

Parent of Tap2Bill Limited (03212199),

Company Registration No. 08802718

IMImobile PLC

Annual Report and Financial Statements

31 March 2019

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IMImobile PLC

Annual Report and Financial Statements for the year ended 31 March 2019

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IMIMOBILE PLC FINANCIAL STATEMENTS

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Welcome to IMImobile

IMImobile is a cloud communications software and services provider whose solutions enable enterprises to automate digital customer communications and interactions to improve customer experience and reduce operating costs.

The Group operates across Europe, Americas, Middle East and Africa ("MEA") and Asia-Pacific ("APAC"), with clients in the mobile operator, banking, utilities, logistics, retail, gambling and public sector.

Our vision of the world is one in which consumers are delivered great experiences by enterprises through continuous, seamless engagement, powered by best in class software and automation

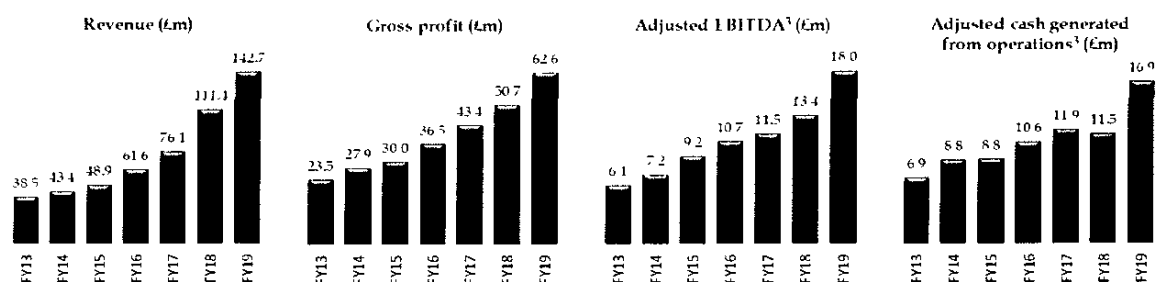
Our mission is to be the leading global provider of mission critical software, infrastructure and services to help our clients better communicate, interact and automate their customer journeys over any channel, on any device, at any time and anywhere in the world

IMIMOBILE PLC FINANCIAL STATEMENTS

Group Highlights

Key financial highlights of the Group

- Revenue increased 28% to £142.7m (2018: £111.4m) of which 17% is organic¹
- Gross profit increased 23% to £62.6m (2018: £50.7m) of which 7% is organic¹
 - Organic growth of 14% on a constant currency basis² excluding MTN in Middle East and Africa (MEA) region
 - Strong gross profit growth in Europe and Americas of 43% (16% organic¹) with the region contributing over 70% of Group gross profit
 - Both the Asia-Pacific (APAC) region and enterprise business in South Africa delivered strong organic¹ gross profit growth of 14% and 20% respectively on a constant currency basis²
- Adjusted EBITDA³ increased 35% to £18.0m (2018: £13.4m)
- Adjusted profit after tax³ increased 39% to £10.8m (2018: £7.8m)
- Adjusted cash generated from operations³ increased 47% to £16.9m (2018: £11.5m) with strong cash conversion⁴ of 94% (2018: 86%)
- Operating profit on a statutory basis of £1.0m (2018: £2.8m) and loss after tax on a statutory basis of £1.3m (2018: profit after tax of £0.8m) after charging contingent consideration related expenses, acquisition costs and amortisation of acquired intangibles of £13.0m before tax (2018: £7.3m) and £12.1m after tax (2018: £7.0m)
- Net debt of £7.5m at 31 March 2019 (2018: net cash of £4.3m). This is after completion of the Impact Mobile acquisition during the year, acquired for net cash of £16.1m
- Established track record of performance since IPO with 5-year revenue CAGR⁵ of 27% and 5-year gross profit CAGR⁵ of 18%



Operational highlights of the Group

- Strong organic¹ growth from Europe & Americas, APAC and enterprise business in South Africa
- Number of clients that provide more than £500k p.a. revenue increased to 40 (33 in FY18) and clients with revenues between £100k p.a. and £500k p.a. increased to 83 (43 in FY18)
- Enhanced operating leverage benefitting from past investment in partnerships and R&D, with EBITDA margin⁶ up to 28.8% (2018: 26.4%)
- Enhanced Enterprise communications platform as a service ("CPaaS") offering with the recent launch of new communications channels such as WhatsApp Business and Apple Business Chat
- Considerable commercial and technical progress made with partners including BT, Telia, Salesforce and NICE inContact
- Increasing focus on North American market, with good progress made through acquisition of Impact Mobile, which is performing as expected, and additional senior management hires and investment

¹ Excluding acquired business of Sumotext, Healthcare Communications, Impact Mobile and ExpressPigeon

² Constant currency is calculated by comparing the FY18 results with FY19 results retranslated at the rates of exchange prevailing during FY19

³ See note 9 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results

⁴ Cash conversion is defined as adjusted cash generated from operations (see note 9) as a percentage of adjusted EBITDA

⁵ Compound annual growth rate calculated against revenue of £43.4m and gross profit of £27.9m in the year ended 31 March 2014

⁶ Adjusted EBITDA / gross profit

IMIMOBILE PLC FINANCIAL STATEMENTS

Strategic Report

Chairman's Statement

It is my pleasure to welcome you to the Company's annual report for the year to 31 March 2019. It has been another strong year of progress for the Group with growth in all key adjusted financial metrics¹, as has been the case in each reporting period since the Company listed on AIM in 2014

Group revenue and gross profit have grown by 28% to £142.7m, and 23% to £62.6m respectively. Adjusted EBITDA¹ has increased by 35% to £18.0m. Cash generation was also very strong, with 94% of adjusted EBITDA¹ converting to adjusted cash generated from operations¹. On a statutory basis, operating profit decreased by 64% to £1.0m after charging contingent consideration related expenses, acquisition costs and amortisation of acquired intangibles of £13.0m.

In the period since listing, the Group has performed extremely well, delivering a 5-year revenue CAGR² of 27%, 5-year gross profit CAGR² of 18% and a 5-year adjusted EBITDA¹ CAGR² of 20%

We have maintained our track record of organic gross profit growth, in spite of the well-publicised headwind from a single customer in the Middle East and Africa region. Our operations in Europe & Americas and Asia Pacific regions have performed very well in the year to 31 March 2019 with constant currency³ gross profit growth of 16% and 14% respectively

We have strengthened our market leading position in the UK and South African digital communications markets, adding customers and contracts in banking, mobile operator, utilities, logistics, hospitality and healthcare verticals. We have also obtained a market leading position in the Canadian market, following the acquisition of Impact Mobile in July 2018 and continue to search for further opportunities to strengthen our position in the important North American market

The Management team continues to execute on the Group's strategic growth plans

- i. growing the share of interactions and customer journeys with existing accounts;
- ii. accelerating market penetration through partnerships;
- iii. introducing new innovative customer engagement technologies, and
- iv. leveraging acquisitions for market distribution

We have enhanced our leading Enterprise CPaaS position by launching services which leverage new communications channels including Apple Business Chat, Rich Communication Services ("RCS") and WhatsApp Business

The acquisitions we have made have also continued to perform strongly. Successful up-sell and cross-sell to the customers of the businesses we have acquired are expected to continue to contribute to the Company's ongoing success

The Board continues to monitor the status of Brexit and it remains our view that we do not think it will have a material impact on the Group's global operations.

It is incumbent on me to thank all the individuals across our growing Group for their loyalty, hard work and commitment which underpins our successes over the years. I am confident in the people we employ and their ability to maintain the progress of the last few years.

The current financial year has started well, and the Group is well positioned with a fantastic set of customers, motivated and experienced management team and leading product capability to take advantage of the opportunities for growth that exist in all geographies in which we operate

John Allwood
Non-Executive Chairman

¹ See note 9 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results

² Compound annual growth rate calculated against revenue of £43.4m, gross profit of £27.9m and adjusted EBITDA of £7.2m in the year ended 31 March 2014

³ Constant currency is calculated by comparing the FY18 results with FY19 results retranslated at the rates of exchange prevailing during FY19

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Strategic Report (continued)

Chief Executive's Report

I am pleased to report on a year of significant strategic and operational progress as well as strong financial performance.

The Company has been built to capitalise on the structural shift in how businesses communicate and interact with their customers. As businesses increasingly use digital channels and mobile centred engagement to improve customer experience and reduce costs, the Group's portfolio of software and services are designed to meet this need.

We have continued to grow profitably, invested in our core platforms and IP, developed new partnerships and expanded our geographic footprint into the North American market with the acquisition of Impact Mobile in July 2018 as well as additional senior management hires in the region. We believe we are the market leader in the UK, South Africa and Canada, we are well positioned to further benefit from evolving, global consumer communication trends

Market developments

For many years, the Company has had a vision of a world in which consumers will have the choice of many digital touchpoints with which to communicate, and the insight that large consumer businesses will need software to manage these touchpoints and integrate them into their IT systems and business processes in order to provide consistent and seamless customer experiences. We started preparing for this omnichannel world many years ago and, in the last year, we have seen very clear evidence that our vision is being realised

Over the last year, we have seen Apple, Google and Facebook (through WhatsApp) significantly accelerate their efforts to create channels for enterprise communications with the launches of Apple Business Chat, Google RCS Business Messaging and WhatsApp Business. We have built good working relationships with these global technology businesses and are one of a few providers approved to offer these new channels. We are very much at the forefront of working with them to attract leading consumer businesses to use these new, more interactive communication channels

The new channels and technology capabilities have created the concept of "messaging as a platform" whereby significant e-commerce, customer service and other business to consumer interactions will take place over these channels. According to Informa, this market is predicted to be worth \$74 billion by 2021¹.

Delivering a great customer experience whilst reducing costs has become a top priority for consumer facing businesses, and the automation of communications across messaging channels, managed in real-time has become a strategic imperative. Industry analyst, Forrester, states that 72% of decision makers at large enterprises have improving customer experience as a top priority². However, many large consumer facing businesses with multiple divisions and departments (typically customer operations, contact centres, marketing and IT) are restricted by legacy systems and data spread across different communications products and partners. Our 2019 CIO Research Report recently revealed that these were the two most significant challenges facing CIOs with over 50% stating that they prevented them from delivering a frictionless customer experience across all customer communications channels³. Therefore, there is a compelling need for businesses to invest in software platforms that connect existing business systems and data across all digital touchpoints to allow for seamless customer communications

We categorise these software platforms as "Enterprise CPaaS" and they are part of the broader CPaaS market that globally is forecast to grow from \$2 billion in 2017 to \$10.9 billion in 2022 according to IDC⁴. Gartner supports the view that companies will continue to invest in CPaaS, stating that end user spending is growing at a compound annual growth rate of nearly 50% between 2016 and 2021⁵.

Our strategy remains to be at the heart of the digital customer interactions for our clients, providing them with the software, services and infrastructure that enables them to deliver great customer experiences whilst benefitting from the cost advantages of digitisation and automation. Since foundation, we have been a "mobile first" business, handling two-way interactions with customers across mobile devices at scale with deep integrations into business systems and processes to fulfil and provision services. This heritage in real time, interactive, end to end customer journeys provides a key competitive differentiation.

Investment case

The following points set out some of the key strengths of the company

- Ideally positioned to benefit from structural long-term trends for digital communications and automation.
- Consistent track record of profitable, organic and cash generative growth based on recurring and repeating revenue model and successful M&A.
- Broad product offering with our own IP and proven ability to innovate and capitalise on fast moving technology trends
- Market leader with global presence and blue-chip client list established over many years.
- Global management team with deep commercial, technical and sector experience.

¹ Messaging as a Platform: The Operator Opportunity www.gsma.com/futurenetworks/wp-content/uploads/2017/03/Messaging-as-a-Platform.pdf

² Customer Trust And Loyalty Determine Success On The Dark Web, Too go.forrester.com/blogs/customer-trust-and-loyalty-determine-success-on-the-dark-web-too/

³ 2019 CIO Research Report <https://imimobile.com/2019-cio-research-report>

⁴ Worldwide Voice and Text Messaging Communications Platform-as-a-Service Forecast, 2018-2022 www.idc.com/getdoc.jsp?containerId=U543805418

⁵ Market Guide for Communications Platform as a Service www.gartner.com/document/3877085?ref=unauthreader&srclid=1-4730952011

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Strategic Report (continued)

Chief Executive's Report

Products, technology and infrastructure

The Group has maintained its investment in product development and innovation to support the strategy of being at the heart of customer interactions

Our core platform, IMIconnect, is differentiated from other CPaaS providers through focusing on the needs of many types of users within large enterprises rather than the developer focussed CPaaS providers that have some similar features. IMIconnect allows technical as well as non-technical users to rapidly build and manage customer journeys using a visual flow builder and pre-configured integrations. The platform is built with large consumer facing enterprises in mind, providing end to end service management, in life support and flexible integration methods for both legacy and modern business systems. IMIconnect has enabled businesses to launch or change their customer journeys up to ten times faster than traditional development methods. In a recent survey we conducted, 83% of CIOs of large consumer facing businesses said that their current development approach hindered their ability to change or create new customer journeys in a fast and agile manner.

Over the last year, we have added new channels to IMIconnect, made it easier to use with a refreshed user interface, and added NLP ("natural language processing") and AI capabilities to help understand and automate interactions.

Investments in our marketing automation product, IMIcampaign, have enabled marketing teams to easily create their target audience groups for base marketing campaigns, improved the usability of our email composer tool and enhanced our campaign analytics with a new set of dashboards. We also added the ability to better engage customers with personalised video MMS messages.

Further developments to IMIchat included adding proactive messaging on live chat, Apple Business Chat as a new channel and an advanced reporting capability to help contact centres optimise their workforce.

With automation now also a strategic imperative, we have continued to develop capabilities in using AI and machine learning to automate customer interactions. The IMIbot ai product was enhanced through the implementation of a 'Manager Bot' architecture which enables customer interactions to be orchestrated across multiple bots for different use cases and also provides the ability to add new bots progressively as new use cases emerge. We expanded the Intelligence Library, added knowledge bases for different sectors including retail and travel, and made significant usability improvements particularly for allowing non-developers to manage in-life bot operations. We have also embedded some of these capabilities into IMIconnect.

Our operator specific messaging platform, NMX, has been enhanced to include tools to help mobile operators find new revenue streams through different treatment for different types of message.

Further development of IMIdigital includes enhancements to service creation module to support data/voice packs and over-the-top ("OTT") bundles. The product has been upgraded from a service delivery platform to an end-to-end digital product catalogue management platform for mobile operators. In addition, several subscriber engagement and gratification features have been added to help mobile operators to increase and sustain the digital service adoption of their subscribers.

Our Textlocal application which serves SMB customers was significantly enhanced in terms of throughput and scalability. Last year over 17,000 UK businesses used the product to deliver over 700 million SMS messages to reach and retain their customers.

In addition to investing and developing the existing platform and applications, we continued to explore opportunities that new technologies can have for businesses in improving their customer communications. In particular, we recently introduced a new application, IMIassist, which enables businesses to transform customer interactions with real-time video assistance powered by WebRTC technology. IMIassist allows contact centre agents, healthcare professionals, technicians and other personnel to offer services such as remote troubleshooting, virtual health clinics, field force support and remote claims processing to customers. The solution was recently voted as runner-up in the 'Personalising Customer Interactions' category at the UK Innovation Awards 2019 and we are currently exploring commercial opportunities for this product with a number of large enterprises and public-sector organisations.

In terms of our infrastructure and services, this year we have moved to the containerisation¹ of our platform to allow granular control of individual systems and the ability to manage scaling with a reduction in costs. It also allows us to be cloud provider agnostic. Along with this, we have centralised our 24x7 monitoring and incident management using ServiceNow, allowing us to have a global view of the platforms and the service level agreements ("SLAs") offered to our customers.

On average, more than 20,000 incidents each month reach our central monitoring system which are filtered, analysed and ticketed while managing a 99.0% SLA on incident resolution. Uptime SLAs have been 100.0% for the cloud platforms and 99.8% globally.

IMIconnect

IMIconnect is our enterprise CPaaS offering which helps businesses to rapidly create and launch omnichannel customer journeys up to ten times faster, deliver context aware messaging experiences, and orchestrate customer communication flows with back-end systems. This year, IMIconnect was recognised by Gartner in the Market Guide for CPaaS as being one of the leading players in this evolving sector.

¹ A container is a standard unit of software that packages up the source code and all its dependencies so the application runs quickly and reliably from one computing environment to another

IMIMOBILE PLC FINANCIAL STATEMENTS

Strategic Report (continued)

Chief Executive's Report

A significant number of new clients have launched IMIconnect over the last year across multiple sectors including banking, utilities, mobile operators, logistics and retailers. Popular use cases across these sectors include appointment bookings, customer service feedback, parcel notifications, fraud alerts and meter reading submissions.

IMIchat

IMIchat is a cloud application that consolidates digital, mobile and social customer service channels into a single agent desktop. A unified channel console enables agents to manage real-time, two-way conversations over channels like Facebook Messenger, SMS, Twitter DM, email, and web-chat, therefore equipping agents with omnichannel visibility. IMIchat enhances operational efficiency and reduces costs for businesses through message-based customer service and improved resolution rates for contact centre agents.

There has been a significant increase in year on year volumes for IMIchat with the number of chats created increasing by 48%. We have also made a number of product updates in order to enhance the products functionality over the last year, including supporting new communication channels such as Apple Business Chat and WhatsApp Business and improving the reporting capabilities for customer service teams.

IMIbot.ai

IMIbot.ai is a modular AI platform for the end-to-end delivery of automated conversational experiences to customers at scale. The platform enables businesses to use chatbots to enable multi-channel self-service for customers to resolve frequently asked queries such as 'locate my closest store', 'where is my order' and meter reading submissions. IMIbot.ai is already integrated with our own agent console (IMIchat) as well as several contact centre providers to allow seamless connection to a human agent for more complex queries.

IMIbot.ai has enabled our clients to increase their contact centre resolution rates. A major global home retailer has reduced the number of queries handled by human agents by 50% and a leading UK renewable energy provider has deflected up to 65% of their inbound chats through automation.

IMIcampaign

IMIcampaign is a cloud campaign management software application designed for multichannel marketing communications. It allows businesses to automate, personalise and contextualise their customer communications at scale using a mobile first approach. IMIcampaign has also been recognised by Gartner in the Magic Quadrant for Mobile Marketing Platforms.

During the past year, IMIcampaign customers have deployed over 5,000 campaigns, delivering over 1.5 billion marketing communications across email, SMS, MMS, Push notifications, Voice and unstructured supplementary service data ("USSD").

Patient Portal powered by Envoy Messenger

Patient Portal powered by Envoy Messenger is specifically designed for the healthcare sector and delivers patient communications over digital channels to improve patient satisfaction, operational efficiency and reduce missed appointments. At present, 104 NHS hospital trusts and 313 hospitals are live with digital innovations powered by Envoy Messenger. In just one month, 90,000 appointment slots are released for other patients, saving the NHS time and money simply through digital patient communications.

