Registration number: 03936915

Imaginatik plc

Directors Report and Consolidated Financial Statements

for the Year Ended 31 March 2016

Imaginatik plc

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Company Information

Company secretary	Mr Shawn Karl Taylor
Registered office	22 Melton Street London NW1 2BW
Solicitors	Marriott Harrison Staple Court 11 Staple Inn London WC1V 7QH
Bankers	Bank of Scotland 144-148 High Street Southampton SO14 2JF
Auditors	Grant Thornton UK LLP Senior Statutory Auditor Southampton Hampshire SO15 2DP
Nominated advisor and broker	Finn Cap 60 New Broad Street London EC2M 1JJ
US attorneys	Dorsey & Whitney LLP 250 Park Avenue New York NY 10177 United States of America
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen B63 3DA
Public relations	Alma PR Limited 37 Dempster Road London SW18 1AS
Website	www.imaginatik.com

Imaginatik plc

Directors for the Year Ended 31 March 2016

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 53, 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 significant 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 ***(Non-Executive Chairman, aged 50, American)***

Chairman of Remuneration Committee

Matthew Cooper was appointed to the board as Non-executive Chairman in 2009, he became Executive Chairman in June 2010 and moved back to Non-executive Chairman in December 2014. Matthew, a graduate of Princeton University and an American national, is an experienced public company director and investor. He has been the Chairman of Octopus Capital Limited since 2002 and is currently a non-executive director of a number of VCTs and private companies. Prior to joining Octopus, Matthew was the Principal Managing Director of Capital One Bank (Europe) PLC where he was responsible for all aspects of the company's strategic direction and day-to-day operations in Europe. He led the UK portion of the business from start-up to 2 million customers, generating annual revenues of over £275 million and employing over 2,000 people.

Simon Charles ***(Non-Executive Director, aged 45, British)***

Chairman 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.

Ralph Welborn Ph.D. ***(Chief Executive Officer, aged 55, American)***

Ralph was appointed to the board on 1 December 2014. Ralph has significant global business advisory and technology implementation experience, focusing on identifying where value is being created and destroyed. He was Strategy and Transformation Leader at IBM (Middle East and Africa) and Senior Partner of Solutions and Innovation at KPMG Consulting.

Board committees

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

Imaginatik plc

Chairman's Statement for the Year Ended 31 March 2016

Chairman's statement

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

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

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

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

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

Matt Cooper

Non-executive Chairman

16 August 2016

Imaginatik plc

Strategic Report for the Year Ended 31 March 2016

Strategic Report

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

Industry recognition

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

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

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

Market

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

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

Strategy

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

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

Operational Review

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

Consultancy

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

Examples of customer engagements successfully delivered in the year include:

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

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

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

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

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

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

Technology

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

Sales and Marketing

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

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

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

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Strategic Report for the Year Ended 31 March 2016

KPIs & Financial Review

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

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

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

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

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

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

Financial Review

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

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

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

Imaginatik plc

Strategic Report for the Year Ended 31 March 2016

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

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

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

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

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

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

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

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

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

The Directors have reviewed the group's budgets and forecasts for the coming 12 months, which have been prepared with appropriate regard to the current macroeconomic environment and the conditions in the principal markets served by the group. The Directors have taken into consideration the group's net funds, the level of anticipated renewals by reviewing on a customer by customer basis, forecast new and up sell revenues based on sales in the pipeline and anticipated costs. There is inherent uncertainty in the level of anticipated renewals and up sell revenues and assumptions are based on reasonable expectations taking into account historic experience and current knowledge. The forecasts include investments and additional costs commensurate with expected levels of growth and options available to the Directors include the ability to flex these investments and costs should predicted revenues be lower than forecast.

As a result, at the time of approving the financial statements, the Directors consider that the group has sufficient financial resources to continue in operational existence for the foreseeable future and, therefore, that it is appropriate to adopt the going concern basis in preparing these financial statements. As with all business forecasts, the Directors' statement cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events.

