

IMAGINATIK PLC
Report and Financial Statements
31 March 2009

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IMAGINATIK PLC

Annual report and financial statements for the year ended 31 March 2009

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Officers and professional advisers

Company secretary	Mr SK Taylor
Company number	3936915
Nominated adviser and broker	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR
Registered office	22 Melton Street London NW1 2BW
Bankers	Bank of Scotland 144-148 High Street Southampton SO14 2JF
Auditor	Tenon Audit Limited Registered Auditor The Poynt 45 Wollaton Street Nottingham NG1 5FW
UK solicitors	Marriott Harrison Staple Court 11 Staple Inn London WC1V 7QH
US solicitors	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	ICIS Limited 3 rd Floor Aldermay House 10-15 Queen Street London EC4N 1TX

Chairman's statement

The year ended 31 March 2009 was a year of significant achievement for Imaginatik, in which the Company delivered another year of material revenue growth and secured its maiden year of operating profit before share option charges. This has been made possible through the strong management of the business by the executive team, the effectiveness of our sales operations and the compelling proposition of our software and services. Whilst we continue to seek ways to improve performance, we are progressing well down the path to sustainable revenue and profit growth.

Imaginatik has not been immune to the broader economic downturn, but as a relatively small software company, it has the agility to adjust rapidly to the changing currents of a shifting global economy. This has stood us in good stead during the year, enabling a seamless change of emphasis in our marketing messages from one that is primarily focused on innovation to a message of cost reduction and efficiency savings, two areas for which our software is extremely well suited. These messages have been well received by both our current and prospective customers for whom we have continued to deliver some quite extraordinary levels of return on their investment.

One of the Company's key assets is our exceptional customer base. New customers added during the year include such well known multi-nationals as Reed Elsevier, Chubb, Novartis and Bombardier Aerospace.

Since the year end, Geoff Carss was appointed to the Board as Executive Vice President with responsibility for sales, marketing and professional services. Previously at IBM and Ernst & Young, Geoff brings a high level of sales and business development expertise and industry contacts, we look forward to working with him in the years to come. In July 2008 we announced the departure of Non-executive director Philip Nutburn from the Board. Philip joined the Board at the time of the IPO and we would like to thank him for his contribution to the growth of the business.

Once again, it is the energy and commitment of our employees in the US and UK which have been the foundation for our success. I would like to thank them and our customers for their continued support as we look towards another successful year ahead.

Howard Marshall
Non-Executive Chairman
17 June 2009

Chief Executive's review

As highlighted at the time of our Interim Results, we are continuing to mature as a company with a growing confidence in the value of our enterprise collaboration software. I am pleased to report that despite the poor global economic conditions, we continued to experience strong demand for our software and services.

During the year we have focused on the continued development of our sales operations and selling processes, whilst cultivating a growing number of reference customers willing to endorse the Company's capabilities. Towards the end of the year we initiated a more pro-active marketing strategy to support our efforts in sales and in particular embarked on marketing the use of our technology for cost reduction. We intend to build on these foundations in the current financial year.

We continue to move our focus away from one-off project deals to annual licences, resulting in an increase in the number of annual deals signed in the year. This in turn has increased our recurring revenue base to £3.29m as at 31 March 2009, an increase of £2.6m in the last three years. Furthermore, we have no single client contributing more than 10% of the total. This provides us with an excellent foundation for the years ahead.

Financial Review

Turnover for the year ended 31 March 2009 grew by 45% to £4.58m (2008: £3.16m), of which 18% was derived from up-selling our software and services into existing customers, 33% from selling into new clients, and 49% from recurring business (2008 %: 20:52:28). We added 11 new customers on annual contracts (2008: 9) and the revenue split between geographies remained similar to the previous year, with 82% arising in the USA and 18% from the Rest of the World. We expect the USA to continue to be our core market for the foreseeable future, although we are now seeing a growing market in Europe and increasing interest from the Far East and Australia.

The growth in our client base has increased our annual recurring revenues from £1.81m at 31 March 2008 to £3.29m at 31 March 2009, an increase over the year of £1.48m. Of this £0.73m was the result of favourable currency movements principally in respect of the US\$. During the year we reviewed our exposure to currency risk and elected not to hedge on the basis that the business has a natural hedge in place with just over 50% of all costs being in US\$, we will keep this position under review.

Total operational costs, before share option charges, increased 38% in the year to £4.45m (2008: £3.22m), reflecting the growing business and in particular an increased investment in our sales operations. The Company secured an operating profit before share option costs of £128,893 moving from an operating loss in 2008 of £56,533. In order to maintain an attractive incentivisation package for all of our employees we rebased all share options to 4.0p per option; this resulted in a profit and loss charge for the year of £233,260 (2008: £74,015). After accounting for share options, the Company recorded a loss on ordinary activities before taxation of £102,428, a reduction of 27% from the previous year (2008: £139,647).

In September 2008 we raised £223,268 before expenses by way of a conditional placing of 5,550,000 new Ordinary Shares of 0.0625p each at 4p per share from institutions. The net proceeds of the placing have been utilised to strengthen our sales operation in the US.

Cash and cash equivalents at the year end were £1.14m (2008: £1.09m) and net total equity attributable to shareholders has risen to £1.45m (2008: £1.06m).

Sales and marketing

During the year we have made considerable efforts to strengthen and grow our direct sales team, adding new sales people in the US. We are continuing to recruit in this area and expect to see the impact of revenues from this increased headcount during the next financial year.

As stated above, our strategy in terms of new customer wins is to sign an increasing number of annual contracts which deliver long-term revenue streams; wherever possible we are moving away from one-off pilot projects. This has resulted in the signing of 11 new annual contract customers in the year, including Capital One, Novartis and Telstra, an increase from 9 in 2008 and we now have over 40 customers on annual contracts. As well as signing a higher number of contracts, the last year also saw the Company contract a number of multi-year deals and we have seen the average contract value rise by over 68% in the year. All of our contracts continue to be delivered under the Software as a Service (SaaS) model.

We continue to sell into a wide range of industries, with new clients in the year coming from the telecommunications, pharmaceutical, insurance, medical, chemicals, publishing and manufacturing industries. We were pleased to sign Boehringer Ingelheim during the year, our sixth major pharmaceutical customer. This is proving to be a particularly fruitful industry for us and one on which we intend to continue to focus.

