

Company Number 03936915

IMAGINATIK PLC
Report and Financial Statements
31 March 2013

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IMAGINATIK PLC

Annual report and financial statements for the year ended 31 March 2013

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Officers and professional advisers

Company secretary	Mr S K Taylor
Company number	03936915
Nominated adviser and broker	Finn Cap 60 New Broad Street London EC2M 1JJ
Registered office	22 Melton Street London NW1 2BW
Website	www.imaginatik.com
Bankers	Bank of Scotland 144-148 High Street Southampton SO14 2JF
Auditor	Grant Thornton UK LLP Statutory Auditor 1 Dorset Street Southampton SO15 2DP
UK solicitors	Marrnott Harrison Staple Court 11 Staple Inn London WC1V 7QH
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 5 th Floor 33 King William Street London EC4R 9AS

Directors

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

Shawn Karl Taylor FCA (*Chief Financial Officer and Chief Operating Officer, aged 50, 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 47, 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.

David Gammon (*Non-Executive Director, aged 52, British*)

Chairman of Audit Committee, Member of Remuneration Committee

David Gammon has widespread experience in developing and building technology based businesses. In 1988, Mr Gammon founded Rockspring, an advisory and investment firm which focuses on early stage technology companies, where David continues as CEO today. Other current positions include advisor to Hawkwood Partners LLP where David provides advice on a portfolio of technology and renewable investments, as well as non-executive directorships at a number of growth technology companies, including Frontier Development Limited, LoQ PLC and BGlobal PLC.

Previous experience includes Director at real-time location technology specialist, Ubisense Trading Limited, Director and acting CFO at Envisional Solutions Limited and Director at internet TV specialist Amino Technologies PLC. Earlier in his career, David worked as an investment banker.

Directors (continued)

Simon Charles (Non-Executive Director, aged 42, 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

B J Hays	(resigned 20 June 2012)
L F Solis	(resigned 21 June 2013)
N J Goss	(resigned 21 June 2013)

Board committees

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

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 and this statement and the Directors' remuneration report describe how the principles of good governance set out in the UK Corporate Governance Code, published by the Financial Reporting Council are applied within the company. While the Company, by virtue of its AIM listing, is not required to comply with the UK Corporate Governance Code, the directors consider continued compliance appropriate to its size to be best practice.

Board composition

The group has two executive directors and two non-executive directors. 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.

Investor relations

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

M Cooper has been identified as the group'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 group will indicate the level of proxy voting and members of the board committees will be available to answer questions.

Statement of corporate governance (continued)

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

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. The other member of the remuneration committee during the year was David Gammon.

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.

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.

Pensions

Former director A K Wainwright is entitled to an annual pension contribution of £nil (2012: £7,000).

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.

Remuneration report (continued)

Remuneration components for executive directors (continued)

Directors' detailed emoluments

The emoluments of the directors of the group were as follows

	Salary	Share based payments	Benefits in kind	2013 Total	2012 Total
	£'000	£'000	£'000	£'000	£'000
A K Wainwright	-	8	1	9	184
S K Taylor	145	19	2	166	162
D R Gammon	25	1	-	26	12
B J Hays	7	-	-	7	12
P G Morland	-	-	-	-	12
M J Cooper	150	15	-	165	139
L F Solis	132	11	-	143	138
S Charles	25	1	-	26	12
N J Goss	150	3	1	154	38
	634	58	4	696	709

Contributions to a defined contribution pension scheme were not paid on behalf of any directors' (2012 one) during the year

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	1p	15 December 2006
	1,000,000	1p	12 August 2009
	850,000	1p	30 December 2010
	11,125,000	1p	15 February 2012
	616,000	0 315p	22 November 2012
M J Cooper	500,000	1p	11 December 2009
	1,062,500	1p	30 December 2010
	17,500,000	1p	15 February 2012
	660,000	0 315p	22 November 2012
L F Solis	1,000,000	1p	5 July 2010
	1,000,000	1p	16 November 2010
	7,500,000	1p	15 February 2012
	528,000	0 315p	22 November 2012
N J Goss	5,000,000	1p	15 February 2012
	528,000	0 315p	22 November 2012
D R Gammon	2,000,000	1p	15 February 2012
S Charles	2,000,000	1p	15 February 2012
B J Hays	2,000,000	1p	15 February 2012

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 28 March 2013 was 0 145p (2012 0 425p)