Summary and Outlook for 2016

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

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

Approved by the Board and signed on its behalf by:

Ralph Welborn

Ralph Welborn

Chief Executive Officer

Shawn Taylor

Chief Operating and Financial Officer

16 August 2016

Imaginatik plc

Corporate Governance

Statement of corporate governance

The Group is committed to business integrity, high ethical values and professionalism in all its activities. As an essential part of this commitment the Group supports the highest standards in corporate governance. The Board is accountable to the company's shareholders for good governance and this statement and the Directors' remuneration report describe how the principles of good governance set out in the UK Corporate Goverance Code, published by the Financial Reporting Council are applied within the company. We do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the company and best practice.

Board composition

The group has two executive directors and 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.

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Corporate Governance

Investor relations

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

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

Corporate social responsibility

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

Internal control

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

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

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

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

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

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

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

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Directors Remuneration

Remuneration report

Responsibilities

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

Composition

Matt Cooper chairs the remuneration committee.

Directors' service contracts

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

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Directors Remuneration

Executive share options schemes

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

Directors' detailed emoluments

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

	Salary £'000	Share based payments £'000	Benefits in kind £'000	2016 Total £'000	2015 Total £'000
S K Taylor	153	18	4	175	173
D R Gammon	-	-	-	-	6
M J Cooper	75	-	-	75	117
S Charles	25	-	-	25	22
R Welborn	278	7	-	285	90
	531	25	4	560	408

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	7,700	25.20p	22 November 2012
	397,812	6.736p	17 December 2013
	984,166	3.750p	22 December 2014
	62,533	4.88p	14 December 2015
M J Cooper	8,250	25.20p	22 November 2012
	2,528,280	6.736p	17 December 2013
	50,000	3.750p	22 December 2014
S Charles	93,750	3.750p	22 December 2014
	25,000	4.88p	14 December 2015
R Welborn	2,200,000	3.750p	22 December 2014
	67,000	4.88p	14 December 2015

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 2016 was 1.875p (2015: 3.25p)

M Cooper

Chairman, Remuneration Committee

Imaginatik plc

Directors Report for the Year Ended 31 March 2016

The directors present their report and the consolidated financial statements for the year ended 31 March 2016.

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

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

Directors of the group

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

Mr Simon Charles

Mr Matthew J Cooper

Mr Shawn Karl Taylor

Mr Ralph Welborn

Matters covered in the Strategic Report

Future developments and research and development activities are disclosed in the Strategic Report.

Principal risks and uncertainties

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

Risks

Loss of major customers

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

Customer failure

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

Competition

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

Attraction and retention of Directors and key employees.

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

Financial risks

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

Management's objectives are to:

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

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

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

Foreign exchange risk arises because the group has operations located in various parts of the world whose functional currency is not the same as the functional currency in which the group companies are operating. The group's policy is, where possible, to allow entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency.

More details on financial instruments management objectives and policies are mentioned within note 22.

IFRS

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

Going concern

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

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

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

The Directors have reviewed the group's budgets and forecasts for the coming 12 months, which have been prepared with appropriate regard to the current macroeconomic environment and the conditions in the principal markets served by the group. The Directors have taken into consideration the group's net funds, the level of anticipated renewals by reviewing on a customer by customer basis, forecast new and up sell revenues based on sales in the pipeline and anticipated costs. There is inherent uncertainty in the level of anticipated renewals and up sell revenues and assumptions are based on reasonable expectations taking into account historic experience and current knowledge. The forecasts include investments and additional costs commensurate with expected levels of growth and options available to the Directors include the ability to flex these investments and costs should predicted revenues be lower than forecast.

As a result, at the time of approving the financial statements, the Directors consider that the group has sufficient financial resources to continue in operational existence for the foreseeable future and, therefore, that it is appropriate to adopt the going concern basis in preparing these financial statements. As with all business forecasts, the Directors' statement cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events.

