Registration number: 03936915

Imaginatik plc

Directors Report and Consolidated Financial Statements

for the Year Ended 31 March 2014

Imaginatik plc

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Imaginatik plc

Company Information

Company secretary	Mr Shawn Karl Taylor
Registered office	22 Melton Street London NW1 2BW
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Bankers	Bank of Scotland 144-148 High Street Southampton SO14 2JF
Auditors	Grant Thornton UK LLP Senior Statutory Auditor 1 Dorset Street Southampton SO15 2DP
Nominated advisor and broker	Finn Cap 60 New Broad Street London EC2M 1JJ
US attorneys	Dorsey & Whitney LLP 250 Park Avenue New York NY 10177 United States of America
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen B63 3DA
Public relations	Newgate Threadneedle 5th Floor 33 King William Street London EC4R 9AS
Website	www.imaginatik.com

Imaginatik plc

Directors for the Year Ended 31 March 2014

Directors

The board comprises two executive directors and one non-executive director, whose details are set out below:

Shawn Karl Taylor FCA ***(Chief Financial Officer and Chief Operating Officer, aged 51, British)***

Shawn joined Imaginatik in September 2005 and maintains responsibility for financial systems and processes. Shawn also has responsibility for the routine financial controls, management accounting, forecasting and budgeting procedures, treasury management, foreign exchange control, corporate governance compliance and the management of human resources.

He has fifteen years' experience as a public company Chief Financial Officer and has led companies through growth phases having previously been Chief Financial Officer of HIT Entertainment PLC from 1998 to 2001 and Content Film PLC from 2001 to 2004.

Matthew Cooper ***(Executive Chairman, aged 48, American)***

Matthew Cooper was appointed to the board as Non-executive Chairman in 2009, he became Executive Chairman in June 2010. Matthew, a graduate of Princeton University and an American national, is an experienced public company director and investor. He has been the Chairman of Octopus Capital Limited since 2002 and is currently a non-executive director of a number of VCTs and private companies. Prior to joining Octopus, Matthew was the Principal Managing Director of Capital One Bank (Europe) PLC where he was responsible for all aspects of the company's strategic direction and day-to-day operations in Europe. He led the UK portion of the business from start-up to 2 million customers, generating annual revenues of over £275 million and employing over 2,000 people.

Simon Charles ***(Non-Executive Director, aged 43, British)***

Chairman of Remuneration Committee; Member of Audit Committee.

Simon Charles is a senior equity partner at the City of London firm of solicitors Marriott Harrison, having joined the firm in March 2004. He is a qualified solicitor in England and Wales and has substantial experience advising private and public companies and investors in both a corporate and legal capacity. Mr. Charles has worked closely with the Company for a number of years. Prior to joining Marriott Harrison, Mr. Charles worked in the corporate finance department at Numis Securities Limited, where he advised both AIM quoted and Main Market companies as a nominated advisor and sponsor.

Ex-Directors

During the year and since the year end the following directors resigned from the board:

L F Solis (resigned 21 June 2013)

N J Goss (resigned 21 June 2013)

D Gammon (resigned 15 May 2014)

N J Goss and L F Solis stepped down from the board on 21 June 2013 in order to make the size of the board more appropriate for the size of the company. Mr D Gammon stepped down from the Board in order to pursue other interests.

Board committees

The board has established an audit committee and a remuneration committee. Simon Charles chairs the audit committee and chairs the remuneration committee.

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Executive Chairman's Statement and for the Year Ended 31 March 2014

Executive Chairman's Statement

We remain encouraged by the significant market opportunity available to us, driven by a growing awareness that a deep innovation competency is critical not only to business success, but to business survival. While the acceleration of our growth has been slower than initially expected, we are seeing strong growth in the sales pipeline supported by strong indicators that innovation at a corporate level is gaining wider recognition as an essential element of any long term business vision. The market continues to evolve in the way we have predicted, with consultancy playing a greater role alongside technology and a growing awareness of innovation as a stand-alone industry. We are confident this will translate into sales.

Key industry developments over the last year, such as the first global Chief Innovation Officer summit in both New York and London, increased industry analyst coverage of the sector, and positive feedback from existing and new customers and other industry players have given us confidence that our proposition as an end-to-end innovation provider is the right one for the market in which we operate. We continue to see a growing number of customers and prospective customers elevating innovation to the top of corporate agendas, but who are struggling to implement a sustained and entrenched culture of innovation beyond the superficial level. A global innovation survey that we undertook during the year found that corporate innovation as a structured discipline is still in its infancy. While leadership has the drive and ambition to make innovation a sustained competency, the actual implementation of that vision is uneven.

Our dual focus on Innovation Mind and Body is a necessity for making innovation a powerful contributor to our customers' growth agendas and ultimately their bottom lines. Companies that focus primarily on operational implementation (Innovation Body) predictably achieve only modest incremental returns despite large ambitions – because along the way they lose the strategic picture. In contrast, companies that focus primarily on strategy (Innovation Mind) predictably fail to implement the chosen transformation agenda successfully – because the operational side of the business is unwilling to venture so far into uncharted waters. By focusing on both the Mind and Body, we are uniquely positioned to achieve powerful innovation wins that take root in a lasting change and transformation agenda across large organisations.

We believe that our repositioning and the direction we have taken over the previous two years, including important internal developments over the last year, described below, leave us ideally suited to address this growing need in the market. Our strategy has been to develop a range of innovation solutions that combine both technology and consulting which we believe are the two elements that are jointly required to deliver real innovation change for our customers. During the year we launched three new offerings, integrating both software and consulting. Each offering leverages our existing technology asset base, extends our consulting reach at senior executive levels and represents an increased opportunity for us to deliver on significantly larger sized engagements. We are seeing encouraging early uptake of each three offerings. We believe we are the only provider in the market that offers such a comprehensive solution set and it is our intention to add to this set in the future.

We have made good progress against our key strategic objectives during the year. We have started seeing evidence of selling into more senior level executives within our customer and prospect base, moving away from a pure technology sale. This trend is also supported by a growing proportion of deals signed having a greater emphasis on consultancy and a rich vein of consulting opportunities within our sales pipeline.