Textlocal

Textlocal is a cloud based, self-serve platform that allows businesses to have instant, affordable access to SMS messaging and mobile marketing tools. The online platform is designed for small independent businesses right through to the corporate sector, allowing users to easily sign up and start deploying mobile messaging campaigns, with the additional option for managed campaigns.

Alerts, reminders and promotions within simple text messages drove increased sales and engagement, with response rates typically exceeding 70%.

NMX

NMX is a fully redundant messaging platform that enables operators to monetise their Application to Person ("A2P") messaging business and improve revenue assurance as a virtual extension of the operator's SMS infrastructure. To enable mobile operators to add value directly in the message stream, NMX provides a framework to pull in additional services, data sources, decisioning and restriction into any customer service, enabling the mobile operator to expedite time to market for new offerings and react quickly to fraud.

Organisation and systems

The Group has grown significantly since IPO in 2014 with a much broader geographic reach and a significant number of new colleagues, many as a result of acquisitions. Integrating the acquisitions and creating a common culture has created additional management challenges and complexity within the Group. Over the last year, we accelerated integration efforts and, following the settlement of earn out arrangements, we will, over the coming year, have a simpler management structure focussed around regional, commercial go to market business units with centralised teams working on IP development.

Over the last year, the Group has invested in common systems to manage the global business including Salesforce for CRM, ServiceNow for incident and change management, NetSuite for finance operations and Workplace by Facebook for internal communications. We have also appointed central teams to manage security, data privacy and compliance and will be consolidating HR and performance management systems over the coming year.

IMIMOBILE PLC FINANCIAL STATEMENTS

Strategic Report (continued)

Chief Executive's Report

Growth strategy

The Group has grown organically for 15 of the last 16 years and organically grown monthly recurring and repeating revenues for 16 years. This has been achieved whilst maintaining capital disciplines and profitability.

We believe the structural changes in the market and our portfolio of products can support continued growth for many years and our approach to achieving this is built on four growth drivers:

1. To grow our share of interactions and customer journeys with existing accounts

The Group has been a trusted vendor to an outstanding list of market leading, blue-chip organisations and consumer brands in our core markets for many years. We expect to help them embrace the possibilities of new technologies and broaden the range of interactions we manage. Our product portfolio works across multiple different business areas including customer operations, customer service and marketing and we are therefore in a great position to cross sell and upsell once we have worked with one area of a business.

During the year to 31 March 2019, the number of clients that provide more than £500k p.a. revenue increased to 40 (33 in FY18) and clients with revenues between £100k p.a. and £500k p.a. increased to 83 (43 in FY18). We also successfully renewed all significant contracts which came up for renewal, including with 4 of our top 10 customers.

2. To accelerate market penetration through partnerships

We have continued to invest in developing new strategic partnerships in order to target new enterprise clients and sectors. This past year, we have launched IMIconnect on the Salesforce App Exchange, thereby providing support for the world's leading CRM platform and its users throughout the world. This will enable existing Salesforce customers to rapidly launch and orchestrate two-way, trigger-based customer communications across communications channels.

We have also strengthened our existing relationship with BT, adding IMIconnect to BT's enterprise communications portfolio as a messaging alerts and notification solution branded 'BT Notify'. Additionally, we have signed a partnership agreement with Scandinavian mobile operator, Telia, as well as winning a new retail client through another established partnership.

3. To be at the forefront of introducing new innovative customer engagement technologies

As previously mentioned, this year, we have partnered with some of the world's largest consumer technology vendors to add platform support for new communications channels including Apple Business Chat, WhatsApp Business Solution and Google RCS Business Messaging¹.

The Group launched Apple Business Chat with UK energy provider npower who use the richer, more interactive channel to improve the customer experience for customers looking to switch to a smart meter. Earlier this year, we also became a verified WhatsApp Business solution provider to help businesses use this newly available channel to engage with their customers. We launched our first solution with one of India's largest FMCG companies, Britannia, to engage with their 1.5 million retailers over WhatsApp. The launch of these new channels has generated a significant pipeline of opportunities with both new and existing clients which we expect to capitalise on in the coming year.

We have also supported the Google RCS initiative by working together with companies such as Shell, Hermes and Pizza Hut to showcase RCS at the GSMA World Congress in Barcelona this year. We have also recently delivered the first live RCS campaign in the UK at scale for Vodafone. This campaign received higher engagement rates than using traditional communication channels such as SMS, MMS or email and demonstrates the potential of RCS to deliver richer messaging experiences for customers.

As aforementioned, we also recently introduced a new application, IMIassist, which enables businesses to transform customer interactions with real-time video assistance powered by WebRTC technology. Use cases for this technology include: remote troubleshooting, virtual clinics, claims processing, field force support and customer service.

Our patient portal and reminders, powered by Envoy Messenger, manage 27 million outpatient appointments per year across 104 NHS Trusts (covering 313 hospitals). We are currently exploring a number of opportunities to leverage new technologies, including WebRTC, in the coming year to provide services such as virtual clinics to NHS patients.

4. To leverage acquisitions for market distribution

We have successfully completed seven acquisitions since IPO in 2014 and they have all continued to perform in line with our expectations.

The recent acquisitions of Impact Mobile and ExpressPigeon have strengthened our position in North America and we are excited by the immediate opportunity that the US market presents. During the year we announced an early settlement agreement with the sellers of Healthcare Communications and, on 1 July 2019, we agreed the early settlement of Infracast (see note 31). Both have performed at the top end of management expectations since acquisition and the agreements were reached in order to accelerate integration activities and further capitalise on current market opportunities.

¹ RCS (Rich Communications Services) Business Messaging is the evolution of mobile messaging, increasing and improving the ways in which people and businesses communicate.

IMIMOBILE PLC FINANCIAL STATEMENTS

Strategic Report (continued)

Chief Executive's Report

Our acquisition criteria remains the same in that we look to acquire businesses that:

- i. provide similar communication software and services as the Group,
- ii. have strong embedded clients therefore providing an opportunity to upsell the Group's broader portfolio of capabilities; and
- iii. complement our existing product portfolio with new channel capabilities or migrate clients over a period of time on to the Group's core platforms.

Regional performance

The Group has continued to make good progress, retaining all significant contract renewals and winning new customers and contracts across all regions in which it operates. We have delivered strong growth in gross profit of 23% (7% organic¹) and adjusted EBITDA² growth of 35% which includes a significant headwind created by external factors that affected a single customer, MTN. Excluding the declines from this single customer, gross profit growth is 32% of which 14% is organic¹ on a constant currency basis³. We have delivered high levels of cash generation and enhanced operating leverage whilst making strategic progress with several key partners in Europe and the US

Although the technology trends impacting the business are global, the market opportunities and business models reflect local environments. As a result, the commercial activities of the business are managed and best reviewed on a regional basis.

Europe & Americas – 71% of Group gross profit

The region has continued to perform well, with year on year gross profit growth of 43% (16% organic¹). This has been generated through a mix of growth from existing contracts, new contract wins and successful deployments through the Group's growing partnership network

The new contract wins across the mobile operator, financial services, retail, logistics, gaming and gambling sectors, include cross-selling to customers of Textlocal and IMI Mobile Intelligent Networks (formerly Infracast). These largely recurring revenue contract wins include the Company's core enterprise CPaaS offering, IMIconnect and are expected to support growth in the first half of FY20 and beyond

The Group has a very strong presence in the UK market and provides solutions to all three major UK mobile operators, three of the top five banking groups, four of the six leading utilities, two of the largest logistics providers and a host of leading gaming, retail and leisure businesses. We have also developed partnerships with BT in the UK, Telia in Scandinavia and O2 in Germany for further distribution of the Group's products

In North America, we have renewed existing contracts with mobile operators, AT&T and Telus, as well as with the U.S. Department of Education. After acquiring two new businesses in the region, Impact Mobile and ExpressPigeon, and appointing our North American CEO, we remain excited by the potential in the North American market. We expect to capitalise on several growth and partnership opportunities in the region during the coming period

Middle East & Africa – 15% of Group gross profit

The region has experienced a year on year gross profit decline of 19%. This reflects a good performance of the Enterprise business in South Africa (organic¹, constant currency³ gross profit growth of 20%) and a 28% decline in the mobile operator business across Africa on a constant currency basis³. The decline is largely due to the services supplied to MTN, particularly in the Nigerian market, where volumes are now nominal. The growth in the Enterprise business reflects new contracts in the financial services and leisure sectors in South Africa.

Asia-Pacific – 14% of Group gross profit

The region has delivered strong organic¹ gross profit growth of 14% on a constant currency basis³. This growth has been supported by successful deployments for the Telenor Group and new contract wins with mobile operators and various enterprise clients in the region. We are also pleased to have launched our first WhatsApp Business solution with a FMCG customer in the region to engage with 1.5 million retailers across India

Textlocal India continues to experience good growth with, on average, over 1,000 new customers acquired every month, giving a year on year growth rate of over 60%.

Case studies

United Lincolnshire Hospitals NHS Trust: Reducing the 'Did not Attend' (DNA) rate to 4.1% with digital first patient letters

Region: UK

Sector: Healthcare

Product: Patient Portal powered by Envoy Messenger

¹ Excluding acquired business of Sumotext, Healthcare Communications, Impact Mobile and ExpressPigeon

² See note 9 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results

³ Constant currency is calculated by comparing the FY18 results with FY19 results retranslated at the rates of exchange prevailing during FY19

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Strategic Report (continued)

Chief Executive's Report

Problem statement: United Lincolnshire Hospitals Trust (ULHT) is one of the biggest acute Trusts in England and cares for a large rural community. ULHT were having issues with patients missing appointments due to lost or late mail with no way to track if postal communications had been received, especially for those in rural areas where postal delivery times vary. Hospital staff were dissatisfied with the inefficient internal process and postage admin incurred high costs.

IMImobile solution: Using the patient portal, patients instantly receive appointment letters straight to their smartphone with buttons to easily reschedule or cancel appointments. Patients can simply add appointment details directly into their calendars and all appointment specific information is attached. Using digital letters enables the Trust to track open rates and, if the digital letters are not accessed within 24 hours, a postal version is automatically triggered.

Results: Within five months, the DNA rate dropped from 5.8% to 4.1% which is one of the lowest in the country. This reduction of missed appointments creates potential income gains of more than £2 million per year as well as 57% cost savings through the reduction in postal correspondence.

Major global home furniture retailer: Transforming contact centre performance through a virtual assistant

Region: UK

Sector: Retail

Product: IMIbot.ai & IMIconnect

Problem statement: The global home furniture retailer wanted to explore ways in which they could provide an automated resolution for customers with high frequency, low value enquiries. This would optimise the speed of resolution for customers and enable customer service agents to focus on more complex enquiries.

IMImobile solution: Using IMIbot.ai, we built a virtual assistant that provides 24/7 customer support to act as a new digital frontline to the customer service agent channel. The virtual assistant could resolve the most common customer enquiries such as store opening hours, stock checker and reporting missing/faulty parts using NLP to drive keyword and phrase recognition. IMIconnect enabled the virtual assistant to integrate into the retailers contact centre chat platform to create a seamless process for connecting a customer service agent to the conversation if required with access to the full chat history.

Results: In the first three months, a third of all inbound customer chats were answered and resolved by the virtual assistant. This has reduced the number of queries across all channels handled by customer service agents by 25%. Therefore, the customer service experience has there been improved by enabling customers to digitally self-serve and optimising the performance of the contact centre.

Hermes: Improving the last mile delivery experience through real-time communications

Region: UK

Sector: Logistics

Product: IMIconnect

Problem statement: Hermes 'Digital Futures' programme prioritises customer experience through investment in technology in order to differentiate Hermes from their competition and enhance their reputation in the market. Hermes wanted to automate end to end journeys across multiple customer touchpoints that use system data to trigger communications and personalise interactions. To achieve this, they needed to access the latest communications channels and business logic capabilities but aligned to their ever-growing number of business systems.

IMImobile solution: Within 3 months, IMIconnect was fully deployed and Hermes were able to configure new messaging journeys without replacing their existing systems. All business and third-party supplier systems are centrally integrated into IMIconnect, enabling for complex business processes to be orchestrated as communication flows, helping to deliver true end-to-end engagement. Hermes launched new messaging journeys for returns management, parcel tracking, and completed deliveries. New features were added to communications, such as driver signatures and 'SafePlace Photo', which provides customers with the added confidence that their parcel has arrived safely and where they can locate it when home.

Results: IMIconnect has enabled Hermes to create new automated customer journeys up to ten times faster. Hermes CIO, Chris Ashworth, commented that "IMImobile has been instrumental in helping to deliver our 'Digital Futures' programme that prioritises customer experience through investment in innovation and technology. IMIconnect has seamlessly integrated with our existing systems and enabled us to enhance parcel notifications and tracking for our retail clients and their customers."

Outlook

The Group is at a very exciting stage with technology developments creating momentum in the customer communications sector for more automation and use of digital channels. We are ideally placed to capitalise on this momentum and we believe there is no clear category leader in this market and that, due to our leading position in the advanced UK market, we have an opportunity to play a leading role globally.

The 2020 financial year has started well with trading in line with expectations. We continue to have good earnings visibility due to our established client relationships, healthy pipeline of new deployments and high proportion of recurring customer revenues. We are confident in delivering continued organic growth across all regions of the business.

IMIMOBILE PLC FINANCIAL STATEMENTS

Strategic Report (continued)

Q&A with Jay Patel, Group CEO

Q. How do you summarise what IMI mobile does for its customers?

A. We provide our customers with cloud software and services, that help them communicate and interact with their customers over digital channels. Ultimately, using digital communications channels enables us to help our customers deliver a better customer experience and reduce costs at the same time.

Q. How has the customer communications market changed over the last five years?

A. Technology continues to develop at pace. Over the last five years, we have seen better networks, better devices and better software architectures. Ultimately, businesses are now communicating with customers in a more real time, personalised, and contextual way. However, it's really only just started, if you look at the dramatic change in the last five years to the ease in which we all communicate with each other and our friends and family, this will translate into how we communicate with businesses.

Q. Do you have a typical customer and what do they look like?

A. We typically work with large consumer businesses which have lots of different types of customer whether that be old, young, technically mature people or those who may not understand technology well. As a result, businesses have very complex communication needs and multiple legacy business systems. We really help them stitch together the legacy systems with the different digital touch points that their customers want to use.

Q. What opportunities do automation capabilities provide for businesses?

A. Automation is one of the major drivers of technological change, and customer experience change in the next four or five years. Automation now allows us to understand the intent of any communication and through understanding the intent, we're then able to optimise that interaction. Automation and the use of data allows us to predict intent and therefore predict actions which we can then use to improve customer experience.

Q. How well is IMI mobile positioned against its competitors?

A. As a result of our mobile-first heritage in a world that is increasingly focussed on interactions using smartphones, I think we are very well positioned because we understand the underlying network device technologies. As a business, we have, from the early days been involved in two-way, interactive communications that involve some level of integration into legacy systems. Due to this heritage, I think we are well placed for an age where frictionless customer interaction is something which most of our clients are looking for.

Q. What are the biggest growth opportunities for IMI mobile in the next year?

A. Over the next year, we will see the introduction of new interaction channels for businesses to communicate with customers such as Apple Business Chat, Google RCS messaging or WhatsApp Business. These new interaction channels allow our customers to have more meaningful relationships with their customers and we see that as helping our growth. We also see new technology and better networks combining to allow for video to become a more popular customer interaction medium that businesses will want to use for certain use cases.

IMIMOBILE PLC FINANCIAL STATEMENTS

Strategic Report (continued)

Financial Review

Group performance at a glance

Year ended 31 March	2019 £000	2018 £000	Growth / (decline)
Revenue	142,731	111,366	28%
Gross profit	62,573	50,736	23%
Gross margin	43.8%	45.6%	
Adjusted EBITDA ¹	18,041	13,405	35%
Adjusted EBITDA margin ²	28.8%	26.4%	
Operating profit	995	2,786	(64%)
Adjusted operating profit ¹	13,981	10,105	38%
Profit before tax	710	2,660	(73%)
Adjusted profit before tax ¹	13,696	10,054	36%
(Loss)/profit after tax	(1,312)	843	(256%)
Adjusted profit after tax ¹	10,805	7,762	39%
Diluted EPS	(1.9p)	1.3p	(246%)
Adjusted diluted EPS ¹	15.1p	11.2p	35%
Cash at period end	13,247	15,743	(16%)
Bank borrowings	20,731	11,419	82%

Key performance indicators (KPIs)

This section sets out the KPIs for the Group during the year ended 31 March 2019.

Revenue and gross profit

For the year ended 31 March 2019 total revenue increased by 28% to £142.7m (2018: £111.4m) and gross profit increased by 23% to £62.6m (2018: £50.7m). The Board considers that gross profit is the key operational measure of performance in the business.

Group geographical split of revenues and gross profit is as follows:

Revenue

Year ended 31 March	2019 £000	2018 £000	Growth / (decline)
Europe and Americas	111,194	78,318	42%
Middle East & Africa	15,161	18,369	(17%)
Asia-Pacific	16,376	14,679	12%
Total	142,731	111,366	28%

Gross profit and margin

Year ended 31 March	2019 £000	2019 %	2018 £000	2018 %	Growth / (decline)
Europe and Americas	44,647	40.2%	31,291	40.0%	43%
Middle East & Africa	9,101	60.0%	11,211	61.0%	(19%)
Asia-Pacific	8,825	53.9%	8,234	56.1%	7%
Total	62,573	43.8%	50,736	45.6%	23%

The Europe and Americas region gross profit grew by 43% in the year. Gross margin in Europe and Americas was consistent with the previous year at 40.2%. Excluding the impact of acquisitions, gross profit in the region grew by 16% compared with the previous year.

Gross profit in the Middle East & Africa (MEA) region declined by 19% to £9.1m (2018: £11.2m). The major reason for the reduction was due to a well-publicised decline in gross profit from the largest customer in the region, particularly in the Nigerian market. Gross margin in MEA declined slightly to 60.0% from 61.0%, reflecting a lower mix of perpetual license and professional services revenues.

The APAC region gross profit increased in the year by 7% to £8.8m (2018: £8.2m). Gross margin declined to 53.9% compared with 56.1% from the previous year, mainly as a result of an increase in contribution from enterprise customers for whom the Group incurs the cost of third party mobile infrastructure, as well as a slightly lower mix of perpetual license revenues.

¹ See Note 9 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results.

² Adjusted EBITDA margin calculated as adjusted EBITDA divided by gross profit.

IMIMOBILE PLC FINANCIAL STATEMENTS

Strategic Report (continued)

Financial Review (continued)

Adjusted operating costs¹

Adjusted operating costs¹ in the year were £48.6m (2018: £40.6m). This reflects the full year inclusion of Sumotext and Healthcare Communications and the post-acquisition costs of Impact Mobile and ExpressPigeon as well as additional investment in product development, partnerships and sales and marketing across the Group.