Imaginatik plc

Directors Report for the Year Ended 31 March 2016

Statement of Directors' Responsibilities

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

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

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

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

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 16/8/16 and signed on its behalf by:

....
Mr Shawn Karl Taylor
Director

Imaginatik plc

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 2016, which comprise the consolidated statement of comprehensive income, the consolidated and parent company statement of financial position, the consolidated and parent company statement of cash flows, the consolidated and parent company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 17), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the company's affairs as at 31 March 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditor's Report to the members of Imaginatik Plc

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP
....

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

Southampton
Hampshire
SO15 2DP

Date: 16 August 2016

Imaginatik plc

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

	Note	2016 £ 000	2015 £ 000
Revenue	3	3,893	3,336
Cost of sales		(232)	(265)
Gross profit		3,661	3,071
Administrative expenses		(4,720)	(4,625)
Other operating income	6	14	-
Operating loss	7	(1,045)	(1,554)
Finance costs	9	(65)	(28)
Loss before tax		(1,110)	(1,582)
Income tax receipt	10	165	119
Loss on ordinary activities for the year and total comprehensive income		(945)	(1,463)
Loss per share - Basic and diluted	11	1.15p	2.46p

The above results were derived from continuing operations.

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

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

Imaginatik plc

(Registration number: 03936915)
Consolidated Statement of Financial Position as at 31 March 2016

	Note	2016 £ 000	2015 £ 000
Assets			
Non-current assets			
Property, plant and equipment	13	19	35
Intangible assets	14	493	392
Trade and other receivables		273	330
		785	757
Current assets			
Trade and other receivables	15	1,403	1,666
Cash and cash equivalents		23	125
		1,426	1,791
Total assets		2,211	2,548
Equity and liabilities			
Equity			
Share capital	16	3,374	3,154
Share premium		6,883	6,480
Other reserves		1,143	1,076
Retained earnings		(12,817)	(11,872)
Equity attributable to owners of the company		(1,417)	(1,162)
Non-current liabilities			
Deferred income	18	736	851
Current liabilities			
Trade and other payables	19	2,892	2,859
Total liabilities		3,628	3,710
Total equity and liabilities		2,211	2,548

Approved by the Board on 16/8/16 and signed on its behalf by:

....

Mr Shawn Karl Taylor

Director

Imaginatik plc

(Registration number: 03936915)
Statement of Financial Position as at 31 March 2016

	Note	2016 £ 000	2015 £ 000
Assets			
Non-current assets			
Property, plant and equipment	13	19	35
Intangible assets	14	493	392
Trade and other receivables	15	273	330
		785	757
Current assets			
Trade and other receivables	15	1,579	1,871
Cash and cash equivalents		23	125
		1,602	1,996
Total assets		2,387	2,753
Equity and liabilities			
Equity			
Share capital	16	3,374	3,154
Share premium		6,883	6,480
Other reserves		1,143	1,076
Retained earnings		(12,641)	(11,667)
Total equity		(1,241)	(957)
Non-current liabilities			
Deferred income	18	736	851
Current liabilities			
Trade and other payables	19	2,892	2,859
Total liabilities		3,628	3,710
Total equity and liabilities		2,387	2,753

Approved by the Board on ..16/8/16.. and signed on its behalf by:

....

Mr Shawn Karl Taylor

Director

Imaginatik plc

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

	Note	2016 £ 000	2015 £ 000
Cash flows from operating activities			
Loss for the year		(945)	(1,463)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	7	180	121
Share based payment transactions		67	109
Income tax credit	10	(165)	(119)
		(863)	(1,352)
Working capital adjustments			
Decrease/(increase) in trade and other receivables	15	320	(53)
(Decrease)/increase in trade and other payables	19	(82)	259
Cash generated from operations		(625)	(1,146)
Income taxes received	10	165	119
Net cash flow from operating activities		(460)	(1,027)
Cash flows from investing activities			
Acquisitions of property plant and equipment		(1)	(29)
Acquisition of intangible assets	14	(264)	(202)
Net cash flows from investing activities		(265)	(231)
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs		623	1,289
Net (decrease)/increase in cash and cash equivalents		(102)	31
Cash and cash equivalents at 1 April		125	94
Cash and cash equivalents at 31 March		23	125

The notes on pages 26 to 50 form an integral part of these financial statements.