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Executive Chairman's Statement for the Year Ended 31 March 2014

We have seen strong customer retention and a solid increase in the sales pipeline over the past year. As a result of these early positive indicators, we remain committed to our stated strategy and will continue to invest in the business to ensure our success in the marketplace. During the year we have increased the size and capabilities of the sales team with a number of key senior hires. This is to ensure we are well placed to sell more complex solutions in line with the market trend toward combined consultancy and technology sales. The impact on the Company's business of this new team is yet to be felt in terms of revenue during the last financial year, but the sales pipeline has grown substantially, from approximately £3.64m in April 2013 to £6.55m in April 2014. This is evidence of good progress, however given the typical length of contract negotiations with large blue chip organisations, this increased pipeline will take time to flow through into recognised revenues.

We are pleased with the response from institutional shareholders, both existing and new, and the Board and management, who provided us with additional funding both during the year and post period end. This gives us the financial strength to continue to build the business, including increasing marketing activities and further enhancing the sales team as and when required. We are continuing with our search for a full time CEO and I look forward to updating the market later this year.

We look forward to the continued roll out of our strategy, with a consistent focus this year on winning new consultancy deals as well as deepening our engagement within the existing customer base. With a healthy pipeline of new business, an enhanced sales team and growing market opportunity, we believe we are well positioned to achieve a leading position in the innovation market over the next few years.

I would like to thank all Imaginatik's staff, partners and customers for their enthusiasm for our business and what we are trying to achieve.

Matt Cooper

Executive Chairman

30 June 2014

Imaginatik plc

Strategic Report for the Year Ended 31 March 2014

Strategic Report

Imaginatik is the world's first full-service innovation firm. Through a mix of consulting and advisory, hands-on innovation projects and programme management, and award-winning enterprise software, we provide a more complete set of innovation products and services than others in the industry, turning our clients' innovation programmes into competitive advantage.

Imaginatik helps clients develop a sustainable innovation competence. Many organisations achieve innovation excellence once; very few can innovate repeatedly over the long term. Yet innovation is the most important factor for success or failure in today's marketplace. Our strategy continues to be to focus on the "Innovation Body and Mind", providing both the strategic consultancy but also the structure to implement at an operational level - the technology, process and training of people. Through this approach we have generated substantial, identifiable returns, helped our clients launch new product lines, increase customer service and revenues, reduce costs and revolutionise operations.

KPIs & Financial Review

The key performance indicators on which we judge the success of our business are the following:

KPI	**2014**	**2013**
Number of customers renewing their contracts	14/ 16	12/ 18
Number of new customer wins in the year	15	24
% of contracts signed that include consultancy	47%	42%
Gross bookings	£3.44m	£2.78m
Recognised revenue	£2.90m	£3.01m
Size of the sales pipeline at year end	£6.55m	£3.64m
Net result before exceptional costs	£(1.47m)	£(1.14m)

We have seen new customer wins and strong customer retention over the past year. We added 15 clients in the year in a mixture of annual license contracts as well as consulting engagements (FY13: 24). New customers include a major Canadian bank, a global infrastructure business, one of the most highly rated US mutual insurance companies and a major European airline. Of the 15 new customers secured in the year, 6 were on annual or multiyear contracts (FY13: 13).

While new customer wins were down on the prior year, they were of a greater average value and for longer terms. This, combined with an increased level of renewals, renewing with 14 out of 16 clients, compared to 12 out of 18 in the prior year, resulted in an increased gross bookings value in the year of £3.44 million versus £2.78 million in FY13.

Of the total bookings figure, 25% was from up-selling our software and consultancy services into existing customers, 40% from selling into new clients, and 35% from renewals business (FY13: 13%: 60%: 27% respectively).

Recognised revenue for the year was broadly flat compared to the prior year at £2.90 million (FY13: £3.01 million). While the US continues to be our core market, with revenues recognised from the region in the period accounting for 77% of the total (2013: 88%), the European market had an improved performance in the year, increasing its contribution and we expect this to continue in the current financial year.

Overall, we were behind where we had planned to be in terms of revenue for the year as a whole, due to a slower than anticipated conversion of the sales pipeline into closed contracts during the year. However with momentum in the sales pipeline building in the second half we feel confident the business is set to grow in the years ahead. The sales pipeline grew from approximately £3.64m in April 2013 to £6.55m in April 2014.

We have concluded the financial year with a healthy sales pipeline and, given the significant market opportunity and clear roadmap in place, we believe we are on the right path to revenue growth and subsequent move into profitability in future years.

Administrative costs before exceptional costs increased in the year to £4.19 million (FY13: £3.98 million), reflecting increased investment in sales and consultancy personnel in the US.

This resulted in an increased loss after tax before exceptional costs of £1.47 million (FY13: £1.14 million). The higher gross bookings in the year resulted in deferred revenues increasing to £3.03 million as at 31 March 2014 (FY13: £2.40 million).

The exceptional costs are those incurred in connection with the placing in May 13, as described below. The shares were issued at nominal value and not above nominal value. The Companies Act prohibits the costs associated with this placing being charged to the share premium account.

Investment into our technology platform remains a key focus of the Company and during the period, the Company capitalised internal development costs amounting to £0.12 million (FY13: £0.23 million).

The Company secured an R&D tax credit from HMRC of £0.10 million (FY13: £0.13 million) reflecting the pioneering nature of the research and development work we undertake. This is reflected in the taxation line in the consolidated statement of comprehensive income.

Cash outflows from operating activities were £1.35 million (FY13: £1.07 million). These outflows were met through the institutional fundraising, referred to below.

The Company completed a placing of new ordinary shares with institutional and other investors in May 2013 raising approximately £1.26 million before expenses. In addition, as part of the May 2013 funding round, certain of the Directors committed to being paid a proportion of their salary in equity, subscribing for 262,400,000 new ordinary shares, raising a further £164,000. In addition to providing working capital, these funds have strengthened the financial position of the Company, providing reassurance to existing and new clients as to the Company's continued ability to provide and to develop its software and range of consulting services. The funds are being used to expand Imaginatik's sales and consulting capacity in the US and European markets.

Costs relating to the above placing were £143,000 and have been included in profit or loss as exceptional items.

In September 2013, the Company sold 54,053,815 ordinary shares in the share capital of the Company that it was awarded in October 2012 as a result of the litigation with the former CEO. The total consideration received as a result of this sale of shares was £0.04 million and has been accounted for as a movement in retained earnings.