S Charles
Chairman, Remuneration Committee

Report of the directors for the year ended 31 March 2013

The directors present their report together with the audited financial statements for the year ended 31 March 2013

Results and dividends

The consolidated statement of comprehensive income is set out on page 19 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 collaborative innovation software and related consultancy services

A review of the activities and prospects of the company is given in the Executive Chairman's statement and Operational Review on pages 2-8

Directors

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

S K Taylor	
M J Cooper	
L F Solis	(resigned 21 June 2013)
D R Gammon	
B J Hays	(resigned 20 June 2012)
S Charles	
N J Goss	(resigned 21 June 2013)

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 38 days (2012 34 days) of purchases

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

Risk

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 2013 was £136,000 (2012: £543,000). Net cash outflows from operating activities has reduced to £1.07 million (2012: £1.12 million).

The Company completed a placing of new ordinary shares with institutional and other investors in June 2012 raising £1.0 million before expenses. The Company completed a further placing of new ordinary shares with institutional and other investors in May 2013, post the period end, raising approximately £1.26m before expenses.

The directors have prepared detailed Group budgets and forecasts for the period to March 2015. 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 costs 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.

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. Under that law the directors have to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The directors have elected to prepare the parent company financial statements in accordance with IFRSs. 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 and 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 then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 company's transactions and 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 2006. 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 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 financial statements may differ from legislation in other jurisdictions.

On behalf of the board



Shawn Taylor
Secretary

23 July 2013

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 2013 which comprise the consolidated and parent company statement of financial position, the consolidated statement of comprehensive income, the consolidated and parent company statements of cash flow, the consolidated and parent company statements 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 Directors' Responsibilities Statement set out on pages 16, 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 Boards' (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial accounts

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2013 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.

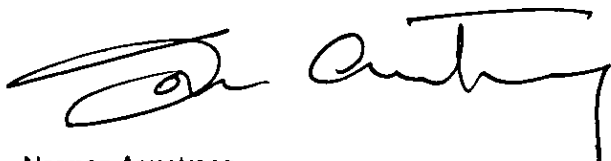
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' 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 of the information and explanations we require for our audit



Norman Armstrong
Senior Statutory Auditor

For and on behalf of
Grant Thornton UK LLP, Statutory Auditor,
Chartered Accountants

Date

23 July 2013

Consolidated statement of comprehensive income for the year ended 31 March 2013

	Note	2013 £'000	Restated 2012 £'000
Revenue	3	3,009	3,059
Cost of sales		(295)	(321)
Gross profit		2,714	2,738
Administrative expenses		(3,980)	(4,211)
Operating loss	6	(1,266)	(1,473)
Operating loss before share option costs		(1,187)	(1,364)
Share option costs	15	(79)	(109)
Finance costs	7	(7)	(8)
Loss before taxation		(1,273)	(1,481)
Income tax expense	8	131	108
Loss on ordinary activities for the year and total comprehensive income		(1,142)	(1,373)
Loss per share Basic and diluted	9	(0 15p)	(0 40p)

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 24 to 41 form part of these financial statements

Consolidated statement of financial position as at 31 March 2013

	Note	2013 £'000	2013 £'000	Restated 2012 £'000	Restated 2012 £'000	Restated 2011 £'000	Restated 2011 £'000
ASSETS							
Non-current assets							
Property, plant and equipment	11	29		51		100	
Intangible assets	12	254		51		104	
Trade and other receivables	13	339		106		-	
Current assets			622		208		204
Trade and other receivables	13	1,063		1,034		983	
Cash and cash equivalents		136		543		469	
			1,199		1,577		1,452
Total assets			1,821		1,785		1,656
EQUITY AND LIABILITIES							
Equity							
Share capital	14	341		321		135	
Share premium		6,592		5,704		4,691	
Share option reserve		843		764		655	
Retained earnings		(8,838)		(7,696)		(6,323)	
Total equity			(1,062)		(907)		(842)
Liabilities							
Non-current liabilities							
Deferred income	16	115		136		24	
Current liabilities			115		136		24
Trade and other payables	17	2,768		2,556		2,474	
			2,768		2,556		2,474
Total liabilities			2,883		2,692		2,498
Total equity and liabilities			1,821		1,785		1,656

The financial statements were approved and authorised for issue by the board on 23 July 2013 and signed on its behalf by