Adjusted EBITDA¹

Adjusted EBITDA¹ for the year ended 31 March 2019 was £18.0m (2018: £13.4m) representing an increase of 35% against the prior year mainly due to the organic growth in the Europe and Americas region and the full year inclusion of Sumotext and Healthcare Communications and the post-acquisition contribution of Impact Mobile and ExpressPigeon. Due to the difficulty in identifying incremental costs arising across the Group following acquisitions, adjusted EBITDA¹ is not assessed at an organic level.

Client concentration

The number of clients that provide more than £500k p.a. revenue increased to 40 (33 in FY18) and clients with revenues between £100k p.a. and £500k p.a. increased to 83 (43 in FY18).

Group cash flow and working capital

During the year the Group has borrowed a further £10.0m from Silicon Valley Bank, which was used to fund the acquisition of Impact Mobile. Year-end cash and cash equivalents were £13.2m (2018: £15.7m). Total bank borrowings at 31 March 2019 were £20.7m (2018: £11.4m). Net debt was £7.5m (2018: £4.3m net cash). Adjusted cash generated from operations¹ was £16.9m (2018: £11.5m) and represents an operating cash flow conversion² of 94% of adjusted EBITDA¹ (2018: 86%).

Group working capital is made up as follows:

As at 31 March	2019 £000	2018 £000
Cash and cash equivalents	13,247	15,743
Bank borrowings	(20,731)	(11,419)
Trade and other receivables	50,615	40,094
Trade and other payables (excluding deferred income)	(44,678)	(37,159)
Net working capital less borrowings	(1,547)	7,259

Trade receivables and payables include "pass through" amounts generated from mobile payment transactions. The receivables are from mobile operators and payables to customers who use IMI Mobile's payment APIs. The gross value of these transactions is excluded from revenues and cost of sales as the Group accounts only for the commission earned on such transactions within revenue as it is not the principal obligor in the arrangement. The value of pass through transactions included in trade and other receivables at 31 March 2019 is £3.3m (2018: £5.2m) and £5.1m (2018: £5.7m) in trade and other payables.

Higher monthly recurring revenues in the Europe & Americas region compared to the previous year has contributed £10.6m to the overall increase in trade and other receivables. Pass through transactions have decreased by £1.9m, as referred to above. The value of trade and other receivables included from Impact Mobile at 31 March 2019 is £2.0m. The remaining movement is mainly attributable to the decrease in the withholding tax receivable.

An increase in cost of sales, as a result of higher monthly recurring revenues in the Europe & Americas region compared to the previous year, has contributed £5.4m to the overall increase in trade and other payables (excluding deferred income). Pass through transactions have decreased by £0.6m, as referred to above. The value of trade and other payables (excluding deferred income) included from Impact Mobile at 31 March 2019 is £1.3m. The remaining increase is mainly attributable to the increase in VAT payable due to changes in the timing of payments and higher revenue in the UK.

Loss after tax and adjusted profit after tax¹

Loss after tax was £1.3m (2018: profit of £0.8m) after the net of tax impact of acquisition costs of £0.9m (2018: £0.8m), exchange losses on the Nigerian Naira of £0.0m (2018: £0.3m), acquisition-related share-based payment charges of £8.1m (2018: £3.3m) share-based payment charges of £0.7m (2018: £1.3m), amortisation of acquired intangibles of £2.4m (2018: £1.2m) and £nil (2018: £0.1) from the change in benefit limit of the defined gratuity plan in India. Adjusted profit after tax¹ was £10.8m (2018: £7.8m) which is 39% higher than the prior year.

Loss/earnings per share

Diluted loss per share was 1.9p (2018: earnings per share of 1.3p). Diluted adjusted EPS¹ increased by 35% to 15.1p (2018: 11.2p).

¹ See note 9 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results

² Cash conversion is defined as adjusted cash generated from operations (see note 6) as a percentage of adjusted EBITDA

IMIMOBILE PLC FINANCIAL STATEMENTS

Strategic Report (continued)

Financial Review (continued)

Other financial information

Group taxation

The tax charge for the year was £2.0m (2018: £1.8m). The adjusted effective rate of tax¹ for the year was 21.1% (2018: 22.8%).

Other intangible assets

During the year ended 31 March 2019 the Group capitalised £6.3m of development costs (2018: £4.9m), of which £5.3m (2018: £4.9m) were internally generated, and acquired £7.5m of intangible assets as a result of the acquisition of Impact Mobile and ExpressPigeon. In addition to this, expenditure during the year on software and trademarks and licenses was £0.2m (2018: £0.4m).

Property, plant and equipment

Capital expenditure on property, plant and equipment during the year was £1.2m (2018: £1.1m) and the Group acquired £0.6m of property, plant and equipment as a result of the acquisition of Impact Mobile and ExpressPigeon.

Goodwill

Goodwill held at 31 March 2019 was £43.6m (2018: £33.3m) which increased following the acquisition of Impact Mobile and ExpressPigeon.

Deferred tax

Deferred tax assets at 31 March 2019 were £0.6m (2018: £0.5m) and deferred tax liabilities at 31 March 2019 were £3.9m (2018: £1.8m) including the amount recognised on identifiable intangible assets acquired in Impact Mobile.

Non-current liabilities

As well as the deferred tax liabilities and bank borrowings above, the provision for defined benefit gratuity increased to £1.0m (2018: £0.9m) and the provision for contingent consideration due in more than one year decreased by £0.5m following the early agreement of the contingent consideration relating to the acquisition of Healthcare Communications.

¹ Adjusted tax as a proportion of adjusted profit before tax, as reconciled in note 9.

IMIMOBILE PLC FINANCIAL STATEMENTS

Strategic Report (continued)

Financial Review (continued)

Principal risks and uncertainties of the Group

The Board has overall responsibility for managing risk. Risks are formally identified and recorded in a risk register, which is reviewed by the Board at each full board meeting. Risks are evaluated based on likelihood and potential impact, including any change from the prior year, and the register records current mitigating controls to reduce risk, together with any required actions to further reduce risk to appropriate levels. The Board do not consider there to have been any significant changes in the severity of the risks during the year.

Risk area	Potential impact	Change in the year	Mitigation of risks
<i>Acquisitions</i>	The Group may fail to successfully execute its acquisition strategy or retain key personnel or encounter unforeseen difficulties in integrating acquired businesses. The Group may also fail to fully understand the risks or market challenges faced by the acquired businesses.	↔	Before completion of acquisitions, extensive due diligence is performed in order to fully understand the operations and risks of the acquired business. An integration plan is put together and closely monitored and appropriate incentives are put in place to ensure the retention of key personnel.
<i>Exchange rate fluctuations</i>	A significant proportion of the Group's revenue is generated overseas and is denominated in Indian Rupees, US Dollars, South African Rand and Nigerian Naira and cash deposits are held in multiple foreign currencies, most significantly the Indian Rupee, Canadian Dollar and US Dollar. Therefore, the Group is exposed to foreign currency risk due to fluctuations in exchange rates. This may result in gains or losses with respect to movements in exchange rates which may be material and may also cause fluctuations in reported financial information that are not necessarily related to the Group's operating results.	↔	The Group naturally mitigates this risk by offsetting its cost base in the same currencies where possible and by closely monitoring exchange rate fluctuations. The Group repatriates cash into UK Pounds Sterling whenever possible and makes use of forward exchange contracts where considered commercially appropriate.
<i>Dependence on key personnel</i>	The Group's future success is substantially dependent on the continued services and performance of its senior management including the Group's Directors, each of whom has significant relevant experience.	↔	The Group provides meaningful long-term incentives to the executive team and key employees as well as offering competitive remuneration packages.
<i>Customer relationships</i>	A proportion of the Group's business is derived from supplying ongoing services to customers based on formal contracts. Despite historically low levels of customer attrition and the longevity of many of the Group's relationships with its core customers, it is possible that customer attrition rates may increase in the future due to increased competition, the take-over or merger of major customers or changes in market demand. It is also possible that during the renewal of contracts with large blue-chip customers that the fees payable can be reduced, or that the volume of interactions between our clients and their customers may reduce over time.	↔	The Group seeks to minimise the risk of events of this nature occurring by diversifying its customer base, and maintaining strong relationships with its customers, as well as signing long-term contracts with customers. The Group also actively attempts to cross-sell and upsell additional platforms and solutions to existing customers.
<i>Technological change</i>	The Group operates in markets that are subject to constant technological development, evolving industry standards and changes in customer needs. Therefore, the Group is subject to the effects of actions by competitors in these markets and relies on its ability to anticipate and adapt to constant technological changes taking place in the industry, for example the growing number of communication channels used by consumers. To maintain its strong position in the market, the Group needs to successfully market its products and services and respond to both commercial actions by competitors and other competitive factors affecting these markets, anticipating and adapting promptly to technological changes, changes in consumer preferences and general economic, political and social conditions.	↔	The Group spends approximately 6% of revenues on research and development as well as employing product and solution specialists who monitor market developments and keep the product offering relevant for the markets in which the Group operates.

IMIMOBILE PLC FINANCIAL STATEMENTS

Strategic Report (continued)

Financial Review (continued)

Risk area	Potential impact	Change in the year	Mitigation of risks
<i>Data privacy and regulatory compliance</i>	<p>Certain activities of the Group and its customers may require the implementation of appropriate privacy and security policies or explicit end user opt-in and compliance with the general data protection regulations (GDPR) which affect how personal data is processed and stored or the United States Telephone Consumer Protection Act (TCPA) which regulates the opt-in of consumers to receive digital communications. They may also affect the types of communication which are allowed based on permissions given by end users. Failure to comply with the laws governing the management of end user and customer data could result in fines, damage to reputation or the loss of customers.</p> <p>Certain activities of the Group are regulated by Phonepaid Services Authority ("PSA") an agency of OFCOM which has responsibility for the regulation of mobile payments in the UK. The PSA has the ability to impose fines, suspend services or enforce certain other sanctions where its code of practice is breached. Such fines, suspensions or other sanctions can be imposed when the Group has failed to adequately deal with due diligence and/or risk management of the customer which has breached the code of practice.</p>	↔	<p>The Group has invested heavily in its products, platforms and processes in order to ensure market leading technology and practice are built-in to the solutions provided to its customers.</p> <p>In relation to the UK payments business, the Group follows detailed procedures for the sign up of new services as well as regular monitoring and risk assessment of ongoing services. In addition, key personnel from the Group meet regularly with the regulator in order to review market trends and collaborate on certain matters.</p>
<i>Significant failure of, or interruption to network or IT systems</i>	<p>The Group's business depends on providing customers with highly reliable platforms and services. Unanticipated network, or other, interruptions (whether accidental or otherwise) may occur as a result of system failures, including hardware or software failures, which affect the quality, or cause an interruption in the Group's supply of services. Such failures can result from a variety of factors within the Group's control, including human error, equipment failure, power loss, failure of services related to the internet and telecommunication networks, physical or electronic security breaches, as well as factors outside of the Group's control, such as sabotage, vandalism, system failures of network service providers, fire, earthquake, adverse weather and other natural disasters, water damage, fibre optic cable cuts, power loss not caused by the Group and terrorism.</p>	↔	<p>The Group's infrastructure is hosted mainly using third party data centres, with major platforms and systems also benefiting from geographical redundancy. Third party hardware and software support contracts are in place. Connectivity to multiple networks also provides mitigation against elements of this risk.</p>

The Strategic Report was approved by the Board and signed on its behalf by

Mike Jefferies
Group CFO
25 July 2019

IMIMOBILE PLC FINANCIAL STATEMENTS

Corporate Social Responsibility

Introduction

At IMImobile, we are committed to operating in an ethical and responsible manner. We focus our efforts on our workplace, our community and the environment. As part of the UN Global Compact initiative, we have committed to adopting sustainable, socially responsible policies and adhere to their universal principles on human rights, labour practices, the environment and anti-corruption.

Our Workplace

We recognise and understand that the success of our business is largely dependent on the expert knowledge of our employees as well as our ability to attract, retain and motivate talented individuals. We encourage our employees to develop their skills and keep up to date with new technologies, standards and processes. Training requirements are reviewed regularly through our performance management process as well as through ongoing discussions between teams and their line managers. IMImobile is an equal opportunities employer and acts fairly when dealing with matters relating to recruitment, training and development. We are also an accredited member of the Living Wage foundation in the UK.

Effective two-way communications are critical to maintaining a motivated, informed and enthusiastic workforce. In January 2019, we launched Workplace by Facebook as a company internal communications platform. Currently over 90% of our employees globally are signed up and actively engaging with the content being shared such as product demo videos, new client wins, interviews with our senior team. We regularly hold 'townhall' style forums across the business which provide employees with the opportunity to provide direct feedback to the senior team and raise any queries they may have. We also carry out regular staff feedback surveys and all employees have access to an online feedback tool where they can anonymously provide comments and thoughts on any aspect of the business.

The health, safety and wellbeing of our employees is our highest priority and we actively encourage staff to adopt a healthy lifestyle as well as providing a safe working environment. We provide private healthcare cover to employees in the UK through Vitality Health insurance and they provide free health checks as part of that cover to all employees to have at work. Globally, the business sponsors a variety of sporting activities such as cricket, running clubs, touch rugby, football and cycling to actively encourage involvement. In our Hyderabad office, they recently introduced 'Wellness Week' for our employees over in India.

Given the relatively low risk, office-based environment we operate in, more industrial health and safety hazards, such as machinery and hazardous materials are scarce. We have recognised the importance of mental wellbeing as an increasing risk and have trained staff on mental health first aid.

Our Community

Our employees are encouraged to support a diverse range of charitable activities through both fundraising and our products and services. Using our Textlocal product, we offer charities discounted SMS services, so they are able to gather donations from their subscribers.

We recently participated in 'Football Shirt Friday' and managed to raise £1,320 for Cancer Research UK to fund vital research for bowel cancer treatments. In the UK, we fundraise for charities including Buttle UK and Rays of Sunshine. Our annual UK Christmas Party raffle, where prizes are donated by our clients, partners and suppliers, managed to raise £1,250 which was split between both charities.

Our products have also allowed us to deliver innovative solutions which help local communities. For example, we partnered with BBC Media Action to create an interactive voice response (IVR) subscription service which delivers time-sensitive audio information regarding maternal and child health to the mobile phones of new and expectant mothers and their families for up to 72 weeks. Being the technical enabler for this project, IMImobile is extremely proud to be associated with an initiative that has enabled 10 million women in India to receive vital health education on their mobile phones for free. This project was recognised by the GSMA for 'Best Mobile Innovation for Women in Emerging Markets'.

Our Environment

As a cloud-services technology provider, we have no manufacturing facilities which means that our environmental impact is relatively low. Many of our solutions reduce the environmental impact for our clients' operations, reducing waste and consuming fewer resources through digitisation and automation. Examples of this include the delivery of paperless statements and the general shift towards digital engagement through various communications channels.

We are committed to our environmental responsibilities and have a broad set of initiatives to ensure we limit and continue to reduce our environmental impact. These include:

- Reducing paper and ink wastage with printers set to auto-print double-sided pages and recycling used ink cartridges;
- Encouraging alternative methods of transport to work e.g. provision of a Cycle to Work scheme;
- Supporting employees who work from home;
- Minimisation of business travel using video, web and telephone conferencing facilities;
- Virtualisation of servers to limit the amount of physical hardware and power usage; and
- Upholding good office practices such as recycling and limited use of disposable cups and glasses.

IMIMOBILE PLC FINANCIAL STATEMENTS

Directors' Report

The Directors present their annual report and audited financial statements on the affairs of IMImobile PLC for the year ended 31 March 2019.

Results and dividends

The results for the year are set out in the consolidated income statement on page 36. The Directors are not recommending a dividend for the year. Since listing there has been a no dividend policy. The Board will continue to review options for distributions to shareholders.

Directors

The following Directors served on the Board of the Company during the year and subsequently:

Executive Directors

Mr Jayesh (Jay) Patel
Mr Michael (Mike) Jefferies
Mr Shyamprasad (Shyam) Bhat

Non-executive Directors

Mr John Allwood
Mr Viswanatha (Vish) Alluri
Mr Simon Blagden

The Directors and their beneficiaries have the following beneficial interests in the ordinary share capital of the Company:

	31 March 2019 Number	31 March 2019 % of share capital and voting rights	31 March 2018 Number	31 March 2018 % of share capital and voting rights
Jay Patel	3,632,500	5.4%	3,382,500	5.5%
Mike Jefferies	113,424	0.2%	45,000	0.1%
Shyam Bhat	670,012	1.0%	1,170,012	1.9%
John Allwood	20,000	0.0%	10,000	0.0%
Vish Alluri	6,296,457	9.4%	6,739,707	10.9%
Simon Blagden	-	-	-	-

Between 1 April 2019 and the date of these financial statements Shyam Bhat sold 200,000 ordinary shares in the Company and Mike Jefferies sold 100,000 shares in the Company.

Details of related party transactions involving Directors of the Company are given in note 16 to the financial statements.

Directors' emoluments

The remuneration of the Directors of the Company was as follows:

	Basic salary £000	Cash bonus £000	Pension £000	31 March 2019 Total £000	31 March 2018 Total £000
Executive Directors					
Jay Patel	300	-	10	310	309
Mike Jefferies	235	50	7	292	243
Shyam Bhat	76	-	-	76	82
Non-executive Directors					
John Allwood	50	-	-	50	50
Vish Alluri	33	-	-	33	35
Simon Blagden	45	-	-	45	45
	739	50	17	806	764

IMIMOBILE PLC FINANCIAL STATEMENTS

Directors' Report (continued)

Interests in share options

Set out below are details of options granted to the Directors over shares in IMImobile PLC

	1 April 2018 Number of options	Number of options granted*	Number of options exercised	31 March 2019 Number of options	Weighted average exercise price (pence)	31 March 2019 Number of vested options	Earliest exercise date
Jay Patel	1,350,000	800,000	750,000	1,400,000	220	-	30/06/2019
Mike Jefferies	988,424	350,000	288,424	1,050,000	128	450,000	27/06/2014
Shyam Bhat	2,075,000	350,000	-	2,425,000	75	1,825,000	27/06/2014
John Allwood	-	-	-	-	-	-	-
Vish Alluri	720,000	-	501,121	218,879	70	218,879	27/06/2014
Simon Blagden	-	-	-	-	-	-	-

* options granted on 25 March 2019 with an exercise price of 250 pence. The award includes full vesting on change of control

On 11 July 2018 Jay Patel exercised his option to acquire 750,000 shares in the Company. 450,000 of the options were granted before the Company was listed on AIM in June 2014 and 300,000 of the options were granted on 24 January 2017. The gain on the exercise of the option was £1,311,000.

On 11 July 2018 Mike Jefferies exercised his option to acquire 288,424 shares in the Company. 188,424 of the options were granted before the Company was listed on AIM in June 2014 and 100,000 of the options were granted on 24 January 2017. The gain on the exercise of the option was £514,000.

