. The success of our evolution from a software company with a narrow technology focus, to a recognised industry leader with a full-service innovation offering is beginning to be reflected in the financial results.

The funds raised in June have given us the capacity to invest in the business and capitalise on the growth in the innovation market. Our outstanding reference customers in Europe and the US, industry leading offering and strengthening financial position provide us with a solid platform on which to build and we are confident we will make further progress in the year ahead.

Approved by the Board and signed on its behalf by:

Ralph Welborn
Chief Executive Officer

Shawn Taylor
Chief Operating and Financial Officer

16 August 2016

Imaginatik plc

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2016

	Note	2016 £ 000	2015 £ 000
Revenue	3	3,893	3,336
Cost of sales		(232)	(265)
Gross profit		3,661	3,071
Administrative expenses		(4,720)	(4,625)
Other operating income	4	14	-
Operating loss	5	(1,045)	(1,554)
Finance costs	7	(65)	(28)
Loss before tax		(1,110)	(1,582)
Income tax receipt	8	165	119
Loss on ordinary activities for the year and total comprehensive income		(945)	(1,463)
Loss per share - Basic and diluted	9	1.15p	2.46p

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.

Imaginatik plc

Consolidated Statement of Financial Position as at 31 March 2016

	Note	2016 £ 000	2015 £ 000
Assets			
Non-current assets			
Property, plant and equipment		19	35
Intangible assets		493	392
Trade and other receivables		273	330
		785	757
Current assets			
Trade and other receivables		1,403	1,666
Cash and cash equivalents		23	125
		1,426	1,791
Total assets		2,211	2,548
Equity and liabilities			
Equity			
Share capital	10	3,374	3,154
Share premium		6,883	6,480
Other reserves		1,143	1,076
Retained earnings		(12,817)	(11,872)
Equity attributable to owners of the company		(1,417)	(1,162)
Non-current liabilities			
Deferred income		736	851
Current liabilities			
Trade and other payables		2,892	2,859
Total liabilities		3,628	3,710
Total equity and liabilities		2,211	2,548

Imaginatik plc

Consolidated Statement of Cash Flows for the Year Ended 31 March 2016

	Note	2016 £ 000	2015 £ 000
Cash flows from operating activities			
Loss for the year		(945)	(1,463)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	180	121
Share based payment transactions		67	109
Income tax credit	8	(165)	(119)
		(863)	(1,352)
Working capital adjustments			
Decrease/(increase) in trade and other receivables		320	(53)
(Decrease)/increase in trade and other payables		(82)	259
Cash generated from operations		(625)	(1,146)
Income taxes received	8	165	119
Net cash flow from operating activities		(460)	(1,027)
Cash flows from investing activities			
Acquisitions of property plant and equipment		(1)	(29)
Acquisition of intangible assets		(264)	(202)
Net cash flows from investing activities		(265)	(231)
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs		623	1,289
Net (decrease)/increase in cash and cash equivalents		(102)	31
Cash and cash equivalents at 1 April		125	94
Cash and cash equivalents at 31 March		23	125

Imaginatik plc

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2016

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000	Total equity £ 000
At 1 April 2014	1,940	6,405	967	(10,409)	(1,097)	(1,097)
Employee share-based payment options	-	-	109	-	109	109
Issue of share capital	1,214	75	-	-	1,289	1,289
Transactions with owners	1,214	75	109	-	1,398	1,398
Loss for the year and total comprehensive income	-	-	-	(1,463)	(1,463)	(1,463)
At 31 March 2015	3,154	6,480	1,076	(11,872)	(1,162)	(1,162)

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

Imaginatik plc
Notes to the Financial Statements for the Year Ended 31 March 2016

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:

22 Melton Street
London
NW1 2BW

The Company's ordinary shares are traded on the AIM market 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 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 2016 or 2015 but is derived from those financial statements. Statutory financial statements for 2015 have been delivered to the Registrar of Companies. Those for 2016 will be delivered following the Company's Annual General Meeting, which will be convened on 13 September 2016. 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 2016 were authorised for issue by the Board of Directors on 17 August 2016 and the balance sheet was signed on behalf of the board by 17 August 2016.

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 £945,000 (2015: £1,463,000) for the period, has current net liabilities of £1,466,000 (2015: £1,068,000) and retained losses of £12,817,000 (2015: £11,872,000). The group has net funds at 31 March 2016 of £23,000 (2015: £125,000).