In May 2014, post the year end, the Company completed a further placing with investors raising £1.26 million (before expenses) to provide additional working capital to fund the continued development of the Group's business.

Operational Review

We continue to invest in the business, developing our core competencies in technology, consultancy and sales and marketing.

Consultancy

We have been intensely focused on developing our consultancy offering, which we believe to be a compelling proposition in the market, differentiating us from our competitors. A competitor offering both the Innovation Body and Mind has yet to appear.

We have been pleased with the response to the three new integrated consultancy and technology offerings launched during the year. They have been readily accepted as proofs of concept by our customer base and we have made significant progress building our pipeline of sales opportunities for each of the offerings in the year under review and post period end. We will continue to promote them in the year ahead. As a reminder, they are:

Innovation Governance

The offering is primarily a consultative and coaching model of engagement, leveraging our decision making and innovation monitoring tools. Innovation Governance targets the needs of senior executives to improve their capability in executing on an innovation agenda and attaining results. It represents an opportunity for Imaginatik to engage more fully in the back end of innovation, putting in place the operational model (roles, metrics, process, portfolio, systems, structures) necessary for innovation to demonstrate measurable value. We have been successful in identifying and pursuing significant new opportunities that increased both the size and scope of our typical consulting proposals, and proving our competitiveness against other renowned innovation consultancies.

Discovery

Building on the success of our newly launched Discovery Central offering, we have extended the application of our Discovery method into a business strategy approach to identify disruptive innovation and white space, enabling the client to enter unchartered territories. It positions us distinctly from existing competitors in innovation strategy in that we can uniquely bring to bear a range of virtual tools and live facilitation approaches to not only define but also to help executives execute and monitor progress against expectations. During this period, we continued to iterate the Discovery Central platform, incorporating our proprietary analytics and additional capabilities further differentiating us in the market. Our Discovery approach has proven to be a successful lever in extending our reach inside existing client organisations, enabling us to grow our revenue base and engage more with senior executives. We are encouraged by client and market feedback, and continue to see a pipeline of opportunities both in the UK & US. This offering is intended to feed our existing challenge work and provide a purposeful hook for our 3rd integrated offering: ‘people centric’.

People Centric

This offering capitalises on the corporate trend in social enterprise and is targeted at innovation leaders who want to drive collaboration, leverage their human capital and get more out of their existing investment in social technologies. The goal is to build and scale communities of practice across an organisation, engaging them in purposeful and deliberate ways that both generate ideas and build core knowledge. The offering is underpinned by our core software tools and analytics and is successfully driving additional demand for these tools inside the organisations we currently serve and with new prospects. Our goal is to ultimately secure larger consulting engagements around building full scale innovation programs.

Technology

Our consulting offerings are supported by an award winning enterprise innovation platform, Innovation Central, providing the tools to deliver innovation competencies throughout the innovation life-cycle. We have continued to invest in the platform over the year, developing connectors that link the platform to enterprise social business applications, making it easier for our customers to engage their employees, and allowing workstreams to readily pass from one platform to the other. During the year we completed the work on making our platform truly multilingual and this in now in use with several customers on their global innovation initiatives. Finally, to ensure we are best positioned to serve large and well-established innovation programs, we have built algorithm-based analytics tools that enable sophisticated filtering and executive decision-making on very large volumes of ideas and social collaboration activity.

We remain committed to ensuring our platform is market leading and increasing the differentiation of our platform. Plans for the current year include the addition of innovative collaboration capabilities to the platform, further investment in decision support tools for innovation portfolio managers, development of new tools aimed at helping customers to action their ideas, and the provisioning of modern collaboration interfaces across platforms, to encourage innovative activity across organisations.

Sales and Marketing

Imaginatik's go-to-market strategy rests on building a strong public brand around innovation as a dedicated enterprise competence. As such, significant work has been done to establish foundational principles of Imaginatik's brand-related IP and thought leadership platform. In parallel, we have continued to re-position our offerings and business in line with this goal, with the expectation of pushing the brand much more publicly and visibly in the coming year. The repositioning of the business towards providing an end to end innovation service has removed the reliance on a single software offering and has allowed the Company to move away from selling to technologists who frequently have a more limited budget, to selling into more senior executives with a longer term vision for how a sustained innovation competence can help benefit their businesses and who often have a more substantial budget.

The sales team was strengthened during the year to support this positioning, adding new senior people in Boston with experience of selling combined consultancy and technology offerings to senior management. Their contribution to revenues in FY14 was minimal, however the Board is confident they will have a positive impact in the current financial year and beyond.

Marketing efforts in the period have been focused on furthering Imaginatik's ability to sell and deliver integrated innovation consulting and software solutions to senior decision-makers. We have developed core thought leadership around high level issues such as growth strategy, competitive differentiation and the customer experience. Furthermore, we have increased outbound appointment setting and conference attendance, and increased our use of webinars and blog channels. All of these have combined to enhance our ability to move sales prospects more rapidly through Imaginatik.

In the year ahead we will continue to invest in raising the profile of the brand, as well as investing in further sales people to capitalise on our unique proposition and ensuring that we have the scale required to enter a period of growth.

Principal risks and uncertainties

The Group's financial and operational performance is subject to a number of risks. The Board seeks to ensure that appropriate processes are put in place to manage, monitor and mitigate these risks. The Board considers the principal risks faced by the Group to be as follows:

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. 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 Directors and key employees

The success of the Group depends on the abilities and experience of the Directors and key employees. The loss of Directors and key employees or the inability to recruit replacements or further Directors or key employees 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 Directors and key employees at appropriate levels, including the provision of equity incentive schemes, designed to attract and retain Directors and 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 issue of new equity in the Company.

Management's 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 of 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.

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. The Group's policy is, where possible, to allow entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency.

Board Changes

The search for a full time CEO is ongoing. The Company has engaged a US based search firm to assist with the process, we look forward to updating the market once a decision has been made, expected to be later in the current year. As previously stated, once the Company secures the services of a suitable candidate, Matt Cooper will become the Non-Executive Chairman of the Company.

There have been changes to the Board composition this year. In June 2013, the number of board members was reduced from six to four, which is considered more appropriate for a company of our size. Nick Goss (CTO) and Luis Solis (President, Americas) both stepped down from their positions on the Board.