Sales and marketing (*continued*)

As mentioned at the time of our Interim Results, the growing awareness of the potential of enterprise collaboration management software and our continued efforts to grow a vocal user group of customers resulted in excellent attendance levels at our first European Forum held in London in November 2008. Representatives from a wide range of companies attended from across Europe and the US, including both current and prospective customers. This is a strong demonstration of the growing importance of collaboration management software to enterprises.

During the latter part of the year we took a strategic decision to increase our levels of investment in marketing the Company and our offerings. We now have an expanded marketing group and have launched a number of new marketing initiatives including trade PR in the US and targeted initiatives to the Fortune 100 companies on the use of Idea Central to generate cost-savings. We expect this increased level of investment to continue in the year ahead.

In addition to software sales, we are also now increasing our capabilities in the area of Professional Services; with a long term roadmap that demonstrates to new and existing clients how we can assist them in achieving longer term success in the use of our software and processes.

Customer case studies

Idea Central continues to deliver significant results for some of the world's leading organisations. Some examples of projects implemented over the year through the use of our software are as follows:

Chubb: the 11th largest property and casualty insurer in the U.S.

The goal of the Idea Central implementation was to identify, within three months, viable new revenue opportunities from all parts and levels of the organisation. The Chubb Group of Insurance companies realised the importance of speed, agility and collaboration in the way it found and exploited new revenue opportunities. A proven product innovator with a long list of firsts, Chubb sought to build on that strength by making innovation an even more pervasive part of its culture. With more than 10,000 employees spread over 120 offices in 28 countries, the sheer size and complexity of the Chubb organisation posed a barrier to large-scale collaborative innovation. Using Idea Central, Chubb ran a one month ideation event designed to solicit new ideas for profitable growth from all of its employees around the world. The participation levels were much higher than expected, with 35% of Chubb's 10,000 employees participating, generating significant new revenue opportunities.

CSC: A leading global consulting, systems integration and outsourcing company.

The goal was to create a platform to bring together CSC's best ideas and make them a reality. The company's practice is for account teams to work as autonomous units, enabling close proximity to the client. However, one byproduct of this decentralisation is a tendency for large accounts to develop and maintain their own set of practices, a pattern reinforced by the difficulty of sharing the best practices and related wisdom between account teams. CSC realised the need for a solution that would enable these disparate groups to engage in highly focused collaboration, both in terms of goals and timeframe. After a series of highly successful trials, CSC has embraced Idea Central and made it the linchpin of how CSC brings the company together to solve problems. CSC now enjoys closer, faster and more fruitful collaboration across account teams and business units.

Pfizer: the largest research-based biomedical and pharmaceutical company in the world and a 6% shareholder in Imaginatik.

The Challenge was to optimise and streamline creative thinking to sustain a solid pipeline of new products and drive efficient problem solving. The solution was the implementation of a collaborative "Idea Farm" application built by Imaginatik on the IBM Lotus Domino platform, managing end-to-end innovation process from idea generation to review and decision. The outcomes were:

- identified US\$100 million in pipeline net present value;
- achieved US\$20 million in cost avoidance since 2006;
- leveraged intellectual capital to maximise returns on research investments;
- aligned creative potential of individuals with current and future business needs; and
- breeding faster pace of innovation to solve problems in healthcare.

Partnering and Reselling

Complementary to our direct sales team, we continue to work with various partners and are actively seeking ways in which to grow this channel to market and extend our global reach. Our partnership with IBM delivered our first annual client during the year, and CSC, as one of the world's largest IT consultancies is also proving to be not only a successful customer, but also a potential lead generator.

Responding to customers' demand to add more value to our implementations, we have established during this year a partnership with Hult's IXL Centre to provide high level innovation training and thought leadership.

Market & Competition

The market for enterprise collaboration software continues to grow and is recognised by Forrester Research as a strategic growth area for major corporations. The flexibility of the Imaginatik collaboration solution allows our clients to apply this technology for multiple purposes, ranging from innovation and product development, to cost reduction and sustainability. This is proving highly beneficial in the current economic climate as clients have become more interested in the tool for cost reduction, with a number of clients reporting excellent results from using the software across their businesses to solve a wide range of problems. General purpose tools such as Microsoft Sharepoint and open-source software such as blogs and wikis lack the management capabilities required for this space. A purpose built tool such as Imaginatik's Idea Central is proving more effective at supporting client needs for rapid cost effective implementation and project success.

Very few collaborative software suites been developed to focus on the areas of process improvement, cost efficiencies and innovation, fewer yet have been developed to be robust and scalable enough for implementation at an enterprise level. This is where we believe Imaginatik is unique. In over a decade of working with blue-chip companies, we have built up a leading position offering a web-based software suite, securely hosted, into which some of the world's biggest organisations have trusted their most sensitive information. The fact that we are repeatedly selling additional software and services into these customers is a huge endorsement and provides us significant competitive advantage in the market place.

Product and Services

We have continued to invest in the development of Idea Central to ensure the product is oriented correctly as the market for Enterprise Collaboration Management software evolves and we plan to increase our product investment in the next financial year. During the year, version 9 of Idea Central was launched with enhanced reporting structures, increased functionality in the area of corporate social networking, improvements in scalability and enterprise capabilities. On the development roadmap for the year ahead is a specialist chemistry application which is being developed in conjunction with Pfizer and a third party software house. We are also investing in further enhancing the user interface.

Change of Advisor

On 2 June 2009, post the year end, the Company announced the appointment of Arbuthnot Securities Limited as its nominated adviser and broker.

Outlook

We continue to occupy a leading position in our niche of the enterprise collaboration software market, through our proven ability to offer a scalable and robust enterprise-level solution. During the year, over 40 of the world's largest companies utilised Idea Central to identify millions of dollars worth of cost-savings and process improvements.

The increase in our client base and average contract value has seen revenues grow by 45% to £4.58m and helped the Company record its maiden year of operating profit, before share option charges. These results combined with our growing recurring revenue stream, healthy cash position and strengthened sales and marketing operations mean we have good reason to be confident of another strong performance in the year ahead.

Mark Turrell
Chief Executive
17 June 2009

Directors

Directors

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

Howard Cleveley Marshall (*Non-executive Chairman, aged 65, British*)

Howard is a graduate mathematician and holds an MA in Business Administration from London Business School.