On 11 July 2018 Vish Alluri exercised his option to acquire 501,121 shares in the Company. All of the options were granted before the Company was listed on AIM in June 2014. The gain on the exercise of the option was £1,431,000.

All unvested options are dependent upon continuing employment

Pension contributions

The number of Directors who

	31 March 2019 Number	31 March 2018 Number
Are members of a defined benefit pension scheme	2	2
Are members of a money purchase pension scheme	2	2

Contributions paid in the year to the money purchase pension scheme by the company in respect of such Directors were as follows:

	31 March 2019 £000	31 March 2018 £000
Jay Patel	10	9
Mike Jefferies	7	8
	17	17

Total amounts accrued in the defined benefit pension scheme at year end by such Directors are as follows:

	31 March 2019 £000	31 March 2018 £000
Shyam Bhat	33	31
Vish Alluri	15	15
	48	46

Highest paid Director

The Companies Act 2006 requires certain disclosures about the remuneration of the highest paid Director taking into account emoluments, gains on exercise of share options and amounts receivable under long-term incentive schemes. On this basis, the highest paid Director in the year was Jay Patel and details of his remuneration are disclosed above.

Strategic Report

The Strategic Report covers pages 6 to 18. The Company has chosen to set out likely future developments in the Strategic Report that would otherwise be required to be disclosed in the Directors' Report.

Financial risk management objectives and policies

Disclosures relating to financial risk management objectives and policies, including our policy for hedging are set out in note 27 to the consolidated financial statements and disclosures relating to exposure to price risk and credit risk are outlined in note 27.

IMIMOBILE PLC FINANCIAL STATEMENTS

Directors' Report (continued)

Supplier payment policy

The Company has no trade creditors because it is a parent company and does not generate trading revenues. Accordingly, no disclosure can be made of year-end trade creditor days. However, the Group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. The average trade creditors for the Group, expressed as a number of days, were 128 (2018: 133).

Related party transactions

Disclosures relating to related party transactions are set out in note 16 to the consolidated financial statements

Charitable and political donations

Charitable donations made by the Group in the year were £65,000 (2018: £3,000). Political donations were £nil in both years.

Employees

The number of employees and their remuneration is set out in note 6.

The Group is committed to offering equal employment opportunities and its policies are designed to attract, retain and motivate the best staff regardless of gender, race, colour, religion, ethnic or national origin, age, marital status, disability, sexual orientation or any other conditions not relevant to the performance of the job, who can demonstrate that they have the necessary skills and abilities.

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

The Group complies with all applicable labour laws in the respective jurisdictions in which it operates.

Going concern

In determining whether the financial statements can be prepared on the going concern basis, the Directors considered the Company's and Group's business activities together with factors likely to affect its future development, performance and its financial position including cash flows, liquidity position and the principal risks and uncertainties relating to its business activities, as given in the Strategic Report.

Based on cash flow forecasts which take into account the Directors' best estimate of current sales orders and opportunities, expenditure forecasts as well as the Group's current cash balance the Directors consider it appropriate to prepare the financial statements on the going concern basis. For further details please refer to note 1.

Auditor

In the case of each of the persons who are Directors of the Company at the date when this report is approved

- as far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation should be given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

Mike Jefferies
Group CFO
25 July 2019

IMIMOBILE PLC FINANCIAL STATEMENTS

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 101 "Reduced Disclosure Framework") Under company law the Directors must not approve the accounts 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 the parent company financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern

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

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

This responsibility statement was approved by the Board of Directors and is signed on its behalf by

Mike Jefferies
Group CFO
25 July 2019

IMIMOBILE PLC FINANCIAL STATEMENTS

Corporate Governance Report

Introduction

The Board of Directors of the Company recognises the importance of good corporate governance and is committed to ensuring that an effective and appropriate framework exists in the Group. The Board has adopted the QCA Corporate Governance code and has applied the principles having considered the size and complexity of the Group's operations as well as best practice for an AIM listed company.

The QCA Corporate Governance code is constructed under ten broad principles; these principles ensure that companies are committed to delivering growth in long-term shareholder value, that the company has an effective and dynamic management framework accompanied by good communication which promotes confidence and trust.

Compliance statement

Delivering Growth

1. **'Establish a strategy and business model which promote long-term value for shareholders.'**

IMImobile's business model and strategy is outlined on a yearly basis in the Chief Executive's report in the Company's Annual Report. This report analyses performance across the Group on a regional basis and outlines any particular issues that have impacted growth in the past year. Our growth strategy has remained consistent over the last few years focussing on four main areas which are outlined in our latest financial results presentation.

- Grow share of interactions from existing customers,
- Accelerate organic growth via channel partners;
- Introduce new technologies and invest in our Intellectual Property ("IP"), and
- Make acquisitions which provide further distribution of the Group's IP.

In addition, the principal risks and uncertainties identified by the Board to the successful delivery of the Company's strategy, together with the principal controls in place to mitigate those risks, are set out on pages 17 to 18 of this Report. The Board reviews the Company's risk register at each full Board meeting.

2. **'Seek to understand and meet shareholder needs and expectations.'**

The Company engages in full and open communication with both institutional and private investors and responds promptly to all queries received. Investors and shareholders are encouraged to make contact with the Company by contacting our advisors or submitting enquiries via the Company's website.

In conjunction with the Company's brokers and other advisors, all relevant news is distributed in a timely fashion through appropriate channels to ensure shareholders are able to access material information on the Company's progress.

To facilitate this

- All shareholders are invited to attend the Annual General Meeting ("AGM") and are encouraged to take the opportunity to ask any questions they may have.
- The primary point of contact for shareholders on operational matters is Jay Patel as Group CEO and Mike Jefferies as Group CFO.
- The primary point of contact for shareholders on corporate governance and other related matters is John Allwood as Non-Executive Chairman.
- The executives meet regularly with shareholders, usually, immediately after the Company's half year and full year financial results announcements, these meetings are used to discuss the Group's performance and answer any questions they may have. The Board monitors feedback from these meetings through anonymous evaluations from both shareholders and analysts co-ordinated by the Company's advisors.

The Company's website has a section for investor relations which contains all publicly available financial information and news on the Company.

3. **'Take into account wider stakeholder and social responsibilities and their implications for long-term success'**

At IMImobile, we are committed to operating at the highest ethical standards and with integrity. We are proud to be a partner of the UN Global Compact initiative, committed to adopting sustainable, socially responsible policies and adherence to their universal principles on human rights, labour practices, the environment and anti-corruption. We care deeply about the impact that we have on our employees, our customers and the wider community.

4. **'Embed effective risk management, considering both opportunities and threats throughout the organisation.'**

The Board has overall responsibility for managing risk. Risks are formally identified and recorded in the Company's risk register (see pages 17 to 18), which is reviewed by the Board at each full board meeting. Risks are evaluated based on likelihood and potential impact, including any change from the prior year, and the adequacy of current mitigating controls to reduce risk is reviewed during the meeting. The Board do not consider there to have been any significant changes in the severity of the risks during the year.

IMIMOBILE PLC FINANCIAL STATEMENTS

Corporate Governance Report (continued)

Maintaining a Dynamic Management Framework

5. **'Maintain the Board as a well-functioning, balanced team led by the Chair'**

The Board of IMImobile have a collective responsibility and legal obligation to promote the interests of the Company. The Board is committed to ensuring that an effective and appropriate corporate governance framework exists in the Group, given the size and complexity of the Group's operations. Details of the composition of the Board and the Company's board committees, being the audit, remuneration and nomination committees are set out in this report

6. **'Ensure that between them the directors have the necessary up-to-date experience skills and capabilities.'**

The composition of the Board has been designed to provide a variety and balance of different skill sets, this includes significant experience in:

- Technological innovation;
- Media & Telecoms sectors,
- Entrepreneurial culture;
- Acquisitions,
- Senior financial qualifications; and
- Other listed PLC companies.

Through this extensive experience, the Board and individual Directors are well-positioned to set out the strategic aims of the Company, drive and uphold the Group's values and ethical standards as well as meeting their obligations to shareholders interests

The Board is also supported by an experienced and capable operational leadership team across the Group who operate within a clearly laid out framework of devolved decision-making

7. **'Evaluate the board performance based on clear and relevant objectives, seeking continuous improvement'**

The Board has concluded that its performance in the years since the Company listed on AIM has been satisfactory.

The Board has also agreed that each year it will undertake a formal evaluation, in the form of a detailed questionnaire to be completed by each Director. This review will include an evaluation of the performance of individual Directors including the Chairman and the individual committees.

Under the Company's Articles of Association at every Annual General Meeting, at least one-third of the Directors are required to retire and may be proposed for re-election.

8. **'Promote a corporate culture that is based on ethical values and behaviours.'**

The culture across the Group is one born out of respect for and collaboration between colleagues, customers and partners. Employees are actively encouraged to share their views with management of the Group across several different mediums from employee engagement surveys to anonymous online feedback tools to 'town-hall' style forums where updates are shared on progress across the Group, strategic initiatives and business objectives.

IMImobile is proud to be a partner of the UN Global Compact Initiative. The Company is committed to adopting sustainable, socially responsible policies and adherence to their universal principles on human rights, labour practices, the environment and anti-corruption. The Corporate Social Responsibility section outlines how we conduct our business and our consideration towards our employees, the wider community and the environment.

9. **'Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.'**

The Board has established clearly defined and well-understood roles for all members of the Board. The Chairman, John Allwood, is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. Once strategic and financial objectives have been agreed by the Board, it is the Chief Executive Officer, Jay Patel's, responsibility to ensure they are delivered upon.

The Non-Executive Directors provide a sounding board to the Chairman as well as providing an additional channel of contact for shareholders, other directors or employees, if the need arises. There is regular communication between Executive and Non-Executive Director's including, when required, matters requiring attention prior to the next Board meeting.

Building Trust

10. **'Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.'**

The Directors make themselves available to meet with, answer questions from and provide updates to shareholders in several different forums, including investor roadshows, ad-hoc meetings, product and company updates held at the Company's head office and various events for smaller shareholders

Updates on trading and newsworthy progress are provided across various communications channels and updated on the Company's website from time to time.

The Board also welcomes enquiries from shareholders via its advisors or through the Company's website and welcomes shareholders who wish to attend its AGM and hear more about the Company's governance or progress

IMIMOBILE PLC FINANCIAL STATEMENTS

Corporate Governance Report (continued)

Board of Directors

John Allwood (1) (2)	Non-Executive Chairman	age 67
<p>John Allwood is a Non-Executive Director of TalkTalk Telecom plc. He has spent his career in media and telecoms holding a number of senior positions including Chief Executive of Orange UK, Finance Director and Chief Executive of Mirror Group plc, Finance Director and COO of Mecom Group plc and Managing Director of Telegraph Media Group Limited.</p> <p>John holds a B.A (Hons) in Economics and Statistics from Exeter University, as well as being a fellow of the Institute of Chartered Accountants of England and Wales.</p>		
Jay Patel	Group CEO	age 49
<p>Jay is the Group CEO of IMI Mobile and has been working with the Company since its foundation, initially as a venture capital investor but since 2010 as Managing Director of the Group and since 2013 as Group CEO. He has a wide range of operational and strategic experience in growing and selling high growth businesses. Jay has previously held executive positions at Spark Ventures, UBS Warburg and BSKyB. He is a qualified Chartered Accountant with KPMG and holds degrees from INSEAD and the London School of Economics.</p>		
Mike Jefferies	Group CFO	age 41
<p>Mike joined IMI Mobile in 2010 when it acquired WIN plc. Since then Mike has headed the group finance function. Before that he worked for Star Trac Inc, a US based manufacturer and distributor of commercial fitness equipment and previous to that for Whirlpool Corporation. Mike has a degree in accounting and finance and is a Chartered Management Accountant.</p>		
Shyam Bhat	Group CTO	age 59
<p>Bhat is a founder of the business and has more than thirty years of experience in engineering and new product development. He is responsible for the creation of all the engineering and mobile products and platforms. Bhat is an engineering graduate from the highly prestigious Indian Institute of Technology, Bombay.</p>		
Vish Alluri	Non-Executive Director	age 65
<p>Vish founded IMI Mobile with a vision of harnessing India's intellectual resources of India to develop an IPR centric technology company. While recognising the potential of the rapidly evolving mobile data space, Vish was aware that fast growth was needed to keep pace with ever changing technology. Vish therefore set out to build a company which would liberate mobile operators, enterprises and media companies of technological complexities thus enabling them to realise their revenue potential.</p> <p>Vish has extensive experience in technology and was previously involved in setting up an Indian hi-tech consumer services company in the healthcare sector. Vish is a Chartered Accountant and a Company Secretary.</p>		
Simon Blagden, CBE (1) (2)	Non-Executive Director	age 56
<p>Simon, CBE, has over 25 years' experience in the telecoms and IT industry, living and working in most regions of the world across a truly international career. Following 5 years at GEC Plessey as International Commercial Manager and then Country General Manager, Simon joined The Quante Group as UK Managing Director. In 1995, he joined Quante's main board as International CEO, with operations in over 50 countries worldwide, and he led the sale of the company to 3M in 2000.</p> <p>Simon was appointed a Member of The Order of The British Empire in 1997, and Commander of The Order of The British Empire in 2016 for services to industry. He is also non-executive Chairman of Fujitsu UK and is Chairman of the Duke of York's Community Initiative charity.</p>		

(1) Denotes member of audit committee

(2) Denotes member of remuneration and nomination committee

Board responsibilities and composition

The Board comprises three executive directors and three non-executive directors. The Board meets at least eight times a year and is responsible for ensuring the business delivers shareholder value, setting the strategy, monitoring the performance of the Company and ensuring that a reliable system of controls exists within the business.

IMIMOBILE PLC FINANCIAL STATEMENTS

Corporate Governance Report (continued)

Details of attendance of board meetings throughout the year are shown in the table below:

	Number of meetings	Meetings attended
John Allwood	8	8
Jay Patel	8	8
Mike Jefferies	8	8
Shyam Bhat	8	8
Vish Alluri	8	8
Simon Blagden	8	8

Board committees

The Board carries out its duties with the support of the board committees.

Audit committee

The audit committee has a primary responsibility for monitoring the Group's internal controls and ensuring that the financial performance of the Group is properly measured and reported on. The committee receives and reviews reports from the Group's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The audit committee meets at least twice a year and has unrestricted access to the Group's auditors.

The chairman of the audit committee is John Allwood and its other member is Simon Blagden.

Details of attendance of audit committee meetings throughout the year are shown in the table below:

	Number of meetings	Meetings attended
John Allwood	2	2
Simon Blagden	2	2
Vish Alluri*	1	1

* Vish Alluri resigned as a member of the audit committee on 13 September 2018.

Remuneration and nomination committee

The remuneration and nomination committee reviews the performance of the executive directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The remuneration and nomination committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time.

The remuneration and nomination committee is also responsible for ensuring that the Board has a formal and transparent appointment procedure and has primary responsibility for reviewing the balance and effectiveness of the Board and identifying the skills needed by the Board and those individuals who might best provide them.

The chairman of the remuneration committee is Simon Blagden and its other member is John Allwood.

Details of attendance of remuneration and nomination committee meetings throughout the year are shown in the table below:

	Number of meetings	Meetings attended
John Allwood	2	2
Simon Blagden	2	2
Vish Alluri*	1	1

* Vish Alluri resigned as a member of the remuneration committee on 13 September 2018.

IMIMOBILE PLC FINANCIAL STATEMENTS

Audit Committee Report

The audit committee is a sub-committee of the Board.

Composition of the Audit Committee

The Audit Committee comprises of John Allwood and Simon Blagden. The Chairman of the Audit Committee is John Allwood. The Committee meets separately with the external auditors with management being present.

Main activities of the Audit Committee

The main activities of the Audit Committee include

- Agreeing the scope and materiality of the external audit
- Monitoring the integrity of the annual and interim reports
- Advising the Board on the adequacy of the annual report and whether it allows for shareholders to assess the Group's position and performance, business model and strategy
- Monitoring the appropriateness and consistency of accounting policies and practices
- Monitoring the adequacy and effectiveness of the Group's internal financial controls, internal control and risk management systems
- Guiding the Board on the appointment and remuneration of the external auditor, review and monitor the external auditor's performance, expertise, independence and objectivity

Independence of external auditors

During the year the external auditor provided non-audit services for which it charged £4,000. The Group has engaged other independent accounting firms to perform tax consulting work and other assignments to further ensure the independence and objectivity of the auditor is not compromised. The Committee received confirmation from Deloitte LLP (Deloitte) that it considered itself to be independent

Audit engagement partners for listed companies are ordinarily rotated every five years. Given that this is the fifth year that he has taken the role, David Griffin will not be the audit engagement partner following completion of the audit of the financial year to 31 March 2019.

Significant areas of risk

Prior to commencing the audit of the financial year to 31 March 2019 Deloitte identified the following significant audit risks

- Revenue recognition
- Management override of controls
- Accounting for the Impact Mobile acquisition

The Audit Committee agreed with this assessment and the scope of the audit was set accordingly.

Work was also carried out to assess the impact of new accounting standards, most significantly IFRS 15, Revenue From Contracts With Customers.

Whistleblowing

The Company encourages all members of staff to report any wrongdoing of the Company itself or its employees that falls short of expected standards or could be considered malpractice. Employees are encouraged to discuss any matters with the Chairman of the Audit Committee who will try to resolve the matter promptly

This report was approved by the Board on 25 July 2019 and signed on its behalf by:

Mike Jefferies
Group CFO

IMIMOBILE PLC FINANCIAL STATEMENTS

Remuneration Committee Report

This report is for the period to 31 March 2019. It sets out the remuneration policy and the detailed remuneration for the Executive and Non-Executive Directors of the Company. As a company quoted on AIM, IMI Mobile is not required to comply with the Main Market UK Listing Rules or those aspects of the Companies Act for listed companies regarding the disclosure of Directors' remuneration.

The Remuneration Committee

The Committee comprises Simon Blagden (Chairman) and John Allwood.

Remuneration policy

Our approach to remuneration is to ensure that overall packages should be sufficiently attractive to recruit, motivate and retain high calibre executives. We also ensure that individual reward is aligned with the performance of the Group and the interests of shareholders.

Key components of remuneration for Executive Directors

When evaluating remuneration the Committee considers the combination of all components as well as a review of common market practice in order to set the appropriate balance between short-term success and long-term growth. The key components are set out as follows:

Basic Salary

The basic salary levels are reviewed annually giving consideration to:

1. Salary levels of comparable listed companies
2. Salary awards throughout the rest of the business
3. Role and responsibilities of the directors
4. Company performance

Benefits

Commensurate with those offered to other employees in the Group, including pension arrangements.