Shawn Taylor
Director

The notes on pages 24 to 41 form part of these financial statements

Parent company statement of financial position as at 31 March 2013

	Note	2013 £'000	2013 £'000	Restated 2012 £'000	Restated 2012 £'000	Restated 2011 £'000	Restated 2011 £'000
ASSETS							
Non-current assets							
Property, plant and equipment	11	29		51		100	
Intangible assets	12	254		51		104	
Trade and other receivables	13	339		106		-	
Current assets			622		208		204
Trade and other receivables	13	1,313		1,306		1,280	
Cash and cash equivalents		136		543		469	
			1,449		1,849		1,749
Total assets			2,071		2,057		1,953
EQUITY AND LIABILITIES							
Equity							
Share capital	14	341		321		135	
Share premium		6,592		5,704		4,691	
Share option reserve		843		764		655	
Retained earnings		(8,588)		(7,424)		(6,026)	
Total equity			(812)		(635)		(545)
Liabilities							
Non-current liabilities							
Deferred income	16	115		136		24	
Current liabilities			115		136		24
Trade and other payables	17	2,768		2,556		2,474	
			2,768		2,556		2,474
Total liabilities			2,883		2,692		2,498
Total equity and liabilities			2,071		2,057		1,953

The financial statements were approved and authorised for issue by the board on 23 July 2013 and signed on its behalf by



Shawn Taylor

Director

Company Number 03936915

The notes on pages 24 to 41 form part of these financial statements

Consolidated and parent company cash flow statement for the year ended 31 March 2013

	Note	2013 £'000	2013 £'000	Restated 2012 £'000	Restated 2012 £'000
Cash outflows from operating activities	20		(1,072)		(1,115)
Investing activities					
Acquisition of property, plant and equipment		(17)		(9)	
Acquisition of intangible assets		(226)		-	
Net cash used in investing activities			(243)		(9)
Net cash flow before financing activities			(1,315)		(1,124)
Financing activities					
Net proceeds from the issue of share capital		908		1,199	
Net cash generated from financing activities			908		1,199
Net increase/(decrease) in cash and cash equivalents			(407)		75
Opening net cash and cash equivalents			543		469
Net foreign exchange difference			-		(1)
Closing net cash and cash equivalents			136		543

The reconciliation of operating loss to cash flows from operating activities is shown in note 20

The notes on pages 24 to 41 form part of these financial statements

Statement of changes in equity for the year ended 31 March 2013

Consolidated	Share capital £'000	Share premium £'000	Share option reserve £'000	Restated retained earnings £'000	Restated total attributable to owners of parent £'000	Total equity £'000
Balance at 1 April 2011 (restated)	135	4,691	655	(6,323)	(842)	(842)
Employee share-based payment options	-	-	109	-	109	109
Issue of share capital	186	1,013	-	-	1,199	1,199
Transactions with owners	186	1,013	109	-	1,308	1,308
Loss for the year and total comprehensive income	-	-	-	(1,373)	(1,373)	(1,373)
Balance at 31 March 2012	321	5,704	764	(7,696)	(907)	(907)
Balance at 1 April 2012	321	5,704	764	(7,696)	(907)	(907)
Employee share-based payment options	-	-	79	-	79	79
Issue of share capital	20	888	-	-	908	908
Transactions with owners	20	888	79	-	987	987
Loss for the year and total comprehensive income	-	-	-	(1,142)	(1,142)	(1,142)
Balance at 31 March 2013	341	6,592	843	(8,838)	(1,062)	(1,062)
Parent company	Share capital £'000	Share premium £'000	Share option reserve £'000	Restated retained earnings £'000	Restated total attributable to owners of parent £'000	Total equity £'000
Balance at 1 April 2011	135	4,691	655	(6,026)	(545)	(545)
Employee share-based payment options	-	-	109	-	109	109
Issue of share capital	186	1,013	-	-	1,199	1,199
Transactions with owners	186	1,013	109	-	1,308	1,308
Loss for the year and total comprehensive income	-	-	-	(1,398)	(1,398)	(1,398)
Balance at 31 March 2012	321	5,704	764	(7,424)	(635)	(635)
Balance at 1 April 2012	321	5,704	764	(7,424)	(635)	(635)
Employee share-based payment options	-	-	79	-	79	79
Issue of share capital	20	888	-	-	908	908
Transactions with owners	20	888	79	-	987	987
Loss for the year and total comprehensive income	-	-	-	(1,164)	(1,164)	(1,164)
Balance at 31 March 2013	341	6,592	843	(8,588)	(812)	(812)