He was the Chairman and Chief Executive of Bullough plc from 2001 to 2003, and between 1989 and 2000, Chief Executive of Ash & Lacy plc. Howard has served at main board level within UK public companies for 19 years.

Howard is a non-executive director of Hill & Smith Holdings plc, an infrastructure engineering company involved in transport and construction industries. He is also Chairman of Orchestra of the Swan.

Mark Clifford Turrell (*Chief Executive Officer, aged 39, Canadian*)

Mark is a co-founder of Imaginatik and the main shareholder. He has advised over 300 companies on innovation management and related topics of knowledge management and collaborative technologies. In 2001, he founded the Imaginatik Research organisation which is dedicated to fundamental research in corporate innovation.

Mark is a frequent speaker on innovation and idea management and is widely recognised as a leading authority in the field of idea management, having written numerous magazine articles and papers. He has been an expert guest on CNN, CNBC and CNET Radio. Mark is also the author of "Deployment and Beyond", an executive guide to implementing innovation applications.

Mark has a BSc in Business from Cass School of Business. He has lectured at Penn State University and he also lectures occasionally at several business schools including Cass School of Business and Harvard Business School.

Shawn Karl Taylor FCA (*Chief Financial Officer, aged 46, 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 and corporate governance compliance.

He has eleven 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.

Paul Gilmer Morland ACA (*Non-executive director, aged 48, British*)

Having qualified as a Chartered Accountant with PricewaterhouseCoopers in 1985, Paul spent three years at Schroder Investment Management. He then held various accounting roles in industry including divisional CFO at Serco Plc.

In 1995 he joined NatWest Securities and was voted the number one analyst in the UK technology sector in the 1998 Extel survey. During this period he was involved in a number of flotations including Autonomy and Computacenter. He was consistently ranked in the top three analysts in his sector until he left Deutsche Bank (which acquired NatWest Securities in 1999) in 2000 to become the CFO of a privately owned IT services company. He returned to an analyst role in the Software and IT Services sector in 2002 and his team at Societe Generale was voted number two in the 2005 pan-European Extel survey. Between 2005-08 Paul was the software and computer services analyst at Arbutnot Securities. At present Paul works as a software analyst for Astaire Securities Plc.

Directors (continued)

Andrew Karl Wainwright (*Chief Technology Officer, aged 42, British*)

Andrew manages hosting operations, client support, pre-sales technical support and internal IT. He is responsible for creating Imaginatik's hosted services. His background includes 12 years with IBM from 1988 to 2000, where he was European Manager for Hosted Services. Andrew has written three technical books on managing hosted systems, and has been an IT management consultant. Andrew has an MA in Mathematics from the University of Cambridge. Andrew joined Imaginatik in November 2001.

Geoff Charlton Carss (*Executive Vice President, aged 47, British*)

On 15 May 2009 Geoff Charlton Carss accepted a position on the board as Executive Vice President with responsibility for sales, marketing and professional services.

Geoff, who has been with the Company since February 2007, and brings a high level of business development expertise and industry contacts following 15 years in the consultancy and technology industries. His previous appointments include partner for the public sector at IBM Business Consulting Services, as well as senior positions at Compaq Computers, Hedra plc and Ernst & Young.

Board committees

The board has established an audit committee and a remuneration committee. Each of the two committees comprises the two non-executive directors. Paul Morland chairs the audit committee and Howard Marshall chairs the remuneration committee.

Statement of corporate governance

The directors recognise the importance of sound corporate governance and the guidelines set out in the Principles of Good Corporate Governance and Code of Best Practice (the "Combined Code"). Whilst AIM companies are not obliged to comply with the Combined Code, the directors do intend to comply with the Combined Code so far as is appropriate having regard to the size and nature of the various companies which comprise the group. The board takes such measures so far as practicable to comply with the Combined Code and in addition, the Quoted Companies Alliance ("QCA") Guidelines for AIM Companies.

Board composition

The company has four executive directors and two non-executive directors. The board retains full and effective control over the company. The company 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 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 company 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.

Investor relations

The company places a great deal of importance on communication with its shareholders.

H C Marshall has been identified as the company's Senior Independent Director. He is available to shareholders who wish to raise any concerns that they have been unable to resolve through other channels and to attend meetings between management and major investors.

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

Corporate social responsibility

The group continues to make progress towards becoming carbon neutral throughout its operations in both the UK and USA. This has taken the shape of an assessment of our carbon footprint using external consultants which will lead to a plan to reduce our future emissions and to offset those which are unavoidable.

Going concern

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements.

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

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

The members of the remuneration committee ("the committee") during the year were H C Marshall (Chairman of the committee), and P G Morland. At the beginning of the year P G Nutburn was a member of the committee but retired during the year.

Directors' service contracts

The service contracts entered into by the Chief Executive Officer and Chief Financial Officer require twelve months' notice of termination, on either side. The service contract of the Chief Technology Officer requires six months' notice of termination on either side. The service contract of the Executive Vice President requires four months' notice of termination on either side. Each director's term of office expires at the forthcoming Annual General Meeting.

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 comprising 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.

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 company and the individual. Benefits comprise the provision of a vehicle allowance, private healthcare insurance and a death in service insurance scheme.

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.

Pensions

A K Wainwright is entitled to an annual pension contribution of £7,000 (2008: £7,000).

Remuneration report (continued)

Remuneration components for executive directors (continued)

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. It is the company's intention to issue further share options to executives on a basis to be agreed with the remuneration committee.

Directors' detailed emoluments

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

	Salary £'000	Pension contribution £'000	Equity payments £'000	2009 Total £'000	2008 Total £'000
M C Turrell	56	-	-	56	100
A K Wainwright	118	7	-	125	107
S K Taylor	128	-	-	128	120
H C Marshall	-	-	30	30	30
P G Morland	-	-	23	23	15
P G Nutburn	-	-	15	15	25
	302	7	68	377	397

Contributions to a defined contribution pension scheme were paid on behalf of one director (2008: one) during the year.

The equity payments included above have been, or will be, settled by the issue of fully-paid shares in the company.

£nil (2008: £10,000) was paid to Arbuthnot Securities Limited for making available the services of P G Morland; this is not included in the above figure.

Since the year end G C Carss was appointed as a director. His emoluments are not included in the above table as he was not a director during the year.

Interests in share options

The following directors were granted options over the ordinary shares of the company on 15 December 2006. During the year the exercise price for all share options was rebased down to 4p per share option. The options now have an exercise price of 4p.