Imaginatik plc

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

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

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

Imaginatik plc

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

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2014	1,940	6,405	967	(10,180)	(868)
Employee share-based payment options	-	-	109	-	109
Issue of share capital	1,214	75	-	-	1,289
Transactions with owners	1,214	75	109	-	1,398
Loss for the year and total comprehensive income	-	-	-	(1,487)	(1,487)
At 31 March 2015	3,154	6,480	1,076	(11,667)	(957)

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2015	3,154	6,480	1,076	(11,667)	(957)
Employee share-based payment options	-	-	67	-	67
Issue of share capital	220	403	-	-	623
Transactions with owners	220	403	67	-	690
Loss for the year and total comprehensive income	-	-	-	(974)	(974)
At 31 March 2016	3,374	6,883	1,143	(12,641)	(1,241)

The notes on pages 26 to 50 form an integral part of these financial statements.

Imaginatik plc

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

1 General information

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

The company is a public company limited by share capital incorporated and domiciled in the UK.

The address of its registered office is:
22 Melton Street
London
NW1 2BW

The company's ordinary shares are traded on the Alternative Investment Market (AIM) of the London Stock Exchange.

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

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

2 Accounting policies

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

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

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

The Directors have reviewed the group's budgets and forecasts for the coming 12 months, which have been prepared with appropriate regard to the current macroeconomic environment and the conditions in the principal markets served by the group. The Directors have taken into consideration the group's net funds, the level of anticipated renewals by reviewing on a customer by customer basis, forecast new and up sell revenues based on sales in the pipeline and anticipated costs. There is inherent uncertainty in the level of anticipated renewals and up sell revenues and assumptions are based on reasonable expectations taking into account historic experience and current knowledge. The forecasts include investments and additional costs commensurate with expected levels of growth and options available to the Directors include the ability to flex these investments and costs should predicted revenues be lower than forecast.

As a result, at the time of approving the financial statements, the Directors consider that the group has sufficient financial resources to continue in operational existence for the foreseeable future and, therefore, that it is appropriate to adopt the going concern basis in preparing these financial statements. As with all business forecasts, the Directors' statement cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events.

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

The company has taken advantage of the exemption under S408 of the Companies Act 2006 and has not presented its own statement of comprehensive income. Of the consolidated result for the year ended 31 March 2016 a loss of £974,000 (2015: loss of £1,487,000) is attributable to the company.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of sales related taxes. Income for the group is derived from two sources: Technology and Consultancy. These sources are service-based rather than through the sale of goods. Following the principles of IAS 18 Revenue, the policies for income recognition in respect of each of the different sources of income are such that income is recognised by reference to the stage of completion of the transaction at the end of the reporting period. In applying the income recognition policies below where there is a requirement for a contract to be signed, income is recognised in accordance with the policy when the contract has been signed or persuasive evidence of an arrangement exists.

a) Consulting:

Income derived from our consulting offering subject to contracts is recognised in the month in which the consulting takes place. Income from longer term consulting arrangements shall be recognised evenly over the term of the contract.

b) Technology:

The provision of our suite of technology products includes provision of software licences, hosting and maintenance in relation to the product over the contract term. Income arising from the provision of these bundled services are recognised evenly over the term of the contract, once an agreement has been signed or persuasive evidence of an arrangement exists.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Costs in respect of operating leases are charged on a straight line basis over the term of the lease in arriving at the operating loss before taxation.

Defined contribution pension obligation

Contributions to the group's defined contributions pension scheme are charged to profit or loss in the period in which they become payable.

Property, plant and equipment

All property, plant and equipment is stated at cost less subsequent depreciation and impairment. The costs of the property, plant and equipment is their purchase price plus any incidental costs of acquisition. Depreciation commences at the point the asset is brought into use.