The notes on pages 24 to 41 form part of these financial statements

1 Accounting policies

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 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 23 July 2013

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

Going concern

Net funds at 31 March 2013 was £136,000 (2012: £543,000). Net cash outflows from operating activities has reduced by to £1.07 million (2012: £1.15 million)

The Company completed a placing of new ordinary shares with institutional and other investors in June 2012 raising £1.0 million before expenses. The Company completed a further placing of new ordinary shares with institutional and other investors in May 2013, post the period end, raising approximately £1.26m before expenses

The directors have prepared detailed Group budgets and forecasts for the period to March 2015. 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 costs 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

Basis of consolidation

The group financial statements for the year ended 31 March 2013 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 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 2013, a loss of £1,164,000 (2012: loss of £1,398,000) is attributable to the company

1 Accounting policies (*continued*)

Revenue

Revenue is measured at the fair value of the consideration received or receivable. 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.

Leased assets

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.

Pension costs

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.

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% 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 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.

1 Accounting policies (*continued*)

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.

Software - 20% to 33% per annum

Research and development

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

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

Development costs not meeting the criteria for capitalisation are expensed in the period in which they are incurred. The cost of an internally generated intangible asset comprises all directly attributable costs 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.

Capitalised development costs are amortised over a period of five years.

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 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.

1 Accounting policies (*continued*)

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

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 recognition policy choice in respect of the software license fee element of Technology revenues requires judgement. Previously a large element of the contract value was attributed to the software licence fee and was recognised in the month the contract was signed. Having reconsidered this critical judgement, the directors now considered it more appropriate to recognise the licence fee element evenly over the term of the contract. This revised policy has been applied retrospectively as this results in these financial statements providing reliable and more relevant information about the effects of transactions on the entity's financial position and financial performance. The revised policy provides more reliable and relevant information as it is more reflective of the ongoing relationship with customers throughout the licence term.

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 15).

Estimates

Significant assumptions were necessary in arriving at the inputs into the valuation model for modified and new share option scheme (see Note 15).

Share-based payments

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

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

Foreign currencies

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.

1 Accounting policies (continued)

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 instruments

Financial assets

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

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 balance sheet 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

Financial liabilities currently comprise trade and other payables.

Trade and other payables

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

Equity

Equity comprises the following

- "Issued capital" represents the nominal value of equity shares
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares net of expenses of the share issue
- "Share option reserve" represents equity-settled share-based employee remuneration until such share options are exercised
- "Retained losses" represents retained losses

1 Accounting policies (continued)

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 2013,

Standards and interpretations		Effective for annual periods beginning on or after
IFRS 1	First-time Adoption of International Financial Reporting Standards	1 January 2013
IFRS 7	Financial Instruments Disclosures	1 January 2013
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interest in Other Entities	1 January 2014
IFRS 13	Fair Value Measurements	1 January 2013
IAS 1	Presentation of Financial Statements	1 July 2012
IAS 16	Property, Plant & Equipment	1 January 2013
IAS 19	Employee Benefits	1 January 2013
IAS 27	Separate Financial Statements	1 January 2014
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IAS 32	Financial Instruments Presentation	1 January 2014
IAS34	Interim Financial Reporting	1 January 2013

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 2012

2 Prior period adjustment

The directors have revised the revenue recognition policy for the software licence fee element of the Technology services provided. Previously an element of the contract value was attributed to provision of the licence and recognised in the month the contract was signed. Further description of the change is noted in Critical judgements and significant accounting estimates.

The primary impacts of the policy on the financial years under report have been as follows:

- Revenue for the year to 31 March 2013 has decreased by £0.12m from £3.13m to £3.01m (2012 reduced from £3.45m to £3.06m)
- The loss after tax for the year to 31 March 2013 has increased by an additional £0.12m from £1.02m to £1.14m (2012 losses increased from £0.98m to £1.37m)
- The amount of deferred revenue on the balance sheet has increased by £1.58m to £2.45m (2012 increased from £0.74m to £2.20m)
- Cumulative losses carried forward as at 31 March 2013 have been increased by £1.58m from £7.26m to £8.84m (2012 increased from £6.24m to £7.70m)
- EPS for 2012 decreased to £0.40 loss per share from £0.28 loss per share
- EPS for 2013 decreased to £0.15 loss per share from £0.13 loss per share