	Number
A K Wainwright	1,250,000
S K Taylor	2,500,000

Since the year end G C Carss was appointed as a director

G C Carss	1,633,333
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M C Turrell has an interest in 300,000 options held by his wife Y U Lindow.

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 2009 was 5.25p (2008: 4.88p)

Howard Marshall
Chairman, Remuneration Committee

Report of the directors for the year ended 31 March 2009

The directors present their report together with the audited financial statements for the year ended 31 March 2009.

Results and dividends

The consolidated income statement is set out on page 15 and shows the result for the year.

The directors do not recommend the payment of a dividend.

Principal activity, trading review and future developments

The principal activity of the company and its subsidiaries is the provision of innovation software and related professional services.

A review of the activities and prospects of the company is given in the Chairman's statement on page 2 and in the Chief Executive's review on page 3.

Directors

The directors of the company at the year end, all of whom served for the whole of the year unless stated, were:

M C Turrell
A K Wainwright
S K Taylor
P G Morland
H C Marshall
P G Nutburn (retired 28 July 2008)
G C Carss (appointed 15 May 2009)

Creditor payment policy

It is the company's policy to agree the terms of payment with suppliers to ensure suppliers are aware of those terms and to then abide by the terms.

At the year end trade creditors represented 32 days (2008: 30 days) of purchases.

Financial instruments risk management objectives and policies

The company finances its operations through a mixture of cash generated from operations and, where necessary to fund expansion or capital expenditure programmes, through bank borrowings or the proceeds of the sale of shares.

Management's objectives are to:

- retain sufficient liquid funds to enable the company 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 or overdrafts with the expected future cash flows expected to arise from the company's trading activities.

As all the company's surplus funds are invested in Pound Sterling and US Dollar bank deposit accounts and its borrowings are all obtained from standard bank loan accounts there is no price risk exposure.

The company'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.

Financial instruments risk management objectives and policies (continued)

The company's borrowings are in variable interest rate loans which exposes the group to a cash flow risk associated with changing interest payments. The directors believe the ability to take advantage of falls in interest rates is more important than the certainty of knowing their financial commitments when managing the company's trading activities.

More details on financial instruments management objectives and policies are mentioned within note 23.

IFRS

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

Directors' responsibilities

The directors are responsible for preparing the Annual 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. The directors are required by the IAS Regulation to prepare the group financial statements under IFRS and have also elected to prepare the parent company financial statements in accordance with IFRS. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However directors are also required to

- properly select and apply accounting policies
- present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information and
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 financial statements may differ from legislation in other jurisdictions.

In so far as the directors are, individually, aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Tenon Audit Limited are deemed to be reappointed in accordance with an elective resolution made under section 398 of the Companies Act 1985 which continues in force under section 485 of the Companies Act 2006.

On behalf of the board



Shawn Taylor
Secretary

Independent auditor's report to the shareholders of Imaginatik plc

We have audited the group and parent company financial statements ("the financial statements") of Imaginatik plc for the year ended 31 March 2009 which comprise the consolidated income statement, the consolidated and parent company balance sheets, the consolidated and parent company cash flow statements, the consolidated statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement and the Chief Executive's review that is cross-referred from the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's statement, the Chief Executive's review, the statement of corporate governance and the remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of the group's affairs as at 31 March 2009 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2009;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' report is consistent with the financial statements.

Tenon Audit Limited
Registered Auditor
Date:-

Tenon Audit Limited
25 June 2009

Nottingham

Consolidated income statement for the year ended 31 March 2009

	Note	2009 £	2008 £
Revenue	2	4,580,809	3,159,002
Staff costs	3	(2,642,770)	(2,029,927)
Depreciation written off tangible non-current assets		(66,080)	(56,820)
Amortisation written off intangible non-current assets		(42,865)	(33,992)
Other external charges		(312,196)	(172,407)
Other operating charges		(1,621,265)	(996,404)
Operating loss before financing and taxation	5	(104,367)	(130,548)
Operating profit/(loss) before share option costs		128,893	(56,533)
Share option costs	3	(233,260)	(74,015)
Finance income/(costs)	6	1,939	(9,099)
Loss on ordinary activities before taxation		(102,428)	(139,647)
Taxation expense	7	-	-
Loss on ordinary activities for the year		(102,428)	(139,647)
Loss per share: Basic and diluted	8	(0.08p)	(0.12p)

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

All of the activities of the group are classed as continuing.

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

The notes on pages 20 to 37 form part of these financial statements.

Consolidated balance sheet at 31 March 2009

	Note	2009	2008
		£	£
ASSETS			
Non-current assets			
Property, plant and equipment	11	91,311	59,935
Intangible assets	12	154,239	99,626
Current assets		245,550	159,561
Trade and other receivables	13	1,551,522	885,486
Cash and cash equivalents		1,136,231	1,090,490
		2,687,753	1,975,976
Total assets		2,933,303	2,135,537
EQUITY AND LIABILITIES			
Equity			
Issued capital	14	82,920	78,182
Share premium	16	2,429,936	2,170,258
Share option reserve	16	336,775	103,515
Retained earnings	16	(1,398,362)	(1,295,934)
Total equity attributable to equity holders of the parent		1,451,269	1,056,021
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	18	-	17,184
Current liabilities		-	17,184
Interest-bearing loans and borrowings	19	19,713	27,051
Trade and other payables	19	1,462,321	1,035,281
		1,482,034	1,062,332
Total liabilities		1,482,034	1,079,516
Total equity and liabilities		2,933,303	2,135,537

The financial statements were authorised for issue by the board on 25 June 2009 and signed on its behalf by:


Shawn Taylor
 Director

The notes on pages 20 to 37 form part of these financial statements.