David Gammon stepped down from the Board as a non-executive director of the Company upon completion of the placing of new ordinary shares in the Company on 15 May 2014. The Board thanks him hugely for his strategic and wise counsel since the time of his appointment and wishes him well for the future. Simon Charles has now assumed the chairmanship of the audit committee in addition to that of the remuneration committee.

Current Trading and Outlook

We have made steady progress in the first quarter of the new year, adding five additional customers to our client roster. We are confident in our strategy and remain encouraged by the early progress achieved against our strategic objectives. The focus for the remainder of the year will be on building the sales momentum, growing the awareness of our brand and taking our new product offerings out to the market. With what we believe to be the right strategy, a strong team and extended offering, we are confident in the future success of Imaginatik.

Approved by the Board and signed on its behalf by:

Shawn Taylor

Chief Operating and Financial Officer

30 June 2014

Imaginatik plc

Corporate Governance

Statement of corporate governance

The group is committed to business integrity, high ethical values and professionalism in all its activities. As an essential part of this commitment the Group supports the highest standards in corporate governance. The Board is accountable to the company's shareholders for good governance. We do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the company and best practice.

Board composition

The group has two executive directors and one non-executive director. The board retains full and effective control over the group. The group holds regular board meetings at which financial, operational and other reports are considered and, where appropriate, voted on. Apart from regular meetings, additional meetings will be arranged when necessary to review strategy, planning, operational and financial performance, risk, capital expenditure and human resource. The board is also responsible for monitoring the activities of the executive management. To enable the board to perform its duties, all directors will have full access to all relevant information. If necessary the non-executive directors may take independent professional advice at the group's expense.

Board committees

The directors have established an audit committee and a remuneration committee with formally delegated duties and responsibilities:

The audit committee

The audit committee meets at least twice a year. The committee reviews the group's annual and interim financial statements before submission to the board for approval. The committee also reviews regular reports and meets with management and the external auditors on accounting and internal control matters. Where appropriate, the committee monitors the progress of action taken in relation to such matters. The committee also recommends the appointment of, and reviews the fees of, the external auditors.

The remuneration committee

The remuneration committee meets at least twice a year. It is responsible for reviewing the performance of the executive directors and for setting the scale and structure of their remuneration, paying due regard to the interests of shareholders as a whole and the performance of the group. The remuneration committee also determines allocations of any warrants or options granted under any share option scheme adopted by the group now and in the future and is responsible for setting any performance criteria relevant to such warrants or options.

Board appointments

Any decision to appoint further directors to the board is taken by the entire board in a formal meeting. Where it is deemed necessary, new members of the board are provided with appropriate training in respect of their roles and duties as a public company director.

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Corporate Governance

Investor relations

After careful consideration, the Board has concluded that Simon Charles was independent throughout the year. In arriving at this conclusion the Board has applied the criteria set out in the provision in B.1.1 of the UK Corporate Governance Code. Simon Charles is a partner in Marriot Harrison, legal advisors to the company. However transactions with Marriot Harrison are considered to be too small to affect his independence.

The notice of the AGM will be sent to shareholders at least 21 clear days before the Meeting. At the forthcoming AGM, the group will indicate the level of proxy voting and members of the board committees will be available to answer questions.

Corporate social responsibility

The group takes seriously its global carbon footprint and takes reasonable measures to minimize its carbon emissions.

Internal control

The directors acknowledge their responsibility for the group's systems of internal control.

The group maintains systems of internal control to provide reasonable but not absolute assurance against material misstatement or loss.

The system of internal control is structured around an assessment and prioritisation of the various risks to the business. The control environment is designed to address particularly those risks that the board considers to be material to the business, in safeguarding the assets against unauthorised use or disposition and maintaining proper accounting records which produce reliable financial information.

The board has reviewed the effectiveness of the system of internal control for the accounting period and the period to the date of approval of the financial statements.

The key features of the group's systems of internal control are as follows:

- an ongoing process of risk assessment to identify, evaluate and manage business risks;
- management structure with clearly defined responsibilities and authority limits;
- a comprehensive system of reporting financial results to the board; and
- appraisal and authorisation of capital expenditure.

The group does not currently operate an internal audit function. At the audit committee meetings the Chief Financial Officer reports on internal controls and a programme of work to ensure systems and processes are continuously improved.

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Directors Remuneration

Remuneration report

Responsibilities

The remuneration committee is responsible for the determination of the remuneration policy of the group's executive directors and senior executives.

Composition

Simon Charles chairs the remuneration committee.

Directors' service contracts

The service contracts entered into by the Chief Financial Officer require twelve months' notice of termination on either side and the service contract of the Executive Chairman requires six months' notice of termination on either side.

Remuneration of non-executive directors

The remuneration for the non-executive directors is determined by the board as a whole and consists of fees for their services in connection with board and board committee meetings and, where relevant, for additional services such as chairing a board committee. They are not eligible for pension scheme membership and do not participate in any bonus scheme.

Non-executive directors do not participate in decisions about their own remuneration.

Executive remuneration policy

The committee endeavours to offer competitive remuneration packages which are designed to attract, retain and provide appropriate incentives to executive directors and senior executives with the experience and necessary skills to operate and develop the group's business to their maximum potential, thereby delivering the highest level of return for the shareholders.

Consistent with this policy, benefits packages awarded to executives are intended to be competitive and comprise a mix of non performance-related and performance-related remuneration designed to provide appropriate incentives to them, but not to detract from the goals of corporate governance.

Remuneration components for executive directors

Remuneration packages are reviewed each year to ensure that they are in line with the group's business objectives. No director participates in decisions about their own remuneration package.

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Directors Remuneration

The main components in determining pay are as follows:

Basic salary/fees and benefits

The basic annual salary is subject to an annual review which takes into account the performance of the group and the individual. Benefits comprise the provision of private healthcare insurance.

Annual performance-related bonus

Demanding annual performance targets, which are consistent with both the short and long term objectives for the business, are set for executive directors which must be achieved before the bonus is payable.

Executive share options schemes

Share options are granted to executive directors to encourage them to deliver sustained, long term growth. Except in exceptional circumstances, the value of options granted in any year will not exceed two and a half times basic salary.