3 Segmental reporting

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

	2013 £'000	Restated 2012 £'000
Segmental revenue:		
Technology	2,456	2,669
Consultancy	553	390
	<u>3,009</u>	<u>3,059</u>

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:

	2013 £'000	Restated 2012 £'000
Segmental revenue:		
United States of America	2,628	2,770
Rest of the World	381	289
	<u>3,009</u>	<u>3,059</u>
Segmental non-current assets:		
United States of America	309	126
Rest of the World	313	82
	<u>622</u>	<u>208</u>

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 (2012: nil customers), who accounted for revenues of £302,000 (2012: £nil), of which amount to more than 10% of Group revenues. These revenues arose in the Technology segment.

4 Staff costs

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

	2013 Number	2012 Number
Management and administration	35	37
	<u>—</u>	<u>—</u>
Staff costs for the above persons were as follows:		
	£'000	£'000
Wages and salaries	2,086	2,184
Social security costs	193	214
Other pension costs	1	7
Benefits in kind	143	195
Share options costs (note 15)	79	109
	<u>2,502</u>	<u>2,709</u>

5 Key management personnel compensation

Total emoluments of the directors and key management personnel are as follows

	2013 £'000	2012 £'000
Short-term employee benefits	702	661
Compensation for loss of office	-	65
Post employment benefit	-	7
Share option costs	58	90
	<u>760</u>	<u>823</u>

Retirement benefits are accruing to none of the company directors' under a defined contribution scheme (2012 one)

The directors' emoluments are shown in the remuneration report on page 10

6 Operating loss

	2013 £'000	2012 £'000
This has been arrived at after charging		
Auditor's remuneration		
Fees for the audit of Imaginatik plc	19	15
Fees for the audit of other group companies	1	1
Services relating to taxation	7	15
Other services	2	2
Operating lease costs		
Land and buildings	84	86
Depreciation	39	59
Amortisation	23	53
Foreign exchange losses	127	48
Litigation costs	41	153
Research and development	183	451
	<u></u>	<u></u>

7 Finance costs

	2013 £'000	2012 £'000
Other interest costs	(7)	(8)
	<u>(7)</u>	<u>(8)</u>

8 Taxation on loss on ordinary activities

	2013 £'000	2012 £'000
Current income tax		
Adjustment in respect of prior periods	131	108
	<hr/>	<hr/>
Total current income tax	131	108
	<hr/>	<hr/>
UK corporation tax	131	108
	<hr/>	<hr/>

(a) Factors affecting tax charge for the year

	2013 £'000	Restated 2012 £'000
Loss on ordinary activities before tax	(1,142)	(1,373)
	<hr/>	<hr/>
Corporation tax credit at 20% tax rate (2012 20%)	(228)	(275)
Effects of		
Expenses not deductible for tax purposes	19	26
Income not taxable for tax purposes	(30)	(22)
Losses arising in the period carried forward	226	98
Other timing differences	-	-
Depreciation in excess of capital allowances	4	5
Additional deduction for R&D expenditure	(37)	(90)
Utilisation of tax losses	46	258
Adjustment in respect of prior periods	(131)	(108)
	<hr/>	<hr/>
Tax credit for the year	(131)	(108)
	<hr/>	<hr/>

(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 2013 the group has estimated tax losses of £6,020,031 (2012 £4,842,099) carried forward and available indefinitely for offset against future profits. No deferred tax asset has been recognised in respect of these losses as there is insufficient evidence that future profits will be sufficient for recovery of the losses

9 Earnings per share

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 £1,142,000 (2012 £1,373,000) and on a weighted average number of ordinary shares in existence during the year of 763,032,110 (2012 347,464,893)

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

10 Investments in subsidiaries

Unlisted investments

£'000

Company

Cost and net book value at 1 April 2011 and 1 April 2012 (Restated) and 31 March 2013

-

The company owns all of the £1 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 £'000	Fixtures and fittings £'000	Equipment £'000	Total £'000
Cost				
At 1 April 2011	31	60	299	390
Additions	-	-	9	9
Disposal	-	-	-	-
At 31 March 2012	31	60	308	399
Additions	11	2	4	17
Disposal	-	-	-	-
At 31 March 2013	42	62	312	416
Depreciation				
At 1 April 2011	10	45	235	290
Provided for the year	7	9	42	58
Eliminated on disposal	-	-	-	-
At 31 March 2012	17	54	277	348
Provided for the year	9	6	24	39
Eliminated on disposal	-	-	-	-
At 31 March 2013	26	60	301	387
Net book amount				
At 1 April 2011	21	15	64	100
At 31 March 2012	14	6	31	51
At 31 March 2013	16	2	11	29