Parent company balance sheet at 31 March 2009

	Note	2009		2008	
		£	£	£	£
ASSETS					
Non-current assets					
Investments	10	1		1	
Property, plant and equipment	11	91,311		59,935	
Intangible assets	12	154,239		99,626	
Current assets			245,551		159,562
Trade and other receivables	13	1,895,673		1,263,993	
Cash and cash equivalents		1,136,231		1,090,490	
			3,031,904		2,354,483
Total assets			3,277,455		2,514,045
EQUITY AND LIABILITIES					
Equity					
Issued capital	14	82,920		78,182	
Share premium	16	2,429,936		2,170,258	
Share option reserve	16	336,775		103,515	
Retained earnings	16	(1,054,210)		(917,426)	
Total equity			1,795,421		1,434,529
Liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings	18	-		17,184	
Current liabilities			-		17,184
Interest-bearing loans and borrowings	19	19,713		27,051	
Trade and other payables	19	1,462,321		1,035,281	
			1,482,034		1,062,332
Total liabilities			1,482,034		1,079,516
Total equity and liabilities			3,277,455		2,514,045

The financial statements were authorised for issue by the board on 25 June 2009 and signed on its behalf by:


Shawn Taylor
Director

The notes on pages 20 to 37 form part of these financial statements.

Consolidated and parent company cash flow statements for the year ended 31 March 2009

	Note	£	2009 £	£	2008 £
Cash inflows/(outflows) from operating activities	22		781		(210,364)
Investing activities					
Acquisition of property, plant and equipment		(97,456)		(24,764)	
Acquisition of intangible assets		(97,478)		-	
Net cash used in investing activities			(194,934)		(24,764)
Net cash flow before financing activities			(194,153)		(235,128)
Financing activities					
Net proceeds from the issue of share capital		264,416		485,045	
Repayment of borrowings		(24,522)		(21,873)	
Net cash generated from financing activities			239,894		463,172
Net increase in cash and cash equivalents			45,741		228,044
Opening net cash and cash equivalents			1,090,490		862,446
Closing net cash and cash equivalents			1,136,231		1,090,490

The company's subsidiary has no cash inflows or outflows and therefore the amounts above relate to both the parent company and the group. There is a difference in the reconciliation of operating loss to cash flows from operating activities, as shown in note 22.

The notes on pages 20 to 37 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2009

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total £
Loss for the year		-	-	(102,428)	(102,428)
Share options	-	-	233,260	-	233,260
	-	-	233,260	(102,428)	130,832
Shares issued	4,738	259,678	-	-	264,416
Balance at 1 April 2008	78,182	2,170,258	103,515	(1,295,934)	1,056,021
Balance at 31 March 2009	82,920	2,429,936	336,775	(1,398,362)	1,451,269

The notes on pages 20 to 37 form part of these financial statements.

1 Accounting policies

General information

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

The company is a public limited company incorporated and domiciled in the UK. The address of its registered office is 22 Melton Street, London, NW1 2BW.

The company is listed on the Alternative Investment Market. The group consolidated financial statements were authorised for issue by the board of directors on *25 June 2009*.

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 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

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

Basis of consolidation

The group financial statements for the year ended 31 March 2009 consolidate the financial statements of Imaginatik plc and its subsidiary undertaking using the acquisition method. Subsidiaries are entities that are directly or indirectly controlled by the group.

The company has taken advantage of the exemption under Section 230(3) of the Companies Act 1985 and has not presented its own income statement. Of the consolidated result for the year ended 31 March 2009, a loss of £136,784 (2008: loss of £163,340) is attributable to the company.

Revenue

Income for the group is derived from a number of different sources. 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 to the extent that the group has obtained the right to consideration through its performance or delivery of a service in the period of account. Certain forms of income require a contractual obligation to be entered into between the group and the customer. 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 there is persuasive evidence that the contract will be signed.

a) Conference income:

Income receivable for any conferences organised by the group shall be recognised in the month that the conference occurs.

b) Consulting:

Income derived from consulting 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.

c) Development:

Custom development work income is recognised in the month in which the work is performed and enhancements delivered to the client.

d) Hosting:

Hosting income is recognised evenly over the term of the contract. Where hosting is included as part of a bundle within a contract and is not specifically itemised, an apportionment is taken as the hosting element of the contract. This amount is recognised over the period of hosting.

1 Accounting policies (continued)

e) Hosting set-up:

Income derived from the initial hosting set-up of a customer environment is recognised in the period in which the work is performed.

f) Licence fees - annual and perpetual:

Income that arises from annual licences is recognised in equal instalments over the number of years to which the contractual arrangement relates. Income arising from perpetual licences is recognised in full in the period in which the contractual agreement has been signed or where there is persuasive evidence that the contract will be signed.

g) Actual user licence:

Income that arises from actual user licences is recognised at the point(s) where there is persuasive evidence that income has been generated by actual users of the system and the company is entitled to consideration.

h) Maintenance:

Income derived from maintenance fees is recognised over the term of the contract. Where a maintenance fee is not itemised in the contract but is still provided as part of the contractual arrangement, an apportionment is taken as the maintenance amount.

i) Support:

Income derived from technical support services is recognised in the period in which the support or service is provided to the client.

j) Software rental:

Income derived from the short term rental of software is spread across the period of rental.

k) User training:

Income derived from the provision of training is recognised in the month during which that training is provided to the client. The same principle applies whether the training is supplied by in-house personnel or is delivered by a subcontractor.

l) Barter transactions:

The company enters into sale agreements with certain customers on a barter basis whereby the consideration for the supply of software and services by the company is the receipt of certain other goods and services from the customer instead of the payment of cash.

These barter transactions are recognised in the financial statements on the basis of the fair value of the goods and services received, and where appropriate the income and expense is spread across the period during which the service is provided.

Research and development

The cost of research is charged to the income statement in the period in which it is incurred. However, if the development criteria specified in IAS 38 have been met, then the expense is capitalised.

Leased assets

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.

Pension costs

Contributions to the group's defined contributions pension scheme are charged to the income statement in the period in which they become payable.

1 Accounting policies (continued)

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.

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:

Leasehold improvements	-	Over the life of the lease
Fixtures and fittings	-	33% per annum
Equipment	-	33% to 50% per annum

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

Intangible assets and amortisation

The costs of significant groups of software licences are capitalised and then amortised over the useful economic lives of the software concerned.

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.

Software	-	33% to 50% per annum
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Deferred taxation

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 balance sheet 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 balance sheet 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 balance sheet date. Deferred tax and current tax are charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Investments

Investments 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.

Accounting estimates

For the preparation of these financial statements certain significant estimates had to be made. These are discussed within note 26.

1 Accounting policies (continued)

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 the consolidated income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet 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 condition 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.

Other share-based payments

Where share-based payments are settled using fully-paid shares rather than options, the charge to the consolidated income statement is the fair value of the share issued.

Foreign currencies

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 balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in a separate component of equity.