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

The residual values and useful economic lives of fixed assets are reviewed by management on an annual basis and revised to the extent required.

Depreciation
Depreciation is provided to write off the cost, less estimated residual values, of all property, plant and equipment equally over their expected useful lives. It is calculated at the following rates:

Asset class	Depreciation method and rate
Leasehold improvements	Over the life of the lease
Fixtures and fittings	33% per annum
Equipment	33% per annum

Intangible assets
Software licences
The costs of significant groups of software licences are capitalised and then amortised over the useful economic lives of the software concerned. Amortisation is charged to administrative expenses.

The cost of intangible assets is their purchase price plus any incidental costs of acquisition. Amortisation begins from the time the asset is brought into use.

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

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

Development costs not meeting the criteria for capitalisation are expensed in the period in which they are incurred. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Until completion of the development project, the assets are subject to impairment testing only. Amortisation commences upon completion of the asset, and is shown within 'Administrative Expenses' on the consolidated statement of comprehensive income.

Amortisation
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Software	20% to 33% per annum
Development costs	20% per annum

Impairment

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

Tax
The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax and current tax are charged or credited to profit or loss, except when it relates to items charged or credited in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or equity respectively.

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

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

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

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

Foreign currency transactions and balances

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

Employee benefits

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

Financial assets

Classification

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

Recognition and measurement

Loans and receivables

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

Cash and cash equivalents

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

Financial liabilities

Classification

Financial liabilities currently comprise trade and other payables.

Recognition and measurement

Trade and other payables

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

Share capital

Equity comprises the following:

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

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

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

"Retained losses" represents retained losses.

Imaginatik plc

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

Changes in accounting policy

New standards, interpretations and amendments not yet effective

Standards and interpretations		**Effective for annual periods beginning on or after**
IFRS 2	Share based payment	1 June 2016
IFRS 7	Financial Instruments: Disclosures	1 January 2016
IFRS 10	Consolidated Financial Statements	1 January 2016
IFRS 11	Joint Arrangements	1 January 2016
IFRS 12	Disclosure of Interests in Other Entities	1 January 2016
IFRS 15	Revenues	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 1	Presentation of Financial Statements	1 January 2016
IAS 12	Income taxes	1 January 2017
IAS 16	Property, Plant and Equipment	1 January 2016
IAS 19	Employee Benefits	1 January 2016
IAS 27	Separate Financial Statements	1 January 2016
IAS 28	Investments in Associates and Joint Ventures	1 January 2016
IAS 34	Interim Financial Reporting	1 January 2016
IAS 38	Intangible Assets	1 January 2016

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 2016.

Critical judgements and significant accounting estimates

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group should it later be determined that a different choice would be more appropriate. The most significant areas where judgements and estimates have been applied are as follows:

Judgements

The value of the awards under the modified and new share option scheme was measured, in accordance with IFRS 2, by reference to their fair value at the date on which they were granted. Judgement was required in determining the most appropriate valuation model (see Note 17).

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

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Until completion of the development project, the assets are subject to impairment testing only. Amortisation commences upon completion of the asset, and is shown within 'Administrative Expenses' on the consolidated statement of comprehensive income.

Estimates

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

3 Segmental reporting

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

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

All other information presented to the Chief Operating Decision Maker is the same as is reported in these financial statements.

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

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

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

The Group has nil customers (2015: one customer), who accounted for revenues of more than 10% of Group revenues (2015: revenues of £357,000). These revenues arose in the Technology segment.

4 Staff costs

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

	2016 £ 000	2015 £ 000
Wages and salaries	2,483	2,398
Social security costs	227	243
Other short-term employee benefits	109	167
Share-based payment expenses	67	109
	2,886	2,917

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

	2016 No.	2015 No.
Administration and support	35	39

5 Key management personnel

Key management compensation

	2016 £ 000	2015 £ 000
Salaries and other short term employee benefits	828	665
Share-based payments	67	73
	895	738

Retirement benefits are accruing to none of the company directors' under a defined contribution scheme (2015: none).