Bonus

No formal bonus arrangements have been put in place for the Executive Directors. It is the Committee's view that bonuses can be awarded for outstanding contribution by the Executive Directors, after taking into account an overall view of the Group's performance. Bonuses are limited to 100% of basic salary.

Long Term Share Incentive Schemes

The Company operates several share option schemes which were put in place prior to admission to AIM. Details of the schemes can be found in note 23 to the financial statements. Details of the specific awards made to the Executive Directors are set out in the Directors' Report.

Appointment and notice period

The service contracts of the Executive Directors of the Company contain the following terms:

Executive Directors	Appointment	Notice
Jay Patel	18 June 2014	12 months
Mike Jefferies	18 June 2014	12 months
Shyam Bhat	18 June 2014	12 months

Non-Executive Directors

The remuneration of Non-Executive Directors is determined by the Board within the limits set by the Company's Articles of Association and is based on fees paid in similar companies and the skills and expected time commitment required by the individuals.

IMIMOBILE PLC FINANCIAL STATEMENTS

Independent auditor's report to the members of IMImobile PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of IMImobile PLC (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 36

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice)

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Impact Mobile acquisition accounting: purchase price allocation, and
- Revenue recognition: manual adjustments to messaging income.

Materiality

The materiality that we used for the Group financial statements was £600,000.

Scoping

We performed full scope audits on four of the Group's components and specified procedures for further four components. Together these components accounted for 80% of profit before tax, 96% of revenue and 90% of net assets.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

IMIMOBILE PLC FINANCIAL STATEMENTS

Independent auditor's report to the members of IMImobile PLC (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impact Mobile acquisition accounting, purchase price allocation

Key audit matter description	<p>In July 2018, the Group acquired 100% of the share capital of Impact Mobile Inc. This has resulted in the recognition of £7.2 million of identifiable intangible assets and £10.2 million of goodwill as disclosed in notes 2 and 30.</p> <p>There is a significant level of judgement required in determining the fair value of the acquired assets, in particular the customer relationships which represent 89% (£6.4 million) of the acquired identifiable intangible assets. Therefore, this key audit matter relates to the valuation of those customer relationships – specifically, the supporting assumptions of the customer attrition rate and discount rate.</p>
How the scope of our audit responded to the key audit matter	<p>We have obtained an understanding of the key controls over management's review of the identification and valuation of acquired identifiable intangible assets. We have performed substantive audit procedures on the acquisition accounting, supported by our in-house valuation specialists. Our substantive tests involved:</p> <ul style="list-style-type: none"> • challenging the attrition rate used in the valuation model by forming our own expectation based on customer data, • evaluating the appropriateness of the valuation techniques employed by management, • assessing the reasonableness of the valuation assumptions used in the fair value analysis and evaluating their consistency with a market participant view, • evaluating whether the fair value model used is appropriate considering the entity's circumstances, • assessing the reasonableness of management's business and accounting assumptions used in the forecast data by considering previous forecasting accuracy, • comparing the projections used in the valuation model to board approved forecasts, and • testing the mathematical accuracy of the valuation model.
Key observations	<p>Based on our procedures, we concluded that the attrition rate and discount rate used in the valuation of customer relationship intangible asset was appropriate and that the supporting assumptions were within an acceptable range.</p>

IMIMOBILE PLC FINANCIAL STATEMENTS

Independent auditor's report to the members of IMImobile PLC (continued)

Revenue recognition: manual adjustments in messaging income

Key audit matter description

The Group earns revenue through messaging across multiple different channels, including software and telecommunications channels. The Group recognises the revenue earned once the message has been sent or delivered on behalf of the customer.

The Group operates a number of different revenue processes, which differ according to the local control environment and business model. In order to achieve the correct accounting treatment, management make a number of manual entries relating to revenue transactions in their accounting systems. These include:

- the deferral of pre-paid messages not yet utilised; and
- the recording of volume and pricing data.

Given the level of manual input, we considered this an area for potential fraud.

Further detail on the Group's approach to the recognition of revenue is set out within the accounting policies note in note 2 and note 5.

How the scope of our audit responded to the key audit matter

Our audit response varied by component and consisted of a number of procedures which reflected the risks pertaining to each component. The procedures we undertook within some or all of the components included:

- an evaluation of the design and implementation of controls over manual adjustments posted to revenue;
- for certain components we used IT audit specialists to evaluate the IT controls in respect of the systems and applications that capture message transactions, specifically looking at controls around security, change management, data and network operations;
- in respect of manual adjustments, we traced a sample of the adjustments being made to revenue and corroborated these against supporting evidence;
- agreeing a sample of rates used for messaging services to customer contracts; and
- reviewing the mechanical accuracy of a sample of revenue schedules by inspecting the accuracy of the calculations within

Key observations

We concluded through our audit procedures that manual adjustments in messaging income are appropriate

Our application of materiality

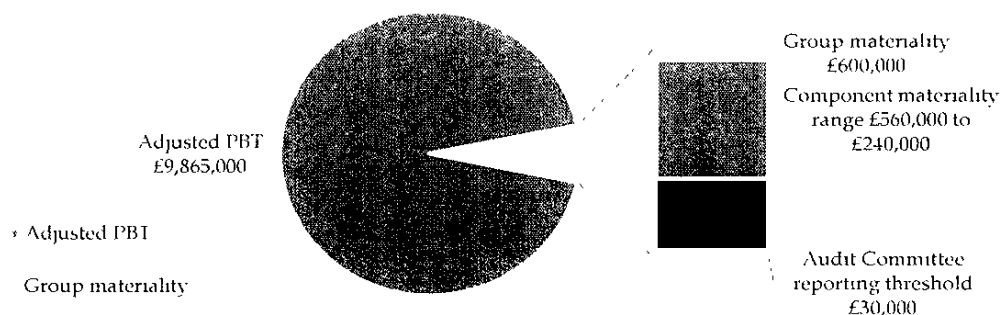
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£600,000 (2018: £450,000)	£560,000 (2018: £445,500)
Basis for determining materiality	We have used 6% (2018: 6.6%) of adjusted profit before tax ("PBT"), adjusting for acquisition related share-based payment charges of £8.1 million (2018: £3.3 million) and acquisition related costs of £1.0 million (2018: £0.8 million).	The basis for parent company materiality is net assets. The parent company materiality is approximately 0.9% (2018: 0.8%) of parent company net assets.
Rationale for the benchmark applied	We have used adjusted PBT as in our view this represents the financial measures most relevant to users of the financial statements. The adjustments relating to share-based payment charges and acquisition related costs have been made in our determination of materiality as we are satisfied that they do not reflect the underlying performance of the business.	Company net assets is considered most relevant as this is a non-trading holding company.

IMIMOBILE PLC FINANCIAL STATEMENTS

Independent auditor's report to the members of IMImobile PLC (continued)



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £30,000 (2018: £22,500), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped on an entity level basis, assessing the components against the risk of material misstatement at the Group level. We have also considered the quantum of the financial statement balances and total contribution to the Group. In performing our assessment we have considered the geographical spread of the Group and any risks presented within each region.

Based on this assessment we focused our work on the following components (location of the component's principal operations is stated in brackets):

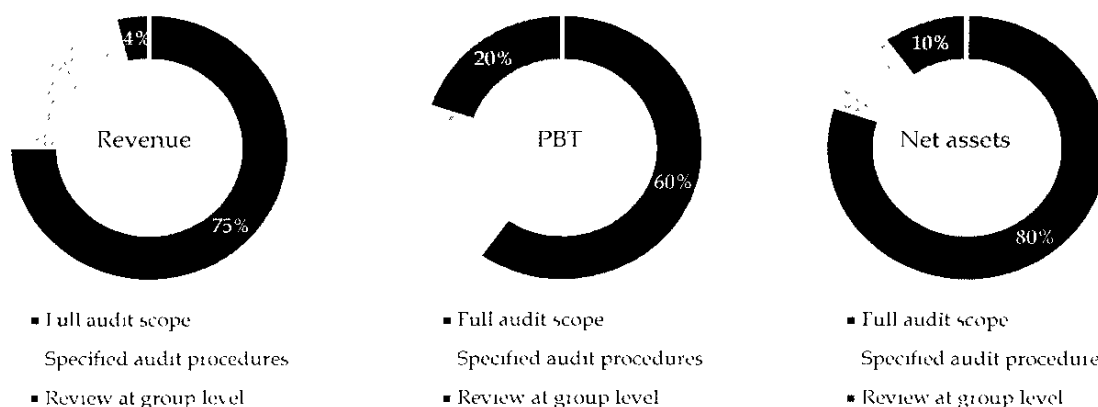
- "Europe" - IMImobile Europe Limited (UK)
- "TextLocal" - TxtLocal Limited (UK)
- "IMI Intelligent Networks" - IMImobile Intelligent Networks Limited (UK)
- "India" - IMI Mobile Private Limited (India)
- "Dubai" - IMI Mobile VAS Limited FZE and IMImobile Limited FZE (United Arab Emirates)
- "Archer" - IMImobile South Africa Pty Limited (South Africa)
- "Healthcare Communications" - Healthcare Communications UK Limited (UK)
- "Impact Mobile" - IMImobile Canada Inc (Canada)

The first four components are subject to a full scope audit by Deloitte member firms. The remaining four were subject to specified audit procedures by Deloitte member firms, with the exception of Archer which was subject to specified audit procedures performed by a non-Deloitte member firm. Components audited by the Group engagement team included Europe, TextLocal, IMI Intelligent Networks, Healthcare Communications and Impact Mobile.

At the Group level we tested the consolidation and carried out review procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit or specified audit procedures.

In addition to sending out detailed instructions to all in-scope components we conducted team briefings with them at the planning phase of the audit, discussed their risk assessment and as deemed necessary attended closing meetings and reviewed their audit working papers. All UK components were visited by senior members of the engagement team. In the current year the audit Senior Manager visited the audit team responsible for the India and Dubai components.

The component materiality for these components varied from £240,000 to £560,000. We have determined these based on a percentage of Group materiality.



IMIMOBILE PLC FINANCIAL STATEMENTS

Independent auditor's report to the members of IMImobile PLC (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit,

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements

In the light of the knowledge and understanding of the group and or the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

IMIMOBILE PLC FINANCIAL STATEMENTS

Independent auditor's report to the members of IMImobile PLC (continued)

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made

We have nothing to report in respect of this matter.

Use of our report

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



David Griffin FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
25 July 2019

IMIMOBILE PLC CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement For the year ended 31 March 2019

	Notes	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Revenue	2, 5	142,731	111,366
Cost of sales		(80,158)	(60,630)
Gross profit	5	62,573	50,736
Operating costs:			
Other operating costs		(44,532)	(37,331)
Depreciation and amortisation		(7,085)	(4,825)
Share-based payment charge	23	(8,899)	(4,561)
Acquisition costs	4	(1,036)	(788)
Exchange losses on the Nigerian Naira		(26)	(349)
Change in benefit limit of defined gratuity		-	(96)
Operating profit		995	2,786
Finance income	7	295	176
Finance cost	7	(580)	(302)
Profit before tax		710	2,660
Tax	8	(2,022)	(1,817)
(Loss)/profit for the year		(1,312)	843
(Loss)/profit for the year attributable to:			
Equity holders of the parent company		(1,255)	902
Non-controlling interest		(57)	(59)
(Loss)/profit for the year		(1,312)	843
Adjusted EBITDA¹	9	18,041	13,405
Basic (loss)/earnings per share	9	(1.9p)	15p
Adjusted basic earnings per share	9	16.7p	12.6p
Diluted (loss)/earnings per share	9	(1.9p)	1.3p
Adjusted diluted earnings per share	9	15.1p	11.2p

The accompanying notes are an integral part of the consolidated financial statements and are all attributable to continuing operations

¹ See note 9 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results

IMIMOBILE PLC CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income For the year ended 31 March 2019

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
(Loss)/profit for the year	(1,312)	843
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations		
Equity holders of the parent company	(284)	(2,615)
Non-controlling interest	69	(137)
Net actuarial losses recognised on defined gratuity plan		
Equity holders of the parent company	(9)	(191)
Non-controlling interest	-	-
Other comprehensive loss for the year	(224)	(2,943)
Total comprehensive loss for the year	(1,536)	(2,100)
Total comprehensive (loss)/income for the year attributable to:		
Equity holders of the parent company	(1,548)	(1,904)
Non-controlling interest	12	(196)
Total comprehensive loss for the year	(1,536)	(2,100)

The accompanying notes are an integral part of the consolidated financial statements

IMIMOBILE PLC CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position As at 31 March 2019

	Notes	As at 31 March 2019 £000	As at 31 March 2018 £000
Non-current assets			
Goodwill	10	43,637	33,265
Other intangible assets	11	29,607	20,420
Property, plant and equipment	12	4,347	4,609
Deferred tax assets	21	550	484
Total non-current assets		78,141	58,778
Current assets			
Cash and cash equivalents	13	13,247	15,743
Trade and other receivables	14	50,615	40,094
Total current assets		63,862	55,837
Current liabilities			
Trade and other payables	17	(54,385)	(43,996)
Provision for contingent consideration	18	(1,806)	(1,806)
Bank borrowings	19	(1,611)	(223)
Total current liabilities		(57,802)	(46,025)
Net current assets		6,060	9,812
Non-current liabilities			
Provision for contingent consideration	18	(57)	(557)
Bank borrowings	19	(19,120)	(11,196)
Provision for defined benefit gratuity	20	(1,032)	(912)
Deferred tax liabilities	21	(3,872)	(1,763)
Total non-current liabilities		(24,081)	(14,428)
Net assets		60,120	54,162
Equity attributable to the owners of the parent company			
Share capital	22	6,671	6,204
Share premium	22	6,666	1,246
Translation reserve	22	1,475	1,759
Share-based payment reserve	22	12,540	10,782
Capital restructuring reserve	22	(29,040)	(29,040)
Retained earnings	22	62,000	63,104
Equity attributable to the owners of the parent company		60,312	54,055
Non-controlling interest		(192)	107
Total equity		60,120	54,162

The accompanying notes are an integral part of the consolidated financial statements.

The financial statements of IMImobile PLC (Company number: 08802718) were approved by the Board and authorised for issue on 25 July 2019.

Signed on behalf of the Board

Mike Jefferies
Director

IMMOBILE PLC CONSOLIDATED FINANCIAL STATEMENTS

Statement of Changes in Equity

For the year ended 31 March 2019

	Share capital £000	Share premium £000	Translation reserve £000	Share-based payment reserve £000	Capital restructuring reserve £000	Retained Earnings / (Deficit) £000	Total equity attributable to shareholders of the parent company £000	Non-controlling interest £000	Total equity £000
Balance at 31 March 2017	6,102	69,754	4,374	7,505	(29,040)	(7,901)	50,794	(8)	50,786
Profit / (loss) for the year	-	-	-	-	-	902	902	(59)	843
Foreign exchange differences	-	-	(2,615)	-	-	-	(2,615)	(137)	(2,752)
Net actuarial losses recognised on defined gratuity plan	-	-	-	-	-	(191)	(191)	-	(191)
Credit to equity for share-based payments	-	-	-	4,002	-	-	4,002	-	4,002
Proceeds from share issue	102	1,300	-	(725)	-	-	677	-	677
Deferred tax on share-based payments	-	-	-	-	-	330	330	-	330
Tax relief on exercised share-based payments	-	-	-	-	-	156	156	-	156
Cancellation of share premium account	-	(69,808)	-	-	-	69,808	-	-	-
Non-controlling interest subscription in shares of IMImobile South Africa Pty Ltd	-	-	-	-	-	-	-	311	311
Balance at 31 March 2018	6,204	1,246	1,759	10,782	(29,040)	63,104	54,055	107	54,162
Loss for the year	-	-	-	-	-	(1,255)	(1,255)	(57)	(1,312)
Foreign exchange differences	-	-	(284)	-	-	-	(284)	69	(215)
Net actuarial losses recognised on defined gratuity plan	-	-	-	-	-	(9)	(9)	-	(9)
Credit to equity for share-based payments	-	-	-	6,419	-	-	6,419	-	6,419
Proceeds from share issue, including share options exercised (note 22)	343	2,190	-	(727)	-	-	1,806	-	1,806
Debit to share based payment reserve (note 23)	-	-	-	(3,934)	-	-	(3,934)	-	(3,934)
Deferred tax on share-based payments	-	-	-	-	-	(187)	(187)	-	(187)
Tax relief on exercised share-based payments	-	-	-	-	-	347	347	-	347
Issue of shares as part of acquisition (note 22)	124	3,230	-	-	-	-	3,354	-	3,354
Subscription in non-controlling interest's shares of IMImobile South Africa Pty Ltd	-	-	-	-	-	-	-	(311)	(311)
Balance at 31 March 2019	6,671	6,666	1,475	12,540	(29,040)	62,000	60,312	(192)	60,120

The accompanying notes are an integral part of the consolidated financial statements.

IMIMOBILE PLC CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Cash Flow Statement

For the year ended 31 March 2019

	Notes	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Cash generated from operations	24	15,903	10,720
Tax paid		(1,260)	(1,202)
Net cash from operating activities		<u>14,643</u>	<u>9,518</u>
Investing activities			
Interest received		295	176
Purchase of intangible assets		(6,568)	(5,452)
Purchase of property, plant & equipment		(1,183)	(1,072)
Disposal of shares in available-for-sale investment		-	28
Acquisition of subsidiary net of cash acquired	30	(16,575)	(11,248)
Contingent consideration as part of Infracast acquisition	23	(2,387)	-
Contingent consideration as part of Sumotext acquisition		(1,143)	-
Net cash used in investing activities		<u>(27,561)</u>	<u>(17,568)</u>
Financing activities			
Bank loan received	19	10,000	10,811
Repayment of bank loans	19	(688)	(232)
Interest paid		(524)	(268)
Proceeds from issuance of Ordinary shares		1,806	677
Net cash generated by financing activities		<u>10,594</u>	<u>10,988</u>
Net (decrease)/increase in cash and cash equivalents		(2,324)	2,938
Cash and cash equivalents at beginning of the year		15,743	14,662
Effect of foreign exchange rate changes		(172)	(1,857)
Cash and cash equivalents at end of the year	13	<u><u>13,247</u></u>	<u><u>15,743</u></u>

The accompanying notes are an integral part of the consolidated financial statements

IMIMOBILE PLC CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements

For the year ended 31 March 2019

1. Basis of preparation

The consolidated financial statements for the years ended 31 March 2018 and 2019 have been prepared under the International Financial Reporting Standards as adopted for use in the European Union in accordance with Article 4 of the IAS Regulation (EC) No. 1606/2002

The financial information contained in the consolidated financial statements for the years ended 31 March 2018 and 2019 has been prepared applying the recognition and measurement principles set out in International Financial Reporting Standards as adopted for use in the European Union.