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.

Finance cost

Finance costs of debt are recognised in the income statement over the term of such instruments at a constant periodic rate on the carrying amount.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Financial assets and liabilities are measured at their historical cost.

Standards issued but not yet effective

At the date of authorisation of these financial statements, the following standards, amendments to standards and interpretations, were in issue but not yet effective for the year ended 31 March 2009;

IAS 1 (revised)	Presentation of Financial Statements
IFRS 8	Operating Segments
IFRS 3	Business Combinations (as revised 2008)
IFRIC 11 IFRS 2	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14 IAS 19	The limit of a Defined Benefit Asset, Minimum Funding Requirements and their interaction

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 2009.

2 Segmental reporting

The directors consider that the group has one class of business, being the provision of innovation software and related professional services. These services are provided to clients in different geographical areas using resources shared between those markets. Therefore segmental information is presented in respect of the group's geographical segments relating to where customers are based. This is the primary basis of segmental reporting. The geographical segmental reporting reflects the group's management and internal reporting structure.

Segmental results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The location of customers is not significantly different to the location of assets.

	2009 £	2008 £
Segmental revenue:		
United States of America	3,698,510	2,619,246
Rest of the world	882,299	539,756
	<u>4,580,809</u>	<u>3,159,002</u>
Segmental result:		
United States of America	(67,984)	241,911
Rest of the world	(34,444)	(381,558)
	<u>(102,428)</u>	<u>(139,647)</u>
Carrying amount:		
United States of America		
Assets	2,380,269	1,324,254
Liabilities	(919,413)	(440,793)
Rest of the world		
Assets	553,034	811,283
Liabilities	(562,621)	(638,723)
	<u>1,451,269</u>	<u>1,056,021</u>
Additions to property, plant and equipment, and intangible assets:		
United States of America	58,774	12,432
Rest of the world	136,160	12,332
	<u>194,934</u>	<u>24,764</u>
Other:		
Depreciation		
United States of America	49,422	34,456
Rest of the world	16,658	22,364
Amortisation		
Rest of the world	42,865	33,992
Share option costs		
United States of America	53,650	19,759
Rest of the world	179,610	57,256
Other share-based payments		
Rest of the world	68,490	92,125

3 Staff costs

The average number of employees, including directors, during the year was:

	2009 Number	2008 Number
Management and Administration	31	30

Staff costs for the above persons were as follows:

	£	£
Wages and salaries	2,064,887	1,730,005
Social security costs	177,341	62,287
Other pension costs	7,000	7,000
Benefits in kind	91,792	64,495
Share options costs (note 15)	233,260	74,015
Other equity-settled share-based payments (note 15)	68,490	92,125
	<u>2,642,770</u>	<u>2,029,927</u>

At the year end there was an accrual of £16,000 (2008: £20,000) in relation to share based payments yet to be converted into shares. A credit of £20,000 (2008: charge £50,000) has been made to the profit and loss account in respect of shares issued in the prior year.

4 Key management personnel compensation

	2009 Number	2008 Number
Key management personnel (non-directors)	1	1

Total emoluments of the directors and key management personnel are as follows:	2009 £	2008 £
Short-term employee benefits	430,643	417,983
Post employment benefit	7,000	7,000
Share option costs	106,099	33,446
Other share-based payments	68,490	92,125
	<u>612,232</u>	<u>550,554</u>

Retirement benefits are accruing to one director under a defined contribution scheme (2008: one).

£nil (2008: £10,000) was paid to Arbutnot Securities Limited for making available the services of P G Morland; this amount is not included above.

The directors' emoluments are shown in the remuneration report on page 11

5 Operating loss

	2009 £	2008 £
This has been arrived at after charging:		
Auditor's remuneration		
Fees for the audit of Imaginatik plc	19,154	14,750
Fees for the audit of other group companies	700	700
Services relating to taxation	1,870	1,314
Other services	3,500	24,554
Operating lease costs:		
Land and buildings	111,125	87,218
Depreciation	66,080	56,820
Amortisation	42,865	33,992
Foreign exchange (gains)/ losses	(194,350)	65,803
Research and development	360,868	329,938
	<u> </u>	<u> </u>

6 Finance costs

	2009 £	2008 £
Bank interest receivable	9,228	12,308
Interest payable on bank loans and overdrafts	(2,611)	(8,437)
Other interest costs	(4,678)	(12,970)
	<u> </u>	<u> </u>
	1,939	(9,099)
	<u> </u>	<u> </u>

7 Taxation on loss on ordinary activities

	2009 £	2008 £
UK corporation tax	-	-
	<u> </u>	<u> </u>
Total current tax	-	-
Deferred tax	-	-
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

7 Taxation on loss on ordinary activities (continued)

(a). Factors affecting tax charge for the year

	2009 £	2008 £
Loss on ordinary activities before tax	(102,428)	(139,647)
Theoretical corporation tax (credit)/charge at 21% tax rate (2008: 30%)	(21,510)	(41,894)
Effects of:		
Expenses not deductible for tax purposes	61,249	11,951
Losses carried forward	(40,939)	61,476
Other timing differences	1,470	(39,600)
Capital allowances in excess of depreciation	(270)	8,067
Current tax (credit)/charge for the year	-	-

(b). 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 2009 the group had tax losses of £1,372,318 (2008: £1,590,128) carried forward and available 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.

8 Earnings per share

Basic loss per share (EPS) has been calculated in accordance with IAS 33 'Earnings per share'. The calculation of EPS is based on losses of £102,428 (2008: losses of £139,647) and on a weighted average number of ordinary shares in existence during the year of 129,258,575 (2008: 117,270,883).

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

9 Barter transactions

During the period barter transactions totalling £246,000 were entered into by the Group. There was no profit or loss recorded on these transactions. At the year end there was deferred income balance of £13,000 and deferred costs of £13,000 in respect of barter transactions.

10 Investments held to maturity

Unlisted investments

Company

Cost and net book value at 1 April 2008 and 31 March 2009

£

1

The company owns all of the issued share capital of Imaginatik (Goswell) Limited. That company, registered in England and Wales, owns certain intellectual property used by Imaginatik plc.

The company also owns all of the issued share capital of Imaginatik Inc. This company, incorporated in the United States of America, has not traded since its incorporation.