The directors' emoluments are shown in the remuneration report on page 12.

6 Other operating income

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

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

7 Operating loss

Arrived at after charging/(crediting)

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

8 Auditor's remuneration

	Note	2016 £ 000	2015 £ 000
Fees payable to the company's auditor for the audit of the company's annual accounts		22	22
Fees payable to the company's auditor and its associates for other services:			
Audit of the accounts of subsidiaries		1	1
Tax advisory services		3	3
		26	26

9 Finance income and costs

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

10 Income tax

Tax charged/(credited) in the income statement

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

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

The differences are reconciled below:

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

Factors that may affect future tax charges

Based on current capital investment plans, the group expects to be able to continue to claim capital allowances in excess of depreciation in future periods at a slightly lower level than in the current period.

At 31 March 2016 the group has estimated tax losses of £9,981,625 (2015: £8,923,275) carried forward and available indefinitely for offset against future profits. No deferred tax asset has been recognised in respect of these losses as there is insufficient evidence that future profits will be sufficient for recovery of the losses.

11 Earnings per share

The calculation of basic loss per share (EPS) is based on the loss attributable to equity holders of the parent for the year of £945,000 (2015: loss of £1,463,000) and a weighted average of 81,948,369 (2015: 59,547,244) ordinary shares in issue.

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

12 Investments

Group

Details of undertakings

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

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held 2016	2015
Subsidiary undertakings				
Imaginatik (Goswell) Limited	England and Wales	Ordinary shares	100%	100%
Imaginatik Inc.	United States of America	Ordinary shares	100%	100%

Subsidiary undertakings

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

Imaginatik Inc. is dormant.

13 Property, plant and equipment

Group and company

	Leasehold improvements £ 000	Fixtures and fittings £ 000	Equipment £ 000	Total £ 000
Cost				
At 1 April 2014	42	62	330	434
Additions	8	-	21	29
At 31 March 2015	50	62	351	463
At 1 April 2015	50	62	351	463
Additions	-	-	1	1
At 31 March 2016	50	62	352	464
Depreciation				
At 1 April 2014	37	61	310	408
Charge for year	4	1	15	20
At 31 March 2015	41	62	325	428
At 1 April 2015	41	62	325	428
Charge for the year	3	-	14	17
At 31 March 2016	44	62	339	445
Carrying amount				
At 31 March 2016	6	-	13	19
At 31 March 2015	9	-	26	35

14 Intangible assets

Group and company

	Software £ 000	Development costs £ 000	Total £ 000
Cost			
At 1 April 2014	353	307	660
Additions	-	202	202
At 31 March 2015	353	509	862
At 1 April 2015	353	509	862
Additions	12	252	264
At 31 March 2016	365	761	1,126
Amortisation			
At 1 April 2014	312	57	369
Amortisation charge	18	83	101
At 31 March 2015	330	140	470
At 1 April 2015	330	140	470
Amortisation charge	9	154	163
At 31 March 2016	339	294	633
Carrying amount			
At 31 March 2016	26	467	493
At 31 March 2015	23	369	392

At the Statement of Financial Position date, impairment testing was undertaken by comparing the carrying values of intangibles against the recoverable amount of the CGU to which the asset has been allocated. Recoverable amounts are based on value-in-use calculations using pre-tax cashflows covering a three year period based on forecasts approved by management. No terminal value has been attributed to the development projects. A discount rate of 12% has been used reflecting management's assessment of the risks specific to CGUs. Sensitivity analysis performed on these projections demonstrate significant valuation headroom above the carrying values of each CGU if the discount rate is increased to 25%.

15 Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	£ 000	£ 000	£ 000	£ 000
Trade receivables	1,236	1,257	1,236	1,257
Provision for impairment of trade receivables	(7)	(10)	(7)	(10)
Net trade receivables	1,229	1,247	1,229	1,247
Receivables from related parties	-	-	176	205
Accrued income	7	137	7	137
Prepayments	167	282	167	282
Total current trade and other receivables	1,403	1,666	1,579	1,871

Details of non-current trade and other receivables

Group

£273,000 (2015 - £330,000) of trade or other receivables is classified as non current.