Directors' detailed emoluments

The emoluments of the directors of the group were as follows:

	Salary £'000	Share based payments £'000	Benefits in kind £'000	2014 Total £'000	2013 Total £'000
S K Taylor	145	22	2	169	166
D R Gammon	25	-	-	25	26
B J Hays	-	-	-	-	7
M J Cooper	150	58	-	208	165
L F Solis	31	3	-	34	143
S Charles	29	-	-	29	26
N J Gross	34	1	1	36	154
	414	84	3	501	696

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Directors Remuneration

Interests in share options

The following directors hold share options over the ordinary shares of the company:

	Number of share options	Exercise price	Grant date
S K Taylor	1,250,000	0.0842p	15 December 2006
	1,000,000	0.0842p	12 August 2009
	850,000	0.0842p	30 December 2010
	11,125,000	0.0842p	15 February 2012
	616,000	0.3150p	22 November 2012
	3,101,742	0.0842p	13 May 2013
	17,600,000	0.0842p	17 December 2013
M J Cooper	500,000	0.0842p	11 December 2009
	1,062,500	0.0842p	30 December 2010
	17,500,000	0.0842p	15 February 2012
	660,000	0.315p	22 November 2012
	27,518,208	0.0842p	13 May 2013
	183,200,000	0.0842p	17 December 2013

After an initial two year qualification period 50% of the options are exercisable at any time up to the tenth anniversary of the date of grant. The remaining 50% of the options are exercisable between the third and tenth anniversaries of grant.

The mid-market price of the company's shares at 31 March 2014 was 0.0850p (2013: 0.145p)

S Charles

Chairman, Remuneration Committee

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Directors Report for the Year Ended 31 March 2014

The directors present their report and the consolidated financial statements for the year ended 31 March 2014.

Results and dividends

The consolidated statement of comprehensive income is set out on page 22 and shows the result for the year.

The directors do not recommend the payment of a dividend.

Directors of the group

The directors who held office during the year were as follows:

Mr N J Goss (resigned 21 June 2013)

Mr David R Gammon (resigned 15 May 2014)

Mr Simon Charles

Mr Luis Solis (resigned 21 June 2013)

Mr Matthew J Cooper

Mr Shawn Karl Taylor

Principal risks and uncertainties

The Group's financial and operational performance is subject to a number of risks. The Board seeks to ensure that appropriate processes are put in place to manage, monitor and mitigate these risks. The Board considers the principal risks faced by the Group to be as follows:

Risks

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. 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 Directors and key employees.

The success of the Group depends on the abilities and experience of the Directors and key employees. The loss of Directors and key employees or the inability to recruit replacements or further Directors or key employees 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 Directors and key employees at appropriate levels, including the provision of equity incentive schemes, designed to attract and retain Directors and 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.

Management's 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.

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. The group's policy is, where possible, to allow entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency.

More details on financial instruments management objectives and policies are mentioned within note 21.

IFRS

We have prepared our financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRS).

Going concern

Net funds at 31 March 2014 was £94,000 (2013: £136,000).

The Company completed a placing of new ordinary shares with institutional and other investors in May 2013 raising £1.42m before expenses. The company completed a further placing of new ordinary shares with institutional and other investors in May 2014 raising £1.26m before expenses.

The directors have prepared detailed Group budgets and forecasts for the period to March 2016. They 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 including the ability to flex these cost should predicted revenues be lower than forecast. As a result, at the time of approving the financial statements, the Directors consider that the Company 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.

Imaginatik plc

Directors Report for the Year Ended 31 March 2014

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report and Directors Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and

- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Approved by the Board on .... and signed on its behalf by:

....
Mr Shawn Karl Taylor
Company secretary

Independent Auditor's Report to the members of Imaginatik Plc

We have audited the financial statements of Imaginatik plc for the year ended 31 March 2014, which comprise the consolidated statement of comprehensive income, the consolidated and parent company statement of financial position, the consolidated and parent company statement of cash flows, the consolidated and parent company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 19), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the company's affairs as at 31 March 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Independent Auditor's Report to the members of Imaginatik Plc

....
Norman Armstrong (Senior Statutory Auditor)
For and on behalf of Grant Thornton UK LLP, Statutory Auditor

1 Dorset Street
Southampton
SO15 2DP

Date:.............................

Imaginatik plc

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2014

	Note	2014 Before Exceptional Items £000	2014 Exceptional Items £000	2014 £ 000	2013 £ 000
Revenue	3	2,899	-	2,899	3,009
Cost of sales		(261)	-	(261)	(295)
Gross profit		2,638	-	2,638	2,714
Administrative expenses		(4,185)	(143)	(4,328)	(3,980)
Operating loss		(1,547)	(143)	(1,690)	(1,266)
Finance costs		(24)	-	(24)	(7)
Loss before tax		(1,571)	(143)	(1,714)	(1,273)
Income tax receipt	9	105	-	105	131
Loss on ordinary activities for the year and total comprehensive income		(1,466)	(143)	(1,609)	(1,142)
Loss per share - Basic and diluted	10	0.05p		0.06p	

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

(Registration number: 03936915)
Consolidated Statement of Financial Position as at 31 March 2014

	Note	2014 £ 000	Restated 2013 £ 000
Assets			
Non-current assets			
Property, plant and equipment	12	26	29
Intangible assets	13	291	254
Trade and other receivables	14	329	339
		646	622
Current assets			
Trade and other receivables	14	1,614	1,063
Cash and cash equivalents		94	136
		1,708	1,199
Total assets		2,354	1,821
Equity and liabilities			
Equity			
Share capital	15	1,940	528
Share premium		6,405	6,405
Other reserves		967	843
Retained earnings		(10,409)	(8,838)
Equity attributable to owners of the company		(1,097)	(1,062)
Non-current liabilities			
Deferred income		1,079	115
Current liabilities			
Trade and other payables	18	2,372	2,768
Total liabilities		3,451	2,883
Total equity and liabilities		2,354	1,821

Approved by the Board on .... and signed on its behalf by:

....

Mr Shawn Karl Taylor

Director

The notes on pages 28 to 50 form an integral part of these financial statements.