12 Intangible assets

Group and company

	Research & development £'000	Software £'000	Total £'000
Cost			
At 1 April 2011	-	313	313
Additions	-	-	-
At 31 March 2012	-	313	313
Additions	203	23	226
At 31 March 2013	203	336	539
Amortisation			
At 1 April 2011	-	209	209
Provided for the year	-	53	53
At 31 March 2012	-	262	262
Provided for the year	-	23	23
At 31 March 2013	-	285	285
Net book amount			
At 1 April 2011	-	104	104
At 31 March 2012	-	51	51
At 31 March 2013	203	51	254

13 Trade and other receivables

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Trade receivables	918	918	929	929	763	763
Provision for doubtful debts	-	-	(6)	(6)	(6)	(6)
Amounts owed by group undertakings	-	250	-	272	-	297
Other receivables	-	-	23	23	13	13
Prepayments and accrued income	145	145	88	88	213	213
	<u>1,063</u>	<u>1,313</u>	<u>1,034</u>	<u>1,306</u>	<u>983</u>	<u>1,280</u>

At 31 March 2013 trade or other receivables totalling £339,000 are due after more than 1 year (2012 £106,000)

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 2013 £nil (2012 £13,000) were past due but not impaired following management review of the receivables.

13 Trade and other receivables (continued)

Ageing of past due but not impaired receivables

	2013 £'000	2012 £'000
Up to 3 months	-	-
3 to 6 months	-	-
Over 6 months	-	13
Total	-	13

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 2013, trade receivables of £nil (2012: £6,000) were impaired and provided for.

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

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

	£'000
At 1 April 2012	6
New provision for receivables impairment	-
Receivables written off during the year as uncollectable	(6)
At 31 March 2013	-

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

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

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

14 Share capital

	Number	£'000
Allotted, called up and fully paid ordinary shares 0.0625p each		
As at 1 April 2011	215,557,208	135
Issued in the year	297,474,902	186
As at 31 March 2012	513,032,110	321
Issued in the year	333,333,333	20
As at 31 March 2013	846,365,443	341

On 30 June 2012

- 333,333,333 new ordinary shares of 0.0625p each were issued for a gross cash consideration of £1,000,000. Issue costs relating to the above placing were £92,000 and have been deducted from the share premium account.

15 Equity-settled share-based payments

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.

Below are details of the transactions during the year

	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	2013	2013	2012	2012
Outstanding at the start of the year	76,921,034	1.03p	29,135,833	3.16p
Granted during the year	11,967,666	0.315p	74,637,701	1.0p
Forfeited during the year	(4,438,250)	1.0p	(2,544,055)	2.55p
Cancelled during the year	(1,633,333)	2.55p	(24,308,445)	-
Outstanding at end of year (see below)	82,817,117	0.89p	76,921,034	1.03p
Exercisable at end of year	650,000	2.55p	2,283,333	2.55p

Outstanding share options at year end

2013	2013	2012	2012
Number of options	Exercise price	Number of options	Exercise price
67,125,000	1p	71,431,250	1p
650,000	2.55p	2,283,333	2.55p
3,206,451	0.5p	3,206,451	0.5p
11,835,666	0.315p		

	2013	2012
Weighted average remaining contractual life	8.99 years	9.88 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 £79,000 (2012: £109,000).

The fair value of the new options of £38,000 (2012: £77,000) and the incremental fair value of the modified options of £nil (2012: £55,000) 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:

	2013	2012	2011	2010
Volatility	84%	84%	84%	84%
Expected life	10 years	10 years	10 years	10 years
Share price at grant	0.425p	0.425p	2p - 4p as applicable	4p
Exercise price	1p	1p	2p - 4p as applicable	4p
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.

16 Non-current liabilities

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Deferred income	115	115	136	136	24	24

17 Trade and other payables

	Group 2013 £'000	Company 2013 £'000	Restated Group 2012 £'000	Restated Company 2012 £'000	Restated Group 2011 £'000	Restated Company 2011 £'000
Trade payables	205	205	250	250	451	451
Taxation and social security	43	43	84	84	33	33
Other payables	70	70	23	23	22	22
Accruals and deferred income	2,450	2,450	2,199	2,199	1,968	1,968
	<u>2,768</u>	<u>2,768</u>	<u>2,556</u>	<u>2,556</u>	<u>2,474</u>	<u>2,474</u>

18 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 £1,256 (2012 £7,000). At 31 March 2013 pension contributions outstanding were £200 (2012 £nil).