11 Property, plant and equipment

Group and company

	Leasehold improvements £	Fixtures and fittings £	Equipment £	Total £
Cost				
At 1 April 2008	38,432	26,473	73,364	138,269
Additions	-	11,733	85,723	97,456
At 31 March 2009	38,432	38,206	159,087	235,725
Depreciation				
At 1 April 2008	15,255	14,708	48,371	78,334
Provided for the year	15,373	9,833	40,874	66,080
At 31 March 2009	30,628	24,541	89,245	144,414
Net book value				
At 31 March 2009	7,804	13,665	69,842	91,311
At 31 March 2008	23,177	11,765	24,993	59,935

12 Intangible assets

Group and company

	Software £
Cost	
At 1 April 2008	133,618
Additions	97,478
At 31 March 2009	231,096
Amortisation	
At 1 April 2008	33,992
Charge for the year	42,865
At 31 March 2009	76,857
Net book value	
At 31 March 2009	154,239
At 31 March 2008	99,626

13 Trade and other receivables

Amounts falling due within one year

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Trade receivables	1,503,824	1,503,824	824,737	824,737
Provision for doubtful debts	(106,420)	(106,420)	(35,000)	(35,000)
Amounts owed by group undertakings	-	344,152	-	378,507
Other receivables	12,734	12,734	3,937	3,937
Prepayments and accrued income	141,384	141,383	91,812	91,812
	<u>1,551,522</u>	<u>1,895,673</u>	<u>885,486</u>	<u>1,263,993</u>

14 Share capital

	2009 £	2008 £
Authorised		
500,000,000 ordinary shares of 0.0625p each	312,500	312,500
	<u>312,500</u>	<u>312,500</u>
Allotted, called up and fully paid		
132,671,917 ordinary shares of 0.0625p each	82,920	-
125,090,957 ordinary shares of 0.0625p each	-	78,182
	<u>82,920</u>	<u>78,182</u>

On 24 June 2008:

- 736,842 new ordinary shares of 0.0625p each with a fair value of £34,872 were issued to directors in lieu of accrued salary.

On 3 September 2008:

- 5,550,000 new ordinary shares of 0.0625p each were placed with investors for a net cash consideration of £202,045. Issue costs relating to the above placing were £20,083, and have been deducted from the share premium account.

On 19 December 2008:

- 1,294,118 new ordinary shares of 0.0625p each with a fair value of £27,500 were issued to directors in lieu of accrued salary.

15 Equity-settled share-based payments

The company recognised total expenses of £301,750 (2008: £166,140) relating to equity settled share-based payment transactions during the year. This comprised of £233,260 (2008: £74,015) of share option charges, £68,490 (2008: £92,125) of other share-based payments.

a) Issue of shares

736,842 and 1,294,118 (2008: 453,846) fully-paid ordinary shares were issued to directors on 24 June 2008 and 19 December 2008 respectively in respect of their past services to the company. A charge of £62,372 (2008: £22,125) has been made to the profit and loss account in respect of this share issue, this value being based on the mid-market value of shares at that date.

At the year end there was an accrual of £14,000 (2008: £20,000) in relation to share based payments yet to be converted into shares. A credit of £20,000 (2008: charge of £50,000) has been made to the profit and loss account in respect of shares issued in the prior year.

b) Share options

On 11 December 2006 the company entered into two share options schemes, one in the United Kingdom and one in the United States, which are described below.

Type of arrangement	Enterprise management incentive scheme- UK	Incentive stock option agreement - USA
Date of first grant	11 December 2006	11 December 2006
Total number granted since commencement	9,443,333	5,912,500
Contractual life	10 years	10 years
Vesting conditions	See below	See below

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.

Below are details of the transactions during the year:

On 15 December 2008 the exercise price of the share options were rebased. The new exercise price was 4p. The 2009 weighted average exercise price below refers to the rebased price. The impact of the rebasing was to increase the share based payment charge for the year by £52,926.

	Number of options 2009	Weighted average exercise price 2009	Number of options 2008	Weighted average exercise price 2008
Outstanding at the start of the year	10,867,500	4p	10,175,000	7.5p
Granted during the year	2,738,333	4p	2,392,500	6.2p
Forfeited during the year	(2,605,000)	4p	(1,700,000)	7.5p
Exercised during the year	-	-	-	-
Outstanding at end of year (see below)	11,000,833	4p	10,867,500	7.3p
Exercisable at end of year	-	-	-	-

15 Equity-settled share-based payments (continued)

Outstanding share options at year end:

2009	2009	2008	2008
Number of options	Exercise price	Number of options	Exercise price
-	-	8,625,000	7.5p
-	-	300,000	8.5p
-	-	942,500	7.375p
-	-	1,000,000	5p
11,000,833	4p	-	-

Weighted average	2009	2008
remaining contractual life:	8.56 years	8.93 years

The estimated fair value of options granted during the year is £13,199 (2008: £190,120). 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 £233,260 (2008: £74,015).

The fair values were calculated using the Black-Scholes-Merton model. The inputs into the model were as follows:

Volatility	55%
Expected life	10 years
Share price at grant	4p as applicable
Exercise price	4p as applicable
Dividend yield	0%
Risk-free rate	5.25%

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.

16 Reserves

	Share premium account £	Share option reserve £	Retained earnings £
Group			
At 1 April 2008	2,170,258	103,515	(1,295,934)
Loss for the year	-	-	(102,428)
Issue of ordinary shares, net of expenses	259,678	-	-
Share option charge	-	233,260	-
	<u>2,429,936</u>	<u>336,775</u>	<u>(1,398,362)</u>
At 31 March 2009	2,429,936	336,775	(1,398,362)
Company			
At 1 April 2008	2,170,258	103,515	(917,426)
Loss for the year	-	-	(136,784)
Issue of ordinary shares, net of expenses	259,678	-	-
share option charge	-	233,260	-
	<u>2,429,936</u>	<u>336,775</u>	<u>(1,054,210)</u>
At 31 March 2009	2,429,936	336,775	(1,054,210)

Expenses relating to share issues totalling £20,083 (2008: £14,955) were charged to the share premium account.