The consolidated financial statements of IMImobile PLC and its subsidiaries, hereafter referred to as "the Group", are prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities, and in accordance with the UK Companies Act 2006. The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies

General information

IMImobile PLC is a public limited company incorporated and domiciled in England and Wales (registration number 08802718) and quoted on the London Stock Exchange's AIM market. The registered address of the Company is 5 St John's Lane, London, EC1M 4BH, United Kingdom

Amounts in the consolidated financial statements are stated in UK Pounds Sterling.

Going concern

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report

At 31 March 2019 the Group had net assets of £60.1 million including £13.2 million of cash and cash equivalents (31 March 2018: net assets of £54.2 million including £15.7 million of cash and cash equivalents).

In determining whether the consolidated financial statements should be prepared on the going concern basis, the Directors considered the Company's and the Group's business activities together with factors likely to affect its future development, performance and its financial position including cash flows, liquidity position and the principal risks and uncertainties relating to its business activities

The Group continues to monitor the status of Brexit and the Directors' do not think it will have a material impact on the Group's global operations.

Based on cash flow forecasts which take into account the Directors' best estimate of current sales orders and opportunities, expenditure forecasts as well as the Group's current cash balance, the Directors consider it appropriate to prepare the Company's financial statements on the going concern basis.

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved when the Company

- has the power over the investee;
- is exposed, or has rights, to a variable return from its involvement with the investee, and
- has the ability to use its power to affect its returns

The results of subsidiaries acquired or disposed of in any year are included in the consolidated income statement from the date of acquisition or up to the date of disposal

Goodwill is measured as the excess of the sum of consideration transferred. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies into line with those used by the Group. Inter-company balances and transactions, including inter-company profits and unrealised profits and losses are eliminated on consolidation.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

IMIMOBILE PLC CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements

For the year ended 31 March 2019

1. Basis of preparation (continued)

Entities included under common control

The following entities are considered to be under the control of the Group and therefore have been included in the consolidated financial statements for the years ended 31 March 2018 and 2019:

Name of entity	Functional currency	Principal activities	% of share class held by the Group as at 31 March:		Share / Stock class
			2019	2018	
United Kingdom (5 St John's Lane, London, EC1M 4BH)					
IMImobile Europe Limited	GBP	(1)	100%	100%	Ordinary
Tap2Bill Limited	GBP	(1)	100%	100%	Ordinary
Txtlocal Limited	GBP	(1)	100%	100%	Ordinary
Textlocal Limited	GBP	Dormant	100%	100%	Ordinary
Chilli Digital Europe Limited	GBP	(1)	100%	100%	Ordinary
IMImobile Software Limited	GBP	Non-trading	100%	100%	Ordinary
IMImobile International Limited	GBP	Non-trading	100%	100%	Ordinary
IMImobile SAT Limited	GBP	Dormant	85%	85%	Ordinary
IMImobile Holdings Limited	GBP	Dormant	100%	100%	Ordinary
Healthcare Communications UK Limited	GBP	(1)	100%	100%	Ordinary
IMImobile African Holdings Limited	ZAR	Non-trading	100%	100%	Ordinary
IMImobile South Africa 1 Limited	ZAR	Non-trading	78%*	81%	Ordinary
IMImobile South Africa 2 Limited	ZAR	Non-trading	100%	100%	Ordinary
IMImobile Intelligent Networks Limited	GBP	(1)	100%	100%	Ordinary & Deferred
USA (c/o Hahn & Hahn LLP, 9th Floor, 301 East Colorado Boulevard, Pasadena, California 91101-1977, USA)					
IMImobile, Inc	USD	(1)	100%	100%	Common
Impact Mobile USA, Inc (acquired during the year)	USD	(1)	100%	-	Common
USA (201 E Markham St, Little Rock, AR 72201, USA)					
IMImobile North America, Inc	USD	(1)	100%**	89%	Common
Canada (Suite 400, 60 Adelaide St. East, Toronto, ON, M5C 3E4, Canada)					
IMImobile Canada Inc (incorporated during the year)***	CAD	(1)	100%	-	Common
Panama (Av. Miguel Brostella, P.H. Camino de Cruces, Local No. 35, Panama City)					
IMI Mobile VAS Latin America S A	USD	Dormant	100%	100%	Ordinary
UAE (P.O. Box 293593, Office # 624, Building 5E4, Dubai Airport Free Zone, Dubai)					
IMI Mobile VAS Limited FZE	AED	(1) & (2)	100%	100%	Ordinary
IMImobile Limited FZE	AED	(1) & (2)	100%	100%	Ordinary
South Africa (Clearwater Office Park, Building no. 3, Corner Christiaan De Wet and Millennium Boulevard, Strubensvalley, Roodepoort, South Africa)					
IMImobile South Africa Pty Limited	ZAR	(1)	71%*	77%	Ordinary
Ukhozi Digital Pty Limited (acquired during the year)	ZAR	Non-trading	40%*	-	Ordinary
Nigeria (2nd Floor, No 32, Shiro Street, Fadeyi - Yaba, Lagos State, Nigeria)					
IMI Mobile VAS Nigeria Limited	NGN	(2)	100%	100%	Ordinary
Nigeria (32 Adegbola Street, PO BOX 6920, Ikeja, Lagos, Anitowose, Lagos, Nigeria)					
Skinkers Nigeria Private Limited (incorporated during the year)	NGN	Non-trading	100%	-	Ordinary
Tunisia (Regus, Tunis Berges du Lac Business Center, Immeuble "Shm", 2eme Etage, Rue de l'Euro, Les Berges du Lac 2, 1053 - Tunis, Tunisia)					
IMImobile VAS Tunisia Limited	TND	(1) & (2)	100%	100%	Ordinary
Ghana (H No F486, Nyaniba Estate, Accra, Greater Accra, PO Box 14310, Accra, Ghana)					
IMImobile Ghana Limited	GHC	Non-trading	77%	77%	Ordinary
British Virgin Islands (Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands)					
Lenco International Limited	ZAR	Non-trading	82%*	85%	Ordinary
Lenco Technology Group Limited	ZAR	(1)	82%*	85%	Ordinary
India (Plot No. 770, Road No. 44, Jubilee Hills, Hyderabad - 500 033, India)					
IMI Mobile Private Limited	INR	(1) & (2)	100%	100%	Ordinary
Bangladesh (House No. 13, A-5 (5th floor), Road No. 113/A, Gulshan, Dhaka, Bangladesh)					
IMI Mobile VAS Limited	BDT	(1) & (2)	100%	100%	Ordinary
Sri Lanka (No. 94/1, Dharmapala Mawatha, Colombo 07, Sri Lanka)					
IMI Mobile VAS Private Limited	LKR	(2)	100%	100%	Ordinary
Nepal (124, Lal Colony Marg, Lal Durbar, Kathmandu, Nepal)					
IMI Mobile Nepal Private Limited	NPR	(1) & (2)	100%	100%	Ordinary
Myanmar (R-1006, 10th Floor - Business Suites, Myanmar Center Tower 2, 192 Kaba Aye Pagoda Road, Bahan Township, Yangon, Myanmar)					
IMImobile VAS Myanmar Limited	MMK	(1) & (2)	100%	100%	Ordinary

(1) Communications software and solutions

(2) Value added services solutions

* the change in ownership during the year resulted in an increase in equity attributable to owners of the parent company of £18,000

** the change in ownership during the year did not result in a change to the equity attributable to owners of the parent company

*** on 2 July 2018, IMImobile Canada Inc acquired Impact Mobile Inc and its subsidiary, Impact Mobile USA Inc, (together "Impact Mobile") Impact Mobile Inc was subsequently amalgamated with IMImobile Canada Inc

IMIMOBILE PLC CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements

For the year ended 31 March 2019

1. Basis of preparation (continued)

The following subsidiaries within the consolidated financial statements have taken advantage of the audit exemption provisions under section 479A of Companies Act 2006 in relation to their annual accounts for the year ended 31 March 2019.

Name of entity	Registered number
Tap2Bill Limited	03212199
Txtlocal Limited	05578161
Chilli Digital Europe Limited	08123133
IMImobile Software Limited	04120457
IMImobile International Limited	05175576
IMImobile Intelligent Networks Limited	04163740
Healthcare Communications UK Limited	04084131
IMImobile African Holdings Limited	09632399
IMImobile South Africa 1 Limited	09634021
IMImobile South Africa 2 Limited	09633868

Adoption of new and revised International Financial Reporting Standards ("IFRSs")

New and amended standards adopted by the Group

The Group has applied IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* for the first time for the period commencing 1 April 2018

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. IFRS 9 *Financial Instruments*, which replaces IAS 39 *Financial Instruments: Recognition and Measurement*, impacts the classification and measurement of the Group's financial instruments and requires certain additional disclosures. The transition provisions of IFRS 9 allow an entity not to restate comparatives

Additionally, the Group adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that were applied to the disclosures for the current and prior years

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 April 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 April 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. None of the changes to the accounting policies have materially impacted the amounts reported and therefore the Group has not restated the 2018 figures upon adoption of the new policies.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on trade receivables. See note 27 for details on the impact of IFRS 9 on trade receivables.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at fair value through profit or loss ("FVTPL") attributable to changes in the credit risk of the issuer

IMMOBILE PLC CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements

For the year ended 31 March 2019

1. Basis of preparation (continued)

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of IFRS 9.

The Directors reviewed and assessed the Group's existing financial assets and liabilities as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has no material impact on the carrying amounts of the Group's financial assets or liabilities.

It was also concluded that the only impact on the classification was of the financial assets and liabilities classified as loans and receivables under IAS 39 that were measured at amortised cost and continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The main effects resulting from this reclassification are detailed as follows.

	Notes	Measurement category:	
		31 March 2018 (IAS 39)	1 April 2018 (IFRS 9)
Financial assets			
Cash and cash equivalents	13	Loans and receivables	Amortised cost
Trade and other receivables	14		
Trade receivables		Loans and receivables	Amortised cost
Accrued income		Loans and receivables	Amortised cost
Financial liabilities			
Trade and other payables	17	Loans and receivables	Amortised cost
Bank borrowings	19	Loans and receivables	Amortised cost

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

The Group's accounting policies for its revenue streams are disclosed in detail in note 2 below. The Group has applied IFRS 15 in accordance with the modified retrospective transitional approach. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

New standards and interpretations not yet adopted

IFRS 16 *Leases* was issued in January 2016 but is not mandatory for the year ending 31 March 2019 and has not been early adopted by the Group. This new standard will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. Assessment of the impact is ongoing.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. Accounting policies

The principal accounting policies set out below have been applied consistently by the Group entities.

Foreign currencies

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in UK Pounds Sterling ("the presentational currency").

Foreign currency transactions are translated into the presentational currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on financial assets are included in other comprehensive income.

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For the year ended 31 March 2019

2. Accounting policies (continued)

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- (b) equity items other than retained earnings have been translated at historical rates in line with IAS 21;
- (c) income and expenses for each income statement are translated at average exchange rates; and
- (d) all resulting exchange differences are recognised in other comprehensive income

Goodwill arising on the acquisition of a foreign entity is treated as an asset of the foreign entity and translated at the closing rate.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost.

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI).

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor, and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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For the year ended 31 March 2019

2. Accounting policies (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iv) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand, deposits 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 changes in value. All cash and cash equivalents are measured at amortised cost. The Group discloses cash on a net basis where it has the right to offset.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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Notes to the consolidated financial statements

For the year ended 31 March 2019

2. Accounting policies (continued)

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each cash generating unit ("CGU" or "unit"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the CGU level

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed

(b) Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of 10 years

Acquired software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

(c) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use,
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product,
- it can be demonstrated how the software product will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 10 years.

Impairment of assets

Goodwill or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement.

Property, plant and equipment

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use

IMIMOBILE PLC CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements

For the year ended 31 March 2019

2. Accounting policies (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Projects under which assets are not ready for their intended use are carried at cost and are only depreciated once they are ready for use.

When assets are sold, their cost and accumulated depreciation are eliminated and any gain or loss resulting from their disposal is included in the consolidated income statement

Depreciation is computed on a straight-line basis over the estimated useful lives of operational assets.

	Estimated useful life
Computers and servers	3-6 years
Office equipment	2-5 years
Furniture & fixtures	2-10 years
Vehicles	8 years
Leasehold improvements	Lower of estimated useful life and lease term

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment

Employee benefits

Other post-employment obligations

The Group has a post-employment unfunded gratuity benefit plan for employees of IMI Mobile Private Limited. The entitlement of these benefits is subject to a vesting period of five years in the case of early separation, based on final salary and years of service in India.

The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to other comprehensive income in the period in which they arise.

The Projected Unit Credit Method is used to determine the present value of the defined benefit obligation and the related current service cost and, where applicable, past service cost.

These obligations are valued periodically by independent qualified actuaries

Defined contribution plan

The Group operates defined contribution plans for certain employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. These contributions are expensed in the period they are incurred.

Employee share-based payments

The Group operates a number of equity-settled, share-based payment plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price),
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. Where options are cancelled by the Group and settled in cash the expense is accelerated in the period in which the options are settled, with the cash payment recognised in the share-based payment reserve.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The social security contributions payable in connection with the grant of the share options are payable by the employee.

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For the year ended 31 March 2019

2. Accounting policies (continued)

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, performance conditions, exercise restrictions and behavioural considerations.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Company share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers or provides control of a product or service to a customer.

Where the Group enters into arrangements to deliver multiple elements (such as a perpetual license together with a period of servicing and maintenance), such elements are separated for recognition based on stand-alone value where sold and delivered as separate performance obligations. If such elements cannot be separated they are treated as a single performance obligation and recognised over the period of delivery when the criteria for recognition have been met and customer acceptance received. Amounts incurred but not yet billed are classified as amounts billable not yet invoiced. Where the Group acts as principal in the sale of goods and content, revenue is recognised on a gross basis.

Revenues are typically billed up to 60 days after month end and classified as amounts billable not yet invoiced until this point.

Monthly recurring revenue

Revenues from the monthly hosting and access granted to the Group's cloud-based CPaaS software form a single performance obligation and is recognised over the period of the contract as the customer receives the service.

Revenue share from content related sales and usage-based revenue from messages sent across multiple channels is triggered by the actions of the Group's customers (or their end users) using the relevant platform they are connected to. Revenue is recognised at a point in time as the sale is generated.

Carrier billing revenues recognised within turnover relate only to the commission earned on hosting each service and are recognised at the point of delivery to the customer. Amounts billed and collected on behalf of third parties (also known as pass through revenues) are not recognised within revenue as the Group doesn't control or handle the content or the price charged to the end user.

Where the Group provides services to mobile network operators which enable the delivery of wholesale messages, revenue is reported on a gross basis where the Group controls the right to perform the service and successfully deliver the messages.

License and professional service revenue

License revenues are derived from the sale of perpetual end user licenses for the right to use software as it exists at the point the license is granted. The Group assesses whether ongoing contractual obligations, such as annual maintenance charges, represent a performance obligation that is distinct from the licence. If not distinct the combined performance obligation is recognised over time. If the licence is distinct it is recognised separately from the other performance obligations on customer acceptance following installation at the customer's locations as per contracted terms.

Professional service revenues relate to configuration, setup and change requests largely generated on a time and materials basis, and are recognised at the point of acceptance by the customer, or upon completion of designated milestones.

Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Taxation

Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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For the year ended 31 March 2019

2. Accounting policies (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease, except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Adjusted performance measures

A number of adjusted performance measures are used in this annual report and financial statements which are not defined or specified under the requirements of International Financial Reporting Standards (IFRS). Adjusting items are excluded from our headline performance measures by virtue of their size and nature, in order to reflect management's view of the performance of the Group and facilitate the reader to compare performance against prior years more easily.

In particular, the Group presents on the face of the income statement those material items of expenditure which, because of their nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand the elements of financial performance in the period. The measures used are adjusted EBITDA, adjusted operating profit, adjusted profit before tax, adjusted profit after tax, adjusted diluted EPS and adjusted cash generated from operations.

Further details can be found in note 9.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affects the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The critical accounting judgements and key sources of estimation uncertainty at the reporting date derive from management assumptions in respect of:

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For the year ended 31 March 2019

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical accounting judgements

Business combinations

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the consolidated income statement.

Judgement is required in determining the fair value of identifiable assets, liabilities and contingent assets and liabilities assumed in a business combination and the fair value of the consideration payable. Calculating the fair values involves the use of significant judgement around the assumptions applied, including expectations about future cash flows, discount rates and the lives of assets following purchase.

Revenue recognition

When the Group sells services as a principal, income and payments to suppliers are reported on a gross basis in revenue and cost of sales. If the Group sells services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned. Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners. Such judgements impact the amount of reported revenue and cost of sales but do not impact reported assets, liabilities or cash flows.

The Group would have recognised pass through revenues totalling £30,311,000 (2018: £27,525,000) within revenue and cost of sales had management judged that the Group were principal, rather than agent, in billing revenue transactions where amounts are billed and collected on behalf of third parties.

Key sources of estimation uncertainty

Impairment reviews

Management undertake periodic tests for impairment of goodwill if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of goodwill can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters.

Management consider the cash flow growth rate, expressed as the compound annual growth rates in the initial five years of the business plans and forecasts, to be the key source of estimation uncertainty. The growth rates used across the cash-generating units range from 10% to 51% and would need to decrease to between -20% and 5% before impairment would be required.

Taxation including deferred taxation

The Group's tax charge is the sum of total current and deferred tax charges. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items. Provisions for tax contingencies require management to make judgements and estimates in relation to tax audit issues and exposures. Tax benefits are not recognised unless it is probable that the tax position will be sustained.

Management must also assess the probability that the deferred tax assets will be recovered from future taxable income. Deferred tax assets relating to losses and other timing differences of £2,314,000 (2018: £4,818,000) have not been recognised (see note 21). Of this balance, management consider there to be particular uncertainty over the range of £nil to £433,000 relating to the estimation of forecast future taxable income in IMI Mobile Private Limited.

As at 31 March 2019 the carrying amount of deferred tax assets was £550,000 (2018: £484,000) and the carrying amount of deferred tax liabilities was £3,872,000 (2018: £1,763,000).

The accounting policies in relation to these items are disclosed in note 2.

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For the year ended 31 March 2019

4. Operating profit

Operating profit for the year is stated after charging:

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Depreciation of property, plant and equipment	2,069	2,140
Amortisation of intangible assets	1,991	1,160
Amortisation of intangible assets added on acquisition	3,025	1,525
Operating lease rentals	1,482	920
Staff costs (note 6 - including share-based payment charge)	26,551	24,606
Acquisition costs	1,036	788
Loss on disposal of PPE and intangible assets	12	23
Impairment of trade receivables	430	39
Foreign exchange losses	164	293
Research and non-capitalised development costs	2,778	1,265

Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Fees payable to the Group's auditor and their associates for the audit of the group's annual report and financial statements		
- Group	212	206
- Company	5	5
Total audit fees	217	211
Non-audit fees	9	1
Total fees	226	212

5. Business and geographical segments

The Group's operating segments are established on the basis of those components of the Group that are evaluated regularly by the Chief Operating Decision Maker, the Board, in deciding how to allocate resources and in assessing performance.