19 Commitments under operating leases

As at 31 March 2013 the group had non-cancellable operating leases as set out below

	2013 Land and buildings £'000	2012 Land and buildings £'000	2011 Land and buildings £'000
Minimum future payments			
Due within one year	78	74	85
Later than one year and not later than five years	28	61	133
	<u>105</u>	<u>135</u>	<u>218</u>

The leases relate to two properties occupied by the group

20 Reconciliation of operating loss to net cash outflow from operating activities

	Group 2013 £'000	Company 2013 £'000	Restated Group 2012 £'000	Restated Company 2012 £'000
Operating loss	(1,266)	(1,289)	(1,473)	(1,499)
Depreciation of plant, property and equipment	39	39	59	59
Amortisation of intangible assets	23	23	53	53
Share option charge	79	79	109	109
Operating cash flows before movements in working capital	(1,125)	(1,148)	(1,252)	(1,278)
Decrease/(Increase) in trade and other receivables	(262)	(239)	(157)	(131)
Increase/(Decrease) in payables	191	191	194	194
Net movement in working capital	(71)	(48)	37	63
Cash used by operations	(1,196)	(1,196)	(1,215)	(1,215)
Corporation tax received	131	131	108	108
Net interest paid	(7)	(7)	(8)	(8)
Net cash from operating activities	(1,072)	(1,072)	(1,115)	(1,115)

21 Financial instruments

	2013 Group £'000	2013 Company £'000	2012 Group £'000	2012 Company £'000
Financial assets				
Loans and receivables	1,392	1,642	1,595	1,867
Financial liabilities at amortised cost				
Trade and other payables	433	433	503	503

The group's financial instruments comprise cash, trade receivables, trade and other payables, 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.

21 Financial instruments (*continued*)

Principal financial instruments

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

- trade receivables,
- cash at bank, and
- trade and other payables

General objectives, policies and processes

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

The overall objective of the board is to set 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

Interest-bearing financial assets

The group's financial assets as at 31 March 2013 comprised cash at bank of £136,000 (2012 £543,000). Interest is paid on cash at floating rates in line with prevailing market rates

At 31 March 2013, 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 (2012 £5,000). 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 (2012 £5,000)

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

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

21 Financial instruments (continued)

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		2013 £'000	Restated 2012 £'000
<i>Financial assets</i>			
Cash -	Sterling	65	71
	US dollar	71	472
Trade receivables -	Sterling	96	2
	US dollar	991	927
	Euro	169	-
<i>Financial liabilities</i>			
Trade payables -	Sterling	128	144
	US dollars	77	106

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 2013 or 31 March 2012.

Fair value of financial assets and liabilities

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

21 Financial instruments (continued)

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:

	2013 £'000	Restated 2012 £'000
Total equity	(1,062)	(907)
Cash and cash equivalents	136	543

22 Related party transactions

M J Cooper, S K Taylor, L F Solis, D R Gammon, B J Hays, 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 10.

During the year B Hays, a Non-Executive director of the company carried out sales consultancy work totalling £nil (2012 £4,000). At the year end £nil (2012 £nil) was outstanding.

During the year Imaginatik PLC paid fees of £25,000 (2012 £12,500) to Rockspring Limited, a company which is owned by D R Gammon. At the year end £nil (2012 £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 £89,833 (2012 £52,546). At the year end £56,236 (2012 £122,617) 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 £23,000 (2012 £26,000). At 31 March 2013 Imaginatik (Goswell) Limited owed the company £250,000 (2012 £272,000).

23 Controlling party

The directors do not believe that a controlling party exists.

24 Post-balance sheet event

The company announced on 26 April 2013 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 26 April 2013. The shares were admitted to trading on AIM on 14 May 2013.

25 Contingent Asset

During the period the company concluded its litigation against the former CEO. At a High Court hearing on 2 October 2012 the company was awarded 54,053,815 Imaginatik shares owned by the CEO in full and final settlement. The company is holding these as Treasury shares. No accounting entries will be made in relation to these treasury shares until the time when they will be sold which is yet to be determined.