Imaginatik plc

(Registration number: 03936915)
Statement of Financial Position as at 31 March 2014

	Note	2014 £ 000	Restated 2013 £ 000
Assets			
Non-current assets			
Property, plant and equipment	12	26	29
Intangible assets	13	291	254
Trade and other receivables	14	329	339
		646	622
Current assets			
Trade and other receivables	14	1,843	1,313
Cash and cash equivalents		94	136
		1,937	1,449
Total assets		2,583	2,071
Equity and liabilities			
Equity			
Share capital	15	1,940	528
Share premium		6,405	6,405
Other reserves		967	843
Retained earnings		(10,180)	(8,588)
Total equity		(868)	(812)
Non-current liabilities			
Deferred income		1,079	115
Current liabilities			
Trade and other payables	18	2,372	2,768
Total liabilities		3,451	2,883
Total equity and liabilities		2,583	2,071

Approved by the Board on .... and signed on its behalf by:

....

Mr Shawn Karl Taylor

Director

The notes on pages 28 to 50 form an integral part of these financial statements.

Imaginatik plc

Consolidated and Company Statement of Cash Flows for the Year Ended 31 March 2014

	Note	2014 £ 000	2013 £ 000
Cash flows from operating activities			
Loss for the year		(1,609)	(1,142)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	105	62
Share based payment transactions		124	79
Income tax credit	9	(105)	(131)
		(1,485)	(1,132)
Working capital adjustments			
Increase in trade and other receivables	14	(541)	(262)
Increase in trade and other payables	17, 18	568	191
Cash outflow from operations		(1,458)	(1,203)
Income taxes received	9	105	131
Net cash flow from operating activities		(1,353)	(1,072)
Cash flows from investing activities			
Acquisitions of property plant and equipment		(18)	(17)
Acquisition of intangible assets	13	(121)	(226)
Net cash flows from investing activities		(139)	(243)
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs		1,412	908
Proceeds from disposal of treasury shares		38	-
Net cash flows from financing activities		1,450	908
Net decrease in cash and cash equivalents		(42)	(407)
Cash and cash equivalents at 1 April		136	543
Cash and cash equivalents at 31 March		94	136

Imaginatik plc

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2014

	Restated Share capital £ 000	Restated Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Restated Total equity £ 000
At 1 April 2012	321	5,704	764	(7,696)	(907)
Employee share-based payment options	-	-	79	-	79
Issue of share capital (restated)	207	701	-	-	908
Transactions with owners	207	701	79	-	987
Loss for the year and total comprehensive income	-	-	-	(1,142)	(1,142)
At 31 March 2013 (restated)	528	6,405	843	(8,838)	(1,062)

	Restated Share capital £ 000	Restated Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Restated Total equity £ 000
At 1 April 2013 (restated)	528	6,405	843	(8,838)	(1,062)
Employee share-based payment options	-	-	124	-	124
Issue of share capital	1,412	-	-	-	1,412
Transactions with owners	1,412	-	124	-	1,536
Treasury shares sold	-	-	-	38	38
Loss for the year and total comprehensive income	-	-	-	(1,609)	(1,609)
At 31 March 2014	1,940	6,405	967	(10,409)	(1,097))

The notes on pages 28 to 50 form an integral part of these financial statements.

Imaginatik plc

Statement of Changes in Equity for the Year Ended 31 March 2014

	Restated Share capital £ 000	Restated Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Restated Total £ 000
At 1 April 2012	321	5,704	764	(7,424)	(635)
Employee share-based payment options	-	-	79	-	79
Issue of share capital (restated)	207	701	-	-	908
Transactions with owners	207	701	79	-	987
Loss for the year and total comprehensive income	-	-	-	(1,164)	(1,164)
At 31 March 2013 (restated)	528	6,405	843	(8,588)	(812)

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2013 (restated)	528	6,405	843	(8,588)	(812)
Employee share-based payment options	-	-	124	-	124
Issue of share capital	1,412	-	-	-	1,412
Transactions with owners	1,412	-	124	-	1,536
Treasury shares sold	-	-	-	38	38
Loss for the year and total comprehensive income	-	-	-	(1,630)	(1,630)
At 31 March 2014	1,940	6,405	967	(10,180)	(868)

The notes on pages 28 to 50 form an integral part of these financial statements.

Imaginatik plc

Notes to the Financial Statements for the Year Ended 31 March 2014

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 Alternative Investment Market (AIM) of the London Stock Exchange.

Authorised for issue date

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

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

2 Accounting policies

Going concern
Net funds at 31 March 2014 was £94,000 (2013: £136,000).

The Company completed a placing of new ordinary shares with institutional and other investors in the year raising £1.42m before expenses. The company completed a further placing of new ordinary shares with institutional and other investors in May 2014 raising £1.26m before expenses.

The directors have prepared detailed Group budgets and forecasts for the period to March 2016. They 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 including the ability to flex these cost should predicted revenues be lower than forecast. As a result, at the time of approving the financial statements, the Directors consider that the Company 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.

Imaginatik plc

Notes to the Financial Statements for the Year Ended 31 March 2014

Basis of consolidation

The group financial statements for the year ended 31 March 2014 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 2014 a loss of £1,630,000 (2013: loss of £1,164,000) 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.

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.

Imaginatik plc

Notes to the Financial Statements for the Year Ended 31 March 2014

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 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 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.

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
Capitalised development costs	20% per annum

Impairment

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

Tax

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.

Investments

Investments in subsidiaries are stated at cost less any provision for impairment.

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 profit or loss. The Group has no cash settled share based payments.

Foreign currency transactions and balances

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

Employee benefits

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

Financial assets

Classification

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

Recognition and measurement

Loans and receivables

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

Cash and cash equivalents

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

Financial liabilities

Classification

Financial liabilities currently comprise trade and other payables.

Recognition and measurement

Trade and other payables

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

Share capital

Equity comprises the following:

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

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

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

"Retained losses" represents retained losses.

Imaginatik plc

Notes to the Financial Statements for the Year Ended 31 March 2014

Changes in accounting policy

New standards, interpretations and amendments not yet effective

Standards and interpretations		**Effective for annual periods beginning on or after**
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IAS 27 (Revised)	Separate Financial Statements	1 January 2014
IAS 28 (Revised)	Investments in Associates and Joint Ventures	1 January 2014
IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36	Recoverable Amount Dislosures for Non-Financial Assets	1 January 2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRIC 21	Levies	Not yet EU-adopted

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company when the relevant standards come into effect for periods commencing on or after 1 April 2014.

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 (see Note 16).

Estimates

Significant assumptions were necessary in arriving at the inputs into the valuation model for modified and new share option scheme (see Note 16).