The Chief Operating Decision Maker considers results principally by geographical region, which forms the Group's operating and reporting segments. Geographically, the operating segments are defined as Europe and Americas (Europe being substantially all to the UK where revenue during the year was £96,764,000 (2018: £69,294,000)), Asia-Pacific¹ (APAC) and Middle East and Africa (MEA), which also represent the Group's reportable segments.

The performance of the operating segments is assessed based on a measure of revenue and gross profit (the result for the segment). Any sales between segments are carried out at arm's length. As costs are shared across geographies, results from gross profit to profit after tax are assessed on a consolidated basis only. The Group does not regularly provide information in relation to the assets or liabilities of operating segments to management.

¹ Dehned as India & SEA in prior year

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5. Business and geographical segments (continued)

Geographical revenue and results

The following is an analysis of the Group's revenue and results by geographical segment

	Europe & Americas £000	APAC £000	MEA £000	Eliminations £000	Total £000
Year ended 31 March 2019					
Revenue to external customers	111,194	16,376	15,161	-	142,731
Inter-segment revenue	-	670	359	(1,029)	-
Total revenue	111,194	17,046	15,520	(1,029)	142,731
Gross profit	44,647	8,825	9,101	-	62,573
Operating costs					(61,578)
Operating profit					995
Net finance costs					(285)
Profit before tax					710
Tax					(2,022)
Profit after tax					(1,312)
Year ended 31 March 2018					
Revenue to external customers	78,318	14,679	18,369	-	111,366
Inter-segment revenue	-	146	273	(419)	-
Total revenue	78,318	14,825	18,642	(419)	111,366
Gross profit	31,291	8,234	11,211	-	50,736
Operating costs					(47,950)
Operating profit					2,786
Net finance costs					(126)
Profit before tax					2,660
Tax					(1,817)
Profit after tax					843

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2 for each period. The revenue from external parties reported is measured in a manner consistent with that in the consolidated income statement. Revenues are attributed to countries on the basis of the customer's location. The Group measures segment profit and loss as gross profit as reported. The Group does not allocate general administration, marketing and sales expenses to segments.

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5. Business and geographical segments (continued)

The following is an analysis of the revenue and gross profit of the Group's top 5 customers (based on gross profit):

	Revenue £000	Revenue % of total	Gross profit £000	Gross profit % of total
Year ended 31 March 2019				
Customer A	26,495	19%	4,898	8%
Customer B	4,792	3%	2,787	4%
Customer C	11,866	8%	2,188	3%
Customer D	3,624	3%	2,172	3%
Customer E	2,110	1%	1,841	3%
Year ended 31 March 2018				
Customer A	19,570	18%	3,463	7%
Customer B	4,160	4%	2,578	5%
Customer C	9,902	9%	1,946	4%
Customer D	6,857	6%	4,197	8%
Customer E	878	1%	639	1%

Additional voluntary disclosures

Alternative revenue model and results

The following disclosures are provided for additional purposes only and does not form part of the Group's segmental reporting under IFRS 8. In addition to geographical performance, the Chief Operating Decision Maker also considers the performance of the Group in line with its revenue model, which has also been disclosed below. The Group's revenue models are defined as:

1. Monthly recurring revenue ("MRR") which is made up of a mix of contracted, usage-based and transactional revenues.
2. License, one-off and professional service revenues ("LOOPS").

These alternative revenue models arise in all geographical segments.

The following is an analysis of the Group's revenue and result by revenue model:

	MRR £000	LOOPS £000	Elimination £000	Total £000
Year ended 31 March 2019				
Revenue to external customers	135,617	7,114	-	142,731
Inter-segment revenue	1,029	-	(1,029)	-
Total revenue	136,646	7,114	(1,029)	142,731
Gross profit	56,339	6,234	-	62,573
Year ended 31 March 2018				
Revenue to external customers	102,684	8,682	-	111,366
Inter-segment revenue	273	146	(419)	-
Total revenue	102,957	8,828	(419)	111,366
Gross profit	42,461	8,275	-	50,736

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For the year ended 31 March 2019

5. Business and geographical segments (continued)

Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed above for each reportable segment under IFRS 8 *Operating Segments*

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Disaggregation of revenue:		
MRR		
- monthly hosting, access and shortcode fees	29,094	7,959
- revenue share and usage	105,143	93,895
- professional services	1,380	830
LOOPS		
- perpetual licenses	1,511	1,318
- professional services	5,603	7,364
	<u>142,731</u>	<u>111,366</u>

6. Employee benefits

Staff costs for the Group during the year:

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Wages and salaries	23,024	21,107
Social security and taxes	2,273	1,722
Share options granted to Directors and employees	780	1,281
Pension costs – Defined contribution plan	359	299
Pension costs – Defined benefit plan	115	197
	<u>26,551</u>	<u>24,606</u>

Average monthly number of people employed:

	Year ended 31 March 2019 Number	Year ended 31 March 2018 Number
Sales and Managed solutions	186	147
Development and Product Management	363	295
Operations and Technical Support	316	364
Common Functions	190	146
	<u>1,055</u>	<u>952</u>

Details of Directors' remuneration and interests are provided in the audited section of the Directors' Report and should be regarded as part of these financial statements.

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For the year ended 31 March 2019

7. Finance income and finance cost

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Interest income	295	176
Interest on defined gratuity plan (note 20)	(56)	(34)
Bank loan interest expense	(524)	(268)
	(580)	(302)

8. Tax

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Current tax		
UK tax expense	1,081	347
India tax expense	265	-
Other foreign tax expense	566	94
Withholding tax expense	318	863
Adjustments in respect of prior periods	(191)	200
	2,039	1,504
Deferred tax (note 21)		
Current year	70	(83)
Adjustments in respect of prior periods	(87)	396
	(17)	313
Total tax charge	2,022	1,817

The total tax charge for the year can be reconciled to the result per consolidated income statement as follows

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Profit before tax	710	2,660
Tax at the UK corporation tax rate of 19% (2018: 19%)	135	505
Effect of overseas tax rates	608	430
Expenses not deductible for tax purposes	2,039	651
Temporary differences on which deferred tax not recognised	(254)	(84)
Effect of change in UK tax rate	82	(108)
Tax adjustments in respect of previous years	(278)	596
Enhanced tax relief on research and development expenditure	(310)	(173)
Total tax charged in the income statement	2,022	1,817

Taxation for each region is calculated at the rates prevailing in the respective jurisdictions. Prior year adjustments relate to the routine confirmation and agreement of the final tax position in local jurisdictions.

The UK corporation tax rate of 19% has been in effect from 1 April 2017. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. UK deferred tax assets and liabilities have been recognised at the rate applying in the period they are expected to unwind. Where this cannot be forecast they are recognised at 17% (2018: 17%).

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For the year ended 31 March 2019

9. Earnings per share ('EPS')

	Year ended 31 March 2019 pence	Year ended 31 March 2018 pence
Basic EPS	(1.9p)	1.5p
Adjusted basic EPS	16.7p	12.6p
Diluted EPS	(1.9p)	1.3p
Adjusted diluted EPS	15.1p	11.2p
	Year ended 31 March 2019 Million	Year ended 31 March 2018 Million
Weighted average number of ordinary shares for the purpose of basic EPS	64.9	61.4
Effect of dilutive potential ordinary shares, share options	6.8	8.1
Weighted average number of ordinary shares for the purpose of diluted EPS	71.7	69.5

A number of non-GAAP adjusted profit measures are used in this annual report and financial statements. Adjusting items are excluded from our headline performance measures by virtue of their size and nature, in order to reflect management's view of the performance of the Group and facilitate the reader to compare performance against prior years more easily. Summarised below is a reconciliation between statutory results to adjusted results. The Group believes that alternative performance measures such as adjusted EBITDA are commonly reported by companies in the markets in which it competes and are widely used by investors in comparing performance on a consistent basis without regard to factors such as depreciation and amortisation, which can vary significantly depending upon accounting methods (particularly when acquisitions have occurred), or based on factors which do not reflect the underlying performance of the business. The adjusted profit after tax earnings measure is also used for the purpose of calculating adjusted earnings per share.

	Statutory results £000	A £000	B £000	C £000	D £000	E £000	F £000	Adjusted results £000
Year ended: 31 March 2019								
Revenue	142,731	-	-	-	-	-	-	142,731
Gross profit	62,573	-	-	-	-	-	-	62,573
Operating costs	(61,578)	8,899	1,036	3,025	-	26	-	(48,592)
Operating profit	995	8,899	1,036	3,025	-	26	-	13,981
Profit before tax	710	8,899	1,036	3,025	-	26	-	13,696
Tax	(2,022)	(143)	(113)	(613)	-	-	-	(2,891)
(Loss)/profit after tax	(1,312)	8,756	923	2,412	-	26	-	10,805
EBITDA ¹	8,080	8,899	1,036	-	-	26	-	18,041
Cash generated from operations	15,903	-	1,036	-	-	-	-	16,939
Basic EPS (pence)	(1.9)	13.5	1.4	3.7	-	0.0	0.0	16.7
Diluted EPS (pence)	(1.9)	12.2	1.3	3.4	-	0.0	0.1	15.1
	Statutory results £000	A £000	B £000	C £000	D £000	E £000	F £000	Adjusted results £000
31 March 2018								
Revenue	111,366	-	-	-	-	-	-	111,366
Gross profit	50,736	-	-	-	-	-	-	50,736
Operating costs	(47,950)	4,561	788	1,525	96	349	-	(40,631)
Operating profit	2,786	4,561	788	1,525	96	349	-	10,105
Profit before tax	2,660	4,561	863	1,525	96	349	-	10,054
Tax	(1,817)	(77)	(111)	(287)	-	-	-	(2,292)
Profit after tax	843	4,484	752	1,238	96	349	-	7,762
EBITDA ¹	7,611	4,561	788	-	96	349	-	13,405
Cash generated from operations	10,720	-	788	-	-	-	-	11,508
Basic EPS (pence)	1.5	7.2	1.2	2.0	0.2	0.6	(0.1)	12.6
Diluted EPS (pence)	1.3	6.4	1.1	1.8	0.2	0.5	(0.1)	11.2

¹ Unadjusted EBITDA is operating profit plus depreciation and amortisation

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For the year ended 31 March 2019

9. Earnings per share ('EPS') (continued)

Adjustments for costs which management do not consider reflect underlying business performance

- | | |
|---|---|
| A | <p>Share-based payment charge net of tax</p> <ul style="list-style-type: none"> • £5,639,000 (2018: £2,721,000) relates to contingent consideration arising from acquisition activities • £2,480,000 (2018: £559,000) relates to put options on acquisitions • £4,000 (2018: £488,000) relates to employee share schemes granted as part of the Group's listing in June 2014 • £111,000 (2018: £28,000) relates to employee share schemes granted as a means of retention for key employees joining the Group as a result of an acquisition • £522,000 (2018: £688,000) relates to on-going employee incentive share schemes <p>Share-based payment charges are commonly adjusted from headline results by similar companies which operate in the same markets as the Group. Management believe that share-based payments linked to acquisitions and the Company's IPO should be considered one-off in nature and do not reflect the underlying performance of the Group. On-going employee incentive share schemes have not been consistently granted to employees since IPO and the share-based payment expense in the income statement has therefore not been consistent over this period and the effect on profits do not reflect the underlying performance of the Group.</p> |
| B | Costs directly relating to acquisitions including retention bonuses payable to key management personnel of the acquired entity agreed at the time of acquisition. |
| C | Amortisation of acquired intangibles. The majority of intangible assets acquired via acquisitions relate to value which has been created prior to acquisition, the cost of which has been expensed over time. Had the Group chosen to create these assets instead of acquiring them the related costs would have been expensed in prior periods. It is therefore considered appropriate to exclude the amortisation of these historic expenses from the adjusted results of the Group. |
| D | Change in benefit limit of defined gratuity plan in India |
| E | Exchange losses incurred on the Nigerian Naira following its unpegging against the US Dollar on 20 June 2016. Management consider this to be an adjusting item until such time as the currency can be freely traded on the exchange market due to the lifting of restrictions imposed by the Central Bank of Nigeria. |
| F | Basic adjusted EPS and diluted adjusted EPS includes profit attributable to non-controlling interests not included in the calculation of statutory basic and diluted EPS. Diluted adjusted EPS also includes the dilutive effect of share options not included in statutory diluted EPS when they have an anti-dilutive effect. |

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10. Goodwill

Goodwill is monitored by management at the CGU level by region and delivery model. The following is a summary of goodwill allocation for each CGU:

	Opening £000	Additions £000	Hindsight adjustment £000	Foreign exchange movement £000	Closing £000
31 March 2019					
Europe ¹	7,861	-	-	-	7,861
Textlocal	10,073	-	-	-	10,073
Archer	2,532	-	-	(290)	2,242
Infracast	4,880	-	-	-	4,880
Sumotext	1,721	-	-	130	1,851
Healthcare	6,198	-	184	-	6,382
Impact Mobile	-	10,205	-	(60)	10,145
ExpressPigeon	-	215	-	(12)	203
Total	33,265	10,420	184	(232)	43,637
	Opening £000	Additions £000	Hindsight adjustment £000	Foreign exchange movement £000	Closing £000
31 March 2018					
Europe ¹	7,861	-	-	-	7,861
Textlocal	10,073	-	-	-	10,073
Archer	2,500	-	-	32	2,532
Infracast	4,880	-	-	-	4,880
Sumotext	-	1,721	-	-	1,721
Healthcare	-	6,198	-	-	6,198
Total	25,314	7,919	-	32	33,265

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The long-term growth rates are management's estimates. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

CGUs serve a common group of customers such that the key assumptions used for value-in-use calculations for all CGUs are as follows:

	Cash flow growth rate ²	Long-term growth rate	Discount rate
At 31 March 2019			
Europe ¹	11%	2%	10.1%
Textlocal	16%	2%	10.1%
Archer	27%	2%	16.4%
Infracast	32%	2%	10.1%
Sumotext	42%	2%	11.3%
Healthcare	31%	2%	10.1%
At 31 March 2018			
Europe ¹	15%	2%	13.4%
Textlocal	19%	2%	13.4%
Archer	30%	2%	14.7%
Infracast	22%	2%	13.4%

Value in use is calculated for the various CGUs based on approved business plans and forecasts taking into account certain variables for each CGU. Below is a description of the principal variables that have been considered for each CGU with significant goodwill.

Long-term growth rate

In all cases, impairment tests are performed using the projected cash flows based on Board approved forecasts and strategic plans over a five-year period. Cash flow projections from the sixth year are calculated using an expected constant growth rate.

¹ Excluding Textlocal, Infracast and Healthcare

² Cash flow growth rate is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the business plans and forecasts used for impairment testing

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10. Goodwill (continued)

Discount rate

The pre-tax discount rates used are disclosed above and take into account the market risk rate associated with the company. A discount factor is calculated using the discount rate and applied to future projected cash flows.

11. Other intangible assets

Cost	Trade name £000	Customer relationships £000	Capitalised development costs £000	Software £000	Trademarks and licenses £000	Total £000
At 1 April 2017	152	4,225	2,877	3,542	1,922	12,718
Additions	-	148	-	333	31	512
Internally generated	-	-	4,940	-	-	4,940
On acquisition	800	6,216	-	800	-	7,816
Exchange differences	-	-	-	(55)	(214)	(269)
At 31 March 2018	952	10,589	7,817	4,620	1,739	25,717
Additions	-	-	1,008	217	24	1,249
Internally generated	-	-	5,319	-	-	5,319
On acquisition (see note 30)	364	6,365	-	755	12	7,496
Exchange differences	6	125	-	22	56	209
At 31 March 2019	1,322	17,079	14,144	5,614	1,831	39,990
Accumulated amortisation and impairment	Trade name £000	Customer relationships £000	Capitalised development costs £000	Software £000	Trademarks and licenses £000	Total £000
At 1 April 2017	19	518	333	929	986	2,785
Amortisation charge	64	1,024	723	619	255	2,685
Exchange differences	-	-	-	(50)	(123)	(173)
At 31 March 2018	83	1,542	1,056	1,498	1,118	5,297
Amortisation charge	179	2,272	1,523	798	244	5,016
Exchange differences	51	33	-	5	(19)	70
At 31 March 2019	313	3,847	2,579	2,301	1,343	10,383
Carrying value at 31 March 2018	869	9,047	6,761	3,122	621	20,420
Carrying value at 31 March 2019	1,009	13,232	11,565	3,313	488	29,607

Capitalised development costs is the only category of intangible assets which are internally generated. This is the case for all assets within this category

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12. Property, plant and equipment

	Leasehold improvements £000	Furniture & Fixtures £000	Office Equipment £000	Vehicles £000	Computers & Servers £000	Total £000
Cost or valuation:						
At 1 April 2017	2,639	863	569	176	19,419	23,666
Additions	30	33	20	-	989	1,072
On acquisition	-	-	-	-	55	55
Disposal	(27)	(43)	-	-	(2,759)	(2,829)
Exchange differences	(284)	(95)	(67)	(20)	(1,575)	(2,041)
At 31 March 2018	2,358	758	522	156	16,129	19,923
Additions	201	92	10	74	806	1,183
On acquisition	-	1	-	-	624	625
Disposal	-	(3)	(1)	-	(429)	(433)
Exchange differences	6	(148)	5	2	(565)	(700)
At 31 March 2019	2,565	700	536	232	16,565	20,598
	Leasehold improvements £000	Furniture & Fixtures £000	Office Equipment £000	Vehicles £000	Computers & Servers £000	Total £000
Accumulated depreciation:						
At 1 April 2017	1,878	698	510	35	14,540	17,661
Charge for the year	176	47	27	21	1,869	2,140
Disposal	(17)	(29)	-	-	(2,760)	(2,806)
Exchange differences	(212)	(86)	(58)	(5)	(1,320)	(1,681)
At 31 March 2018	1,825	630	479	51	12,329	15,314
Charge for the year	166	51	25	23	1,804	2,069
Disposal	-	(3)	(1)	-	(417)	(421)
Exchange differences	4	(149)	5	-	(571)	(711)
At 31 March 2019	1,995	529	508	74	13,145	16,251
Net book value:						
At 31 March 2018	533	128	43	105	3,800	4,609
At 31 March 2019	570	171	28	158	3,420	4,347

13. Cash and cash equivalents

	As at 31 March 2019 £000	As at 31 March 2018 £000
Unrestricted		
Cash on hand and at bank	13,151	15,654
Restricted		
Short-term bank deposits	96	89
Cash and cash equivalents	13,247	15,743

Restricted short-term bank deposits represent cash balances deposited in bank accounts attracting a preferential interest rate and are typically deposited for a period of 90 to 180 days. Preferential interest rates are agreed in advance of the deposit being transferred and depend on the prevailing local rates and market conditions at the time

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14. Trade and other receivables

	As at 31 March 2019 £000	As at 31 March 2018 £000
Trade receivables (note 15)		
– revenue to be collected on behalf of the Group	26,986	15,993
– pass through revenues to be collected on behalf of billing customers	512	1,756
Other receivables	477	855
Refundable deposits	125	87
Prepayments	3,283	2,586
Accrued income		
– revenue to be collected on behalf of the Group	14,253	12,790
– pass through revenues collected on behalf of billing customers	2,767	3,426
Withholding tax debtor	877	1,364
Due from related parties (note 16)	31	31
Tax receivable	1,304	1,206
	<u>50,615</u>	<u>40,094</u>

The fair value of receivables approximates their carrying values as at 31 March 2019 and 31 March 2018

15. Trade receivables

	As at 31 March 2019 £000	As at 31 March 2018 £000
Amounts falling due within one year:		
Trade receivables	28,391	18,450
Less Provision for receivables	(893)	(701)
Trade receivables – net	<u>27,498</u>	<u>17,749</u>

The historical level of customer default is low and, as a result, the credit quality of period end trade receivables is considered to be high. Trade receivables are considered past due once they have passed their contracted due date. The Group review trade receivables past due but not impaired on a regular basis and in determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date

Included in the Group's trade receivables balance are debtors with a carrying amount of £9,917,000 (2018: £7,144,000) which are past due at the reporting date, for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still recoverable. Of the total balance, £4,756,000 (2018 £2,260,000) is past due by fewer than 30 days. The average age of trade receivables and amounts billable not yet invoiced, excluding pass through revenues, is 108 days (2018 94 days).