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 May 2015 raising a total of £504,000 before expenses. The Company completed a further placing of new ordinary shares in July 2015, raising a total of £120,000 before expenses. During the prior period the group also announced that Matt Cooper, Non-Executive Chairman, had agreed a loan of $250,000 which remained in place at the period end. This loan was repaid in full after the end of the year, following the equity fundraise carried out in June 2016. There are no further Director loans outstanding.

Subsequent to the period end, the Company raised £1.58m gross via a placing and a further £0.09m via an Open Offer to shareholders. These funds will be used to add additional sales and consulting capabilities to capture increased volume of opportunities, to increase the marketing spend to build the Company's brand in the marketplace, to build new technology capabilities to capture growing market demand, and to hire a full-time CTO and add additional developer capacity. An increase in working capital will allow the Company to smooth out the seasonality in the sales pipeline.

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 for the year ended 31 March 2016 consolidate the financial statements of Imaginatik PLC and its subsidiary undertaking using the acquisition method. Subsidiaries are entities that are directly or indirectly controlled by the group. Inter-company balances are eliminated on consolidation.

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 2016 a loss of £974,000 (2015: loss of £1,487,000) 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 of 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.

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.

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.

	2016 £'000	2015 £'000
Segmental revenue:		
Technology	2,778	2,465
Consultancy	1,115	871
	3,893	3,336

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:

	2016 £'000	2015 £'000
Segmental revenue:		
United States of America	2,977	2,383
Rest of the World	916	953
	3,893	3,336
Segmental non-current assets:		
United States of America	219	314
Rest of the World	566	443
	785	757

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 nil customers (2015: one customer), who accounted for revenues of more than 10% of Group revenues (2015: revenues of £357,000). These 2015 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:

	2016 £ 000	2015 £ 000
Sub lease rental income	14	-

5. Operating Profit

Arrived at after charging/(crediting)

	2016 £ 000	2015 £ 000
Depreciation expense	17	20
Amortisation expense	163	101
Research and development cost	165	182
Foreign exchange losses	150	199
Operating lease expense - property	76	89

6. Auditor's Remuneration

Auditors Remuneration	2016 £ 000	2015 £ 000
Fees payable to the company's auditor for the audit of the company's annual accounts	22	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
	26	26

7. Finance income and costs

	2016 £ 000	2015 £ 000
Finance costs		
Other finance costs	65	28

8. Income Tax

Tax charged/(credited) in the income statement

	2016 £ 000	2015 £ 000
Current taxation		
UK corporation tax	(165)	(119)

The tax on (loss)/profit before tax for the year is less than (2015 - less than) the standard rate of corporation tax in the UK of 20% (2015 - 20%).

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Loss before tax	(1,110)	(1,582)
Corporation tax at standard rate	(183)	(293)
Effect of revenues exempt from taxation	(39)	(29)
Effect of expense not deductible in determining taxable profit (tax loss)	15	24
Effect of tax losses	-	251
Other timing differences	-	2
Increase (decrease) from effect of tax incentives	1	(5)
Increase (decrease) in UK and foreign current tax from unrecognised tax loss or credit	206	190
Increase (decrease) in UK and foreign current tax from adjustment for prior periods	(165)	(119)
Other tax effects for reconciliation between accounting profit and tax expense (income)	-	(140)
Total tax credit	(165)	(119)

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 2016 the group has estimated tax losses of £9,981,625 (2015: £8,923,275) 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 £945,000 (2015: loss of £1,463,000) and a weighted average of 81,948,369 (2015: 59,547,244) 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

Allotted, called up and fully paid shares

	2016		2015	
	No. 000	**£ 000**	**No. 000**	**£ 000**
Ordinary shares of £0.01 (2015 - £0.05) each	85,112	851	63,084	3,154
Deferred shares of £0.04 (2015 - £0) each	63,084	2,523	-	-
	148,196	3,374	63,084	3,154

New shares allotted

During the year 22,027,294 ordinary shares having an aggregate nominal value of £220,273 were allotted for an aggregate consideration of £660,737. Issue costs relating to the above placings were £38,000 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.

Alloted, called up and fully paid shares

	2016		2015	
	No. 000	**£ 000**	**No. 000**	**£ 000**
At 1 April	63,084,290	3,154	3,104,694,741	1,940
Issued in the year	22,027,294	220	24,275,606	1,214
Share consolidation	-	-	(3,065,886,057)	-
Share sub-division	63,084,290	-	-	-
At 31 March	148,195,874	3,374	63,084,290	3,154

In June 2015 the Company undertook a share capital re-organisation, under which 63,084,290 ordinary shares previously having a nominal value of 5 pence each were subdivided into one new ordinary share of 1 pence each and one deferred share of 4 pence each.

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.