Exceptional items

The Group presents as exceptional items, on the face of the consolidated statement of comprehensive income, those material items of income and expense which, because of their nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance during the period, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Prior year adjustment

An error was found in the prior year sahre capital and share premium reserve. The 2013 financial statements have been restated to reclassify this difference. The change has not effect on net assets, income, EPS or cashflows.

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 the Group's chief operating decision maker as results, other costs and assets and liabilities cannot be reliably allocated to the operating segments.

	2014	2013
	£'000	£'000
Segmental revenue:		
Technology	2,463	2,456
Consultancy	436	553
	2,899	3,009

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:

	2014	2013
	£'000	£'000
Segmental revenue:		
United States of America	2,243	2,628
Rest of the World	656	381
	2,899	3,009
Segmental non-current assets:		
United States of America	189	309
Rest of the World	457	313
	646	622

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

The Group has one customer (2013: one customer), who accounted for revenues of £343,000 (2013: £302,000), of which amount to more than 10% of Group revenues. These revenues arose in the Technology segment.

4 Staff costs

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

	2014 £ 000	2013 £ 000
Wages and salaries	2,368	2,086
Social security costs	214	193
Other short-term employee benefits	143	143
Pension costs, defined contribution scheme	-	1
Share-based payment expenses	124	79
	2,849	2,502

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

	2014 No.	2013 No.
Administration and support	37	35

5 Key management personnel

Key management compensation

	2014 £ 000	2013 £ 000
Salaries and other short term employee benefits	781	702
Share-based payments	95	58
	876	760

Retirement benefits are accruing to none of the company directors' under a defined contribution scheme (2013: none).

The directors' emoluments are shown in the remuneration report on page 15.

6 Operating loss

Arrived at after charging/(crediting)

	2014 £ 000	2013 £ 000
Depreciation expense	21	39
Amortisation expense	84	23
Research and development cost	226	183
Foreign exchange (losses)/gains	(158)	127
Operating lease expense - property	91	84

7 Auditors' remuneration

	2014 £ 000	2013 £ 000
Audit of these financial statements	21	19
Audit of the financial statements of subsidiaries of the company pursuant to legislation	1	1
	22	20
Other fees to auditors		
Taxation compliance services	5	7
All other non-audit services	3	2
	8	9

8 Finance income and costs

	2014 £ 000	2013 £ 000
Finance costs		
Other finance costs	(24)	(7)

Imaginatik plc

Notes to the Financial Statements for the Year Ended 31 March 2014

9 Current income tax

Tax charged/(credited) in the income statement

	2014 £ 000	2013 £ 000
Current taxation		
UK corporation tax	(105)	(131)

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2013 - the same as the standard rate of corporation tax in the UK) of 20% (2013 - 20%).

The differences are reconciled below:

	2014 £ 000	2013 £ 000
Loss on ordinary activities before tax	(1,609)	(1,142)
Corporation tax credit at 20% tax rate (2013: 20%)	(322)	(228)
Effects of:		
Expenses not deductible for tax purposes	57	19
Income not taxable for tax purposes	(25)	(30)
Losses arising in the period carried forward	187	226
Other timing differences	3	-
Depreciation in excess of capital allowances	(2)	4
Additional deduction for R&D expenditure	(127)	37
Utilisation of tax losses	229	46
Adjustment in respect of prior periods	(105)	(131)
Tax credit for the year	(105)	(131)

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 2014 the group has estimated tax losses of £7,970,050 (2013: £7,033,422) 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.

10 Earnings per share

Basic loss per share (EPS) has been calculated in accordance with IAS 33 'Earnings per share' at 0.05p (2013: 0.15p). The calculation of EPS is based on losses of £1,609,000 (2013: £1,142,000) and on a weighted average number of ordinary shares in existence during the year of 2,736,783,781 (2013: 763,032,110).

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

11 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 2014	2013
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.

12 Property, plant and equipment

Group and company

	Leasehold improvements £ 000	Fixtures and fittings £ 000	Equipment £ 000	Total £ 000
Cost or valuation				
At 1 April 2012	31	60	308	399
Additions	11	2	4	17
At 31 March 2013	42	62	312	416
At 1 April 2013	42	62	312	416
Additions	-	-	18	18
At 31 March 2014	42	62	330	434
Depreciation				
At 1 April 2012	17	54	277	348
Charge for year	9	6	24	39
At 31 March 2013	26	60	301	387
At 1 April 2013	26	60	301	387
Charge for the year	11	1	9	21
At 31 March 2014	37	61	310	408
Carrying amount				
At 31 March 2014	5	1	20	26
At 31 March 2013	16	2	11	29

13 Intangible assets

Group and company

	Software £ 000	Capitalised development costs £ 000	Total £ 000
Cost or valuation			
At 1 April 2012	313	-	313
Additions	23	203	226
At 31 March 2013	336	203	539
At 1 April 2013	336	203	539
Additions	17	104	121
At 31 March 2014	353	307	660
Amortisation			
At 1 April 2012	262	-	262
Amortisation charge	23	-	23
At 31 March 2013	285	-	285
At 1 April 2013	285	-	285
Amortisation charge	27	57	84
At 31 March 2014	312	57	369
Carrying amount			
At 31 March 2014	41	250	291
At 31 March 2013	51	203	254

At the balance sheet 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 R&D projects. A discount rate of 15% has been used reflecting managements' 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%.

14 Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Trade receivables	1,420	918	1,420	918
Provision for impairment of trade receivables	(12)	-	(12)	-
Net trade receivables	1,408	918	1,408	918
Receivables from related parties	-	-	229	250
Accrued income	29	-	29	-
Prepayments	165	145	165	145
Other receivables	12	-	12	-
Total current trade and other receivables	1,614	1,063	1,843	1,313

Details of non-current trade and other receivables

Group

£329,000 (2013 - £339,000) of trade or other receivables is classified as non current.

Company

£329,000 (2013 - £339,000) 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 2014 £nil (2013: £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 2014, trade receivables of £12,000 (2013: £nil) were impaired and provided for.

Materially all of the group and company's trade and other receivable are denominated in US dollars.

14 Trade and other receivables (continued)

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

	£'000
At 1 April 2013	-
New provision for receivables impairment	12
Receivables written off during the year as uncollectable	-
At 31 March 2014	12

The creation and release of provision for impaired receivables have been included in 'Administrative expenses' in profit or loss.