Company

£273,000 (2015 - £330,000) of trade or other receivables is classified as non current.

The inter-company receivables are not past due, not impaired and are regarded as fully performing assets. They are unsecured and repayable on demand.

Customer invoices are due for payment within 30 to 60 days of issue, however trade receivables that are less than 3 months old are not considered past due in view of normal customer payment patterns. As of 31 March 2016 £nil (2015: £nil) were past due but not impaired following management review of the receivables.

The group trades only with recognised, credit-worthy third parties. Receivable balances are monitored on an ongoing basis with the aim of minimising the group's exposure to bad debts or being unable to realise amounts recoverable on contracts. The maximum exposure is the carrying amount above. There are no significant concentrations of credit risk within the group.

The group has reviewed in detail all items comprising the above past due but not impaired trade receivables to ensure that no impairment exists.

As at 31 March 2016, trade receivables of £7,000 (2015: £10,000) were impaired and provided for.

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

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

	£'000
At 1 April 2015	10
Movements on the provision for receivables impairment	(3)
Receivables written off during the year as uncollectable	-
At 31 March 2016	7

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

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

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

16 Share capital and reserves

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

New shares allotted

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

Share premium account

This reserve records the consideration premium for shares issued at a value that exceeds their nominal value, less any costs incurred relating directly to the issue of these shares.

Other reserve account

This account acts as the share option reserve and records the charges to profit with respect to unexercised share options.

Alloted, called up and fully paid shares

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

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

17 Share-based payments

Enterprise management scheme

Scheme details and movements

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

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

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

	2016	2015
	Number	**Number**
Outstanding, start of period	11,051,410	402,208,067
Forfeited during the period (pre-consolidation)	-	(1,480,000)
Exercised during the period (pre-consolidation)	-	(30,619,950)
Total pre-consolidation	11,051,410	370,108,117
80 to 1 share consolidation	-	4,626,329
Granted during the period (post-consolidation)	1,275,332	6,437,081
Forfeited during the period (post-consolidation)	(2,534,901)	(12,000)
Outstanding, end of period	9,791,841	11,051,410
Exercisable, end of period	2,660,113	42,278

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

	2016	2015
Outstanding, start of period	5.4037p	0.0937p
Forfeited during the period (pre-consolidation)	-	0.0842p
Exercised during the period (pre-consolidation)	-	0.0625p
Total pre-consolidation	5.4037p	0.0964p
80 to 1 share consolidation	-	7.711p
Granted during the period (post-consolidation)	4.1732p	3.750p
Forfeited during the period (post-consolidation)	4.5569p	6.736p
Outstanding, end of period (see below)	5.4626p	5.4037p
Exercisable, end of period	6.6955p	25.20p

Outstanding share options at year end:

2016 Number of options	2016 Exercise price	2015 Number of options	2015 Exercise price
3,951,921	6.736p	4,481,568	6.736p
77,406	25.2p	84,556	25.2p
4,634,582	3.75p	40,080	40p
714,441	4.88p	8,125	204p
413,491	2.7p	6,437,081	3.75p
9,791,841		11,051,410	

The weighted average remaining contractual life is 8.01 years (2015: 9.31 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 £66,255 (2015: £109,151).

Fair value of options granted

The fair value of the new options of £21,968 (2015: £126,088) and the incremental fair value of the modified options of £nil (2015: £nil) were calculated using the Black-Scholes-Merton model. The cancelled options had fully vested prior to cancellation. The inputs into the model were as follows:

	2016	2015	2014	2013
Volatility	88%	88%	84%	84%
Expected life	10 years	10 years	10 years	10 years
Share price	4.880p	3.750p	0.0842p	0.425p
Exercise price	4.880p	3.750p	0.0842p	1p
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.