17 Reconciliation of movement in shareholders' funds

Group	2009 £	2008 £
Issue of shares	264,416	485,329
Loss for the year	(102,428)	(139,647)
Share option charge	233,260	77,015
Other share-based payments	-	21,841
Increase in shareholders' funds in the year	395,248	444,538
Opening shareholders' funds	1,056,021	611,483
Closing shareholders' funds	1,451,269	1,056,021
Company	2009 £	2008 £
Issue of shares	264,416	485,329
Loss for the year	(136,784)	(163,340)
Share option charge	233,260	77,015
Other share-based payments	-	21,841
Increase in shareholders' funds in the year	360,892	420,845
Opening shareholders' funds	1,434,529	1,013,684
Closing shareholders' funds	1,795,421	1,434,529

18 Non-current liabilities

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Bank loans	-	-	17,184	17,184

The bank loan is secured by a personal guarantee provided by M C Turrell, a director of the company. It bears interest at 4% above the base rate and is repayable as follows:

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Within 1 year	19,173	19,173	27,051	27,051
In 1 – 2 years	-	-	17,184	17,184
	19,173	19,173	44,235	44,235

19 Current liabilities

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Bank loans	19,713	19,713	27,051	27,051
Trade payables	149,251	149,251	96,039	96,039
Taxation and social security	93,019	93,019	54,560	54,560
Other payables	100,633	100,633	143,564	143,564
Accruals and deferred income	1,119,418	1,119,418	741,118	741,118
	<u>1,482,034</u>	<u>1,482,034</u>	<u>1,062,332</u>	<u>1,062,332</u>

20 Pensions

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 was £7,000 (2008: £7,000).

21 Commitments under operating leases

As at 31 March 2009 the group had non-cancellable operating leases as set out below:

	2009 Land and buildings £	2008 Land and buildings £
Minimum future payments:		
Due within one year	45,583	72,234
Later than one year and not later than five years	-	35,957
	<u>45,583</u>	<u>108,191</u>

22 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Operating loss	(104,367)	(138,723)	(130,548)	(154,241)
Depreciation of tangible fixed assets	66,080	66,080	56,820	56,820
Amortisation of intangible fixed assets	42,865	42,865	33,992	33,992
Share option charge	233,260	233,260	77,015	77,015
Other share-based payments	-	-	22,125	22,125
Net interest paid	1,939	1,939	(9,099)	(9,099)
Operating cash flows before movements in working capital	239,777	205,421	50,305	26,612
Increase in trade and other receivables	(666,036)	(631,680)	(87,493)	(63,800)
Increase/(decrease) in payables	<u>427,040</u>	<u>427,040</u>	<u>(173,176)</u>	<u>(173,176)</u>
Net movement in working capital	(238,996)	(204,640)	(260,669)	(236,976)
Net cash from operating activities	781	781	(210,364)	(210,364)

23 Financial instruments

The group's financial instruments comprise cash, trade receivables, trade payable and loans, that arise directly from its operations. The main purpose of these financial instruments is to finance the group's operations.

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.

The group has not given a sensitivity analysis for any of the risks as there would be no material change to results of the carrying value of assets or liabilities if the market risks changes.

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;
- bank overdrafts;
- trade and other payables;
- floating-rate bank loans; and
- loans from related parties.

General objectives, policies and processes

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

The overall objective of the board is to set policies 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, offsetting the risk of variable rate borrowings.

Interest-bearing financial assets

The group's financial assets as at 31 March 2009 comprised cash at bank of £1,136,231 (2008: £1,090,490). Interest is paid on cash at floating rates in line with prevailing market rates.

23 Financial instruments (continued)*Interest-bearing financial liabilities*

The group's financial liabilities as at 31 March 2009 comprised a floating rate bank loan of £19,173 (2008: £44,235).

Loans from related parties

On occasion the company borrows money from related parties which has no interest charge in relation to the balance. The balance at year end was £42,901 (2008: £91,212).

Credit risk

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 and financial instruments.

The group does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if a sufficient concentration occurs.

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.

<i>Currency profile</i>		2009 £	2008 £
<i>Financial assets</i>			
Cash -	Sterling	52,589	425,857
	Euro	1	19,666
	US dollar	1,083,641	644,967
Trade receivables -	Sterling	222,958	155,688
	US dollar	1,123,051	630,654
	Euro	51,395	3,395
<i>Financial liabilities</i>			
Trade payables -	Sterling	42,552	90,678
	US dollars	106,136	5,361
	Euro	563	-
Bank loans -	Sterling	19,173	44,235
Loans from Related parties -	Sterling	42,901	91,212

23 Financial Instruments (continued)

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 balance sheet date, these projections indicated that the group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Note 18 discloses the repayment profile for the bank loan. There were no undrawn facilities at 31 March 2009 or 31 March 2008.

Fair value of financial assets and liabilities

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

The assumptions used to estimate current fair values of debt and other financial instruments are summarised below:

- i) For cash and short term borrowings the book value approximates to fair value because of their short maturities; and
- ii) Long term debt is at floating rates and therefore the book value currently approximates to fair value.

24 Related party transactions

M C Turrell and A K Wainwright are both related parties by virtue of their directorships. A Wainwright is a related party by virtue of being a connected person with A K Wainwright. Y U Lindow is a related party by virtue of being a connected person with M C Turrell.

The company has paid £9,396 in the year to 31 March 2009 (2008: £10,788) in respect of leasing commitments entered into by M C Turrell in his personal capacity. These commitments consist of a motor vehicle and offices for utilisation by the company in carrying on its operating activities.

The following transactions occurred during the year and at the end of the year the following amounts were due to related parties:

	2009 £	2008 £
M C Turrell		
Maximum liability on loans for the year	-	286
Y U Lindow		
During the year Imaginatik plc had transactions with CYL Central Beteiligungsgesellschaft mbH & Innovationsmanagement KG, a company 100% owned by Y U Lindow. £100,000 (2008: £30,333) was paid to the company for consultancy during the year and £70,000 (2008: nil) for software. At the year end £8,333 was outstanding.		
A K Wainwright		
Closing balance	42,901	91,212
Maximum liability	91,212	91,212
A Wainwright unpaid pension contributions	59,352	52,352

25 Controlling party

The controlling party of the company is M C Turrell, by virtue of his majority shareholding.

26 Critical accounting estimates and judgement

The group makes estimates and assumptions concerning the future. These estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The main estimate used relates to the use of the Black-Scholes-Merton model. This has been used to value the share option scheme. A number of estimated variables have been input into the model (as seen in note 15) and as a result, could be expected to change over time. The percentage of options expected to vest is an uncertain amount, and certain factors are linked to whether this occurs.