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.

15 Share capital and reserves

Allotted, called up and fully paid shares

	2014		2013	
	No. 000	**£ 000**	**No. 000**	**£ 000**
Ordinary shares of 0.0625p (2013 - 0.0625p) each	3,104,695	1,940.43	846,365	528.13

New shares allotted

During the year 2,258,329,298 ordinary shares having an aggregate nominal value of £1,411,456 were allotted for an aggregate consideration of £1,411,456. Issue costs relating to the above placings were £143,000 and have been included in profit or loss.

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.

Retained earnings

During the year the company disposed of 54,053,815 treasury shares it acquired as settlement in a legal action at a price of 0.07p per ordinary share. The amount was credited directly to retained earnings.

15 Share capital and reserves (continued)

Allotted, called up and fully paid shares

	2014		2013 (Restated)	
	No. 000	£ 000	No. 000	£ 000
At 1 April	846,365,443	528	513,032,110	321
Issued in the year	2,258,329,298	1,412	333,333,333	20
Restated	-	-	-	187
At 31 March	3,104,694,741	1,940	846,365,443	528

An error was found in the prior year share capital and share premium reserve. The 2013 financial statements have been restated to reclassify this difference. The change has no effect on net assets, income, EPS or cashflows.

16 Share-based payments

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 movements in the number of share options during the year were as follows:

	2014 Number	2013 Number
Outstanding, start of period	82,817,117	76,921,034
Granted during the period	511,300,000	11,967,666
Forfeited during the period	(22,129,752)	(4,438,250)
Exercised during the period	(169,779,298)	-
Expired during the period	-	(1,633,333)
Outstanding, end of period	402,208,067	82,817,117
Exercisable, end of period	31,269,950	650,000

16 Share-based payments (continued)

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

	2014	**2013**
Outstanding at the start of the year	0.89p	1.03p
Granted during the year	0.075p	0.315p
Forfeited during the year	0.088p	1.0p
Cancelled during the year	-	2.55p
Outstanding at end of year (see below)	0.0937p	0.89p
Exercisable at end of year	0.0625p	2.55p

Outstanding share options at year end:

2014	**2014**	**2013**	**2013**
Number of options	**Exercise price**	**Number of options**	**Exercise price**
360,966,666	0.0842p	67,125,000	1p
650,000	2.55p	650,000	2.55p
3,206,451	0.5p	3,206,451	0.5p
6,765,000	0.315p	11,835,666	0.315p
30,619,950	0.0625p		

The weighted average remaining contractual life is 9.66 years (2013: 8.99 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 £124,140 (2013: £79,000).

Fair value of options granted

The fair value of the new options of £168,377 (2013: £38,000) and the incremental fair value of the modified options of £24,331 (2013: £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:

	2014	**2013**	**2012**	**2011**
Volatility	84%	84%	84%	84%
Expected life	10 years	10 years	10 years	10 years
Share price	0.0842p	0.425p	0.425p	2p-4p as applicable
Exercise price	0.0842p	1p	1p	2p-4p as applicable
Dividend yield	0%	0%	0%	0%
Risk-free rate	2%	2%	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.

17 Non-current liabilities

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Deferred income	1,079	1,079	115	115

18 Trade and other payables

	Group		Company	
	2014 £ 000	2013 £ 000	2014 £ 000	2013 £ 000
Trade payables	197	205	197	205
Accruals and deferred income	2,082	2,450	2,082	2,450
Social security and other taxes	19	43	19	43
Other payables	74	70	74	70
	2,372	2,768	2,372	2,768

19 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 £nil (2013 - £1,256).

Contributions totalling £4,011 (2013 - £nil) were payable to the scheme at the end of the year and are included in creditors.

20 Commitments

Group

Capital commitments

There were no material capital commitments at the year end (2013 - £Nil).

Other financial commitments

As at 31 March 2014 the group had non-cancellable operating leases relating to two properties occupied by the group as set out below:

	2014	2013
	Land and buildings	Land and buildings
	£'000	£'000
Minimum future payments:		
Due within one year	20	78
Later than one year and not later than five years	91	28
	111	106

21 Financial instruments

Financial assets

Loans and receivables

	Carrying value		Fair value	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Cash and cash equivalents	94	136	94	136
Trade and other receivables	1,778	1,392	1,778	1,392

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		Fair value	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Trade and other payables	290	433	290	433

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 polices 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 2014 include cash at bank of £94,000 (2013: £136,000). Interest is paid on cash at floating rates in line with prevailing market rates.

Sensitivity analysis

At 31 March 2014, 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 (2013: £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 (2013: £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 established 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: £43,000 (2013 - £65,000)
- Cash US dollar: £51,000 (2013 - £71,000)
- Trade receivables Sterling: £332,000 (2013 - £96,000)
- Trade receivables US dollar: £1,293,000 (2013 - £991,000)
- Trade receivables Euro: £124,000 (2013 - £169,000)

Financial liabilities
- Trade payables Sterling: £118,000 (2013 - £128,000)
- Trade payables US dollar: £76,000 (2013 - £77,000)
- Trade payables Euro: £3,000 (2013 - £nil)

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 monthly 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 2014 or 31 March 2013.

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: £(1,097,000) (2013 - £(1,062,000))
- Cash and cash equivalents: £94,000 (2013 - £136,000)

22 Related party transactions

M J Cooper, S K Taylor, L F Solis, D R Gammon, S Charles and N J Goss are all related parties by virtue of their directorships during the year. The directors’ emoluments are shown in the remuneration report on page 15.

During the year Imaginatik PLC paid fees of £21,667 (2013: £25,000) to Rockspring Limited, a company which is owned by D R Gammon. At the year end £2,000 (2013: £nil) was outstanding.

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 £55,886 (2013: £89,833). At the year end £7,598 (2013: £56,236) 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 £22,000 (2013: £23,000). At 31 March 2014 Imaginatik (Goswell) Limited owed the company £229,000 (2013: £250,000).

23 Controlling party

The directors do not believe that a controlling party exists.

24 Non adjusting events after the financial period

The company announced on 25 April 2014 that it had successfully raised £1.26m (before expenses) by way of a conditional Placing. The terms of the Placing were described in a circular which was despatched to shareholders of the Company on 25 April 2014. The shares were admitted to trading on AIM on 15 May 2014.