18 Non-current liabilities

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Deferred income	736	736	851	851

19 Trade and other payables

	Group		Company	
	2016 £ 000	2015 £ 000	2016 £ 000	2015 £ 000
Trade payables	227	272	227	272
Accruals and deferred income	2,320	2,259	2,320	2,259
Social security and other taxes	24	48	24	48
Other payables	321	280	321	280
	2,892	2,859	2,892	2,859

20 Pension and other schemes

Defined contribution pension scheme

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

The total pension charge for the year represents contributions payable by the group to the scheme and amounted to £nil (2015 - £nil).

Contributions totalling £nil (2015 - £1,436) were payable to the scheme at the end of the year and are included in creditors.

21 Commitments

Group

Capital commitments

There are no material capital commitments at the year end (2015 - £Nil).

Other financial commitments

As at 31 March 2016 the group had non-cancellable operating leases relating to three properties occupied by the group as set out below:

	2016	2015
	Land and buildings	Land and buildings
	£'000	£'000
Minimum future payments:		
Due within one year	87	60
Later than one year and not later than five years	154	172
	241	232

22 Financial instruments

Financial assets

Loans and receivables

	Carrying value		Fair value	
	2016	2015	2016	2015
	£ 000	£ 000	£ 000	£ 000
Cash and cash equivalents	23	125	23	125
Trade and other receivables	1,509	1,714	1,509	1,714
	1,532	1,839	1,532	1,839

Valuation methods and assumptions

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

Financial liabilities

Financial liabilities at amortised cost

	Carrying value		Fair value	
	2016	2015	2016	2015
	£ 000	£ 000	£ 000	£ 000
Trade and other payables	379	413	379	413

Valuation methods and assumptions

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

Risk management

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

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

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

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

Principal financial instruments

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

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

General objectives, policies and processes

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

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

Interest rate risk

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

The group's financial assets as at 31 March 2016 comprised cash at bank of £23,000 (2015: £125,000). Interest is paid on cash at floating rates in line with prevailing market rates.

Sensitivity analysis

At 31 March 2016, 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 (2015: £1,000). Similarly a 1% decrease in the LIBOR 1 MONTH rate with all other variables held constant would result in a decrease in interest receivable on financial assets of approximately £1,000 (2015: £1,000).

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

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

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

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

Foreign exchange risk

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

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

Financial assets
- Cash Sterling: £8,000 (2015 - £24,000)
- Cash US dollar: £15,000 (2015 - £101,000)
- Trade receivables Sterling: £19,000 (2015 - £177,000)
- Trade receivables US dollar: £1,135,000 (2015 - £1,294,000)
- Trade receivables Euro: £283,000 (2015 - £102,000)

Financial liabilities
- Trade payables Sterling: £95,000 (2015 - £120,000)
- Trade payables US dollar: £131,000 (2015 - £106,000)
- Trade payables Euro: £nil (2015 - £nil)

Liquidity risk
Liquidity risk arises from the group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due.

The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

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

There were no undrawn facilities at 31 March 2016 or 31 March 2015.

Capital risk management

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

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

Capital for the reporting periods under review is summarised as follows:
- Total equity: £(1,388,000) (2015 - £(1,162,000))
- Cash and cash equivalents: £23,000 (2015 - £125,000)

23 Related party transactions

M J Cooper, S K Taylor, S Charles and R Welborn are all related parties by virtue of their directorships during the year. The directors' emoluments are shown in the remuneration report on page 16.

During the year Imaginatik plc paid fees of £nil (2015: £4,167) to Rockspring Limited, a company which is owned by D R Gammon. At the year end £nil (2015: £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 £71,864 (2015: £28,978). At the year end £14,790 (2015: £18,079) was outstanding.

During the year a loan was made to the company by M J Cooper. At the year end the amount owed to M J Cooper was £248,582 (2015: £227,313).

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 £29,000 (2015: £25,000). At 31 March 2015 Imaginatik (Goswell) Limited owed the company £176,000 (2015: £205,000).

24 Controlling party

The directors do not believe that a controlling party exists.