The movement in bad debt provision has been analysed below:

	As at 31 March 2019 £000	As at 31 March 2018 £000
Movement in bad debt provision		
As at 1 April	701	806
On acquisition	17	-
Charged to the income statement	431	127
Credited to the income statement	(1)	(88)
Debts written off	(268)	(62)
Foreign exchange	13	(82)
As at 31 March	<u>893</u>	<u>701</u>

The creation and release of provision for uncollectable receivables have been included in operating costs in the consolidated income statement.

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16. Related party transactions

The Group has entered into various transactions with related parties in the normal course of its business. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows

Balances included in the consolidated Statement of Financial Position

	Notes	As at 31 March 2019 £000	As at 31 March 2018 £000
Due from related parties	a)	31	31

IAS24 allows disclosure exemption of transactions between wholly owned subsidiaries that are eliminated on consolidation.

Balances included in the consolidated income statement

	Notes	As at 31 March 2019 £000	As at 31 March 2018 £000
Amounts paid to key management personnel	b)	806	764

- a) On 11 October 2012 Mr T Newmarch, a current Director of IMImobile Europe Limited, was loaned an interest free amount totalling £52,671 by IMImobile Europe Limited. Subsequent loan repayments and exchange rate movements reduced the balance to £31,151 and this amount was outstanding at 31 March 2019 and 31 March 2018

All loans made to Directors of the Group were approved by the shareholders in accordance with the Companies Act 2006.

- b) The compensation of the Directors of the Group, considered to be key management personnel, was as follows:

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Short-term employee benefits	789	747
Post-employment benefits	17	17
	806	764

Details of Directors' remuneration are disclosed within the Directors' Report.

17. Trade and other payables

	As at 31 March 2019 £000	As at 31 March 2018 £000
Trade payables		
- cost of sales to be paid on behalf of the Group	17,416	14,932
- pass through revenues to be paid to billing customers	2,591	3,087
Other payables	1,359	1,168
Put option on acquisitions (note 23)	1,013	1,137
Accrued expenses		
- cost of sales to be paid on behalf of the Group	16,694	12,710
- pass through revenues to be paid to billing customers	2,530	2,598
Deferred income	9,707	6,837
VAT payable	3,075	1,527
	54,385	43,996

Trade payables balances are non-interest bearing and are settled within 30-60 days

The fair value of accounts payable and other credit balances approximates to their carrying values as at each respective reporting date

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18. Provision for contingent consideration

	As at 31 March 2019 £000	As at 31 March 2018 £000
Contingent consideration arising on acquisition of Sumotext	-	1,263
Contingent consideration arising on acquisition of Healthcare Communications	1,750	487
Other contingent consideration	56	56
Provision for contingent consideration due in less than one year	1,806	1,806
Contingent consideration arising on acquisition of Healthcare Communications	-	465
Other contingent consideration	57	92
Provision for contingent consideration due in more than one year	57	557

The provision for the contingent consideration arising on acquisition of Healthcare Communications relates to the Company, and was settled in cash in April 2019.

19. Bank borrowings

	As at 31 March 2019 £000	As at 31 March 2018 £000
UK bank loans due in less than one year	1,392	-
South African bank loans due in less than one year	219	223
Bank loans due in less than one year	1,611	223
UK bank loans due in more than one year	18,898	10,765
South African bank loans due in more than one year	222	431
Bank loans due in more than one year	19,120	11,196

UK bank loans taken by the Company:

- A bank loan of £10,765,000 was taken by the Company in December 2017 and amended in July 2018 with a four-year term and an annual interest rate of between 1.5% and 2.0% plus LIBOR, based on the level of net leverage
- A bank loan of £10,000,000 was taken by the Company in July 2018 repayable over 3.5 years and bearing interest at an annual rate of between 1.5% and 2.0% plus LIBOR, based on the level of net leverage. Principal repayments of £475,000 were made in the year.

A South African bank loan of ZAR 15,000,000 was taken by Archer Digital Limited in October 2016 and is repayable over four years. The loan is secured by fixed assets and bears interest at South Africa's prime rate plus 1%. Principal repayments of £213,000 were made in the year.

20. Employees' post-retirement benefits

The Group has a defined gratuity plan in place for all IMI Mobile Private Limited employees. The benefit has a qualifying period requiring the employee to complete five years of service. The defined gratuity plan for the Group is accounted for as an unfunded defined benefit scheme and represents a cash bonus payable to an employee who has completed five years of service calculated as a fraction of the employee's last drawn salary multiplied by the number of completed years of service, capped at INR 2,000,000. On the basis of an actuarial valuation, the Group makes a provision of such gratuity in the consolidated financial statements.

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Notes to the consolidated financial statements

For the year ended 31 March 2019

20. Employees' post-retirement benefits (continued)

Net benefit expenses

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Current service cost	115	101
Change in benefit limit of defined gratuity	-	96
Interest cost on benefit obligation	56	34
Net actuarial losses recognised	9	191
Total	180	422

The movement in the defined gratuity obligation over the year is as follows:

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Opening defined benefit obligation	912	634
Interest cost	56	34
Current service cost	115	101
Change in benefit limit of defined gratuity	-	96
Benefits paid	(79)	(59)
Net actuarial loss recognised in the year	9	191
Exchange differences	19	(85)
Closing defined benefit obligation	1,032	912

The significant actuarial assumptions were as follows:

	Year ended 31 March 2019	Year ended 31 March 2018
Discount rate	7.7%	7.7%
Salary growth rate	1 st Year – 10% Thereafter – 6%	1 st Year – 10% Thereafter – 6%
Mortality tables	LIC (2006-08)	LIC (2006-08)

Sensitivity analysis on the actuarial assumptions is as follows:

	Sensitivity applied	Change to present value of obligation
Discount rate	+1%	-£876,000
Salary growth rate	+1%	+£878,000
Attrition rate	+50%	+£280,000
Mortality tables	+10%	+£7,000

The estimates of future salary increases considered in the actuarial valuation take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

21. Deferred tax

The Group's deferred tax assets and liabilities are measured at the end of each period in accordance with IAS 12. The recognition of deferred tax assets is determined by reference to the Group's estimate of recoverability, using models where appropriate to forecast future taxable profits. Deferred tax assets have only been recognised for territories where the Group considers that it is probable there would be sufficient taxable profits for the future deductions to be utilised. If it is probable that some portion of these assets will not be realised, then no asset is recognised in relation to that portion.

If market conditions improve and future results of operations exceed our current expectations, our existing recognised deferred tax assets may be adjusted, resulting in future tax benefits. Alternatively, if market conditions deteriorate further or future results of operations are less than expected, future assessments may result in a determination that some or all of the deferred tax assets are not realisable. As a result, all or a portion of the deferred tax assets may need to be reversed.

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For the year ended 31 March 2019

21. Deferred tax (continued)

Certain deferred tax assets and liabilities have been offset as they relate to the same tax group or entity. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Gross £000	Offset £000	As reported £000
31 March 2019			
Deferred tax assets	1,559	(1,009)	550
Deferred tax liabilities	(4,881)	1,009	(3,872)
Total	(3,322)	-	(3,322)
31 March 2018			
Deferred tax assets	1,472	(988)	484
Deferred tax liabilities	(2,751)	988	(1,763)
Total	(1,279)	-	(1,279)

The gross movement on the deferred income tax account is as follows:

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
At 1 April	(1,279)	(330)
Income statement credit/(charge)	17	(421)
Effect of change in UK deferred tax rate	-	108
On acquisition	(1,870)	(894)
Share-based payment recognised in equity	(187)	330
Exchange differences	(3)	(72)
At 31 March	(3,322)	(1,279)

The following are the deferred tax liabilities and assets recognised by the Group and movements thereon during the respective period:

	Property, Plant and Equipment £000	Share-based payments £000	Intangible assets £000	Other short-term temporary differences £000	Total £000
Deferred tax assets.					
At 1 April 2018	518	759	-	195	1,472
(Charge) / credit to the income statement	(163)	142	-	295	274
Share-based payments recognised in equity	-	(187)	-	-	(187)
At 31 March 2019	355	714	-	490	1,559
Deferred tax liabilities					
At 1 April 2018	(218)	-	(2,533)	-	(2,751)
Charge to the income statement	(61)	-	(196)	-	(257)
On acquisition	-	-	(1,870)	-	(1,870)
Exchange differences	-	-	(3)	-	(3)
At 31 March 2019	(279)	-	(4,602)	-	(4,881)

Other short-term temporary differences comprise a number of items, none of which is individually significant to the Group's Statement of Financial Position. At 31 March 2018 the balance related to temporary differences in relation to long-term employee benefits including retirement benefits, and the provision of bad debts and tax losses in India to the extent they are offset by deferred tax on property, plant and equipment in India.

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21. Deferred tax (continued)

At the balance sheet date, the Group has losses of £10,764,000 on which there are unrecognised deferred tax assets of £2,314,000 (2018: £4,818,000). No deferred tax asset has been recognised in respect of these temporary differences as the Group considers that there will not be enough taxable profits in the entities concerned such that any additional asset could be considered recoverable. Of these unrecognised deferred tax assets, £1,811,000 may be carried forward indefinitely and £433,000 expire after eight years.

No deferred tax liability is recognised on gross temporary differences of £19,506,000 (2018: £18,025,000) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The temporary differences at 31 March 2019 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings may still result in a tax liability, principally as a result of a dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate.

22. Share capital, share premium and reserves

Allotted, called up and fully paid	Share Capital £000	Share Premium £000	Total £000
At 1 April 2018	6,204	1,246	7,450
Share options exercised	343	2,190	2,533
Issued as part of Healthcare early settlement (note 23)	35	715	750
Issued as part of exercise of Sumotext call option (note 23)	89	2,515	2,604
At 31 March 2019	6,671	6,666	13,337

	Number of Ordinary shares
At 1 April 2018	62,043,885
Share options exercised	3,427,923
Issued as part of Healthcare early settlement	348,837
Issued as part of exercise of Sumotext call option	888,566
At 31 March 2019	66,709,211

During the year 3,171,983 share options were exercised for consideration of £1,806,000. The exercise of 238,440 flowering share options and 17,500 unapproved options for nil consideration has been accounted for as a reduction of £727,000 in the share-based payment reserve

Ordinary shares

The Group's capital consists of a single class of equity share.

The amount classified as equity share capital represents the nominal value of allotted, called up and fully paid ordinary shares at a par value of £0.10. Each holder of ordinary shares is entitled to one vote per share.

Translation reserve

The translation reserve is used to record cumulative translation differences on the assets and liabilities of foreign operations. The cumulative translation differences are recycled to the income statement on disposal of the foreign operation.

Share-based payment reserve

The share-based payment reserve relates to the charge for the share-based payment in accordance with International Financial Reporting Standard 2.

Capital restructuring reserve

The capital restructuring reserve was created as part of the capital restructuring of the Group following admission to AIM. The share capital and share premium were restated based on the 3:1 conversion of ordinary shares, with a corresponding entry in the restructuring reserve. The restructuring reserve also reflects the conversion of preference shares to ordinary shares and the creation of a non-controlling interest in the Group that has subsequently been eliminated.

Retained earnings / (deficit)

Retained earnings / (deficit) represents the cumulative earnings of the Group attributable to equity shareholders.

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For the year ended 31 March 2019

23. Share-based payments

The fair value of options granted is recognised as an employee expense in the income statement with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured using the Black-Scholes option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised in the income statement is adjusted at each balance sheet date to reflect the number of share options that are expected to vest revised for expected leavers and estimated achievement for non-market based vesting conditions.

Prior to admission to AIM and subsequently, options were issued to the Directors and key employees. The Group operated the following schemes during the year

Flowering Share Plan

The plan was established on 16 May 2014. The options granted vest over a period of 0-4 years and are dependent upon continued employment, and meeting an objective Company hurdle and performance targets for the Group's adjusted EPS. The options may be forfeited if the employee leaves the Group and the rights of the participants lapse if the award has not been exercised after a period of 10 years from the grant date.

Details of the share awards outstanding during the year are as follows

	As at 31 March 2019		As at 31 March 2018	
	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)	Number of share options
At 1 April	0.03	1,470,938	0.03	1,770,938
Exercised	0.03	(238,440)	0.03	(300,000)
At 31 March	0.03	1,232,498	0.03	1,470,938
Vested	0.03	1,128,437	0.03	1,017,190
Unvested	0.03	104,061	0.03	453,748
At 31 March	0.03	1,232,498	0.03	1,470,938

The options outstanding at 31 March 2019 have a weighted average remaining contractual life of 5.1 years (2018: 6.1 years)

The fair value at grant date has been determined using the Black-Scholes valuation model. The significant inputs into the model were a risk-free interest rate of 0.31% to 1.55%, exercise price shown above, an expected option life of five years, volatility of 22% to 70% depending on the vesting date of the options and a dividend yield of nil.

2014 Unapproved Option Plan

The plan was established on 26 June 2014. The options granted vest over a period of 0-4 years and are dependent upon continued employment and meeting performance targets for the Group's adjusted EPS. The options may be forfeited if the employee leaves the Group and the rights of the participants lapse if the award has not been exercised after a period of 10 years from the grant date.

Details of the share awards outstanding during the year are as follows

	As at 31 March 2019		As at 31 March 2018	
	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)	Number of share options
At 1 April	0.81	9,144,399	0.76	9,330,486
Granted	2.32	1,926,709	2.29	435,840
Exercised	0.53	(2,818,517)	0.94	(439,236)
Forfeited	1.62	(80,484)	1.34	(182,691)
At 31 March	1.26	8,172,107	0.81	9,144,399
Vested	0.52	3,890,721	0.45	5,525,876
Unvested	1.93	4,281,386	1.37	3,618,523
At 31 March	1.26	8,172,107	0.81	9,144,339

The aggregate fair value of options granted in the year is £2,055,000 (2018: £278,000). The options outstanding at 31 March 2019 have a weighted average remaining contractual life of 7.2 years (2018: 7.2 years).

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For the year ended 31 March 2019

23. Share-based payments (continued)

The fair value at grant date has been determined using the Black-Scholes valuation model. The significant inputs into the model were a risk-free interest rate of 0.42% to 1.72%, exercise price shown above, an expected option life of five years, volatility of 7% to 70% depending on the vesting date of the options and a dividend yield of nil.

CSOP

The plan was established on 26 June 2014. The options granted vest over a period of 0-4 years and are dependent upon continued employment. The options may be forfeited if the employee leaves the Group and the rights of the participants lapse if the award has not been exercised after a period of 10 years from the grant date.

Details of the share awards outstanding during the year are as follows:

	As at 31 March 2019		As at 31 March 2018	
	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)	Number of share options
At 1 April	1.63	1,242,919	1.42	1,264,383
Granted	2.36	108,191	2.47	261,400
Exercised	1.36	(197,966)	1.31	(177,420)
Forfeited	2.20	(48,050)	1.67	(105,444)
At 31 March	1.73	1,105,094	1.63	1,242,919
Vested	1.43	679,761	1.30	645,004
Unvested	2.21	425,333	1.99	597,915
At 31 March	1.73	1,105,094	1.63	1,242,919

The aggregate fair value of options granted in the year is £64,000 (2018: £149,000). The options outstanding at 31 March 2019 have a weighted average remaining contractual life of 7.0 years (2018: 7.6 years).

The fair value at grant date has been determined using the Black-Scholes valuation model. The significant inputs into the model were a risk-free interest rate of 0.42% to 1.72%, exercise price shown above, an expected option life of five years, volatility of 7% to 70% depending on the vesting date of the options and a dividend yield of nil.

Rollover scheme

The plan was established on 27 June 2014. The options granted vest over a period of 0-4 years and are dependent upon continued employment. The options may be forfeited if the employee leaves the Group and the rights of the participants lapse if the award has not been exercised after a period of 10 years from the grant date.

Details of the share awards outstanding during the year are as follows:

	As at 31 March 2019		As at 31 March 2018	
	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)	Number of share options
At 1 April	0.30	493,500	0.30	604,500
Exercised	0.30	(173,000)	0.30	(111,000)
At 31 March	0.30	320,500	0.30	493,500
Vested	0.30	320,500	0.30	493,500
Unvested	-	-	-	-
At 31 March	0.30	320,500	0.30	493,500

The options outstanding at 31 March 2019 have a weighted average remaining contractual life of 5.2 years (2018: 6.2 years).

The fair value at grant date has been determined using the Black-Scholes valuation model. The significant inputs into the model were a risk-free interest rate of 0.44% to 1.34%, exercise price shown above, an expected option life of five years, volatility of 9% to 41% depending on the vesting date of the options and a dividend yield of nil.

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For the year ended 31 March 2019

23. Share-based payments (continued)

Total of Employee Share Schemes

	As at 31 March 2019		As at 31 March 2018	
	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)	Number of share options
At 1 April	0.78	12,351,756	0.70	12,970,307
Granted	2.32	2,034,900	2.36	697,240
Exercised	0.53	(3,427,923)	0.67	(1,027,656)
Forfeited	1.83	(128,534)	1.46	(288,135)
At 31 March	1.14	10,830,199	0.78	12,351,756
Vested	0.52	6,019,419	0.46	7,681,570
Unvested	1.91	4,810,780	1.32	4,670,186
At 31 March	1.14	10,830,199	0.78	12,351,756

The aggregate fair value of options granted in the year is £2,119,000 (2018: £427,000). The options outstanding at 31 March 2019 have a weighted average remaining contractual life of 6.9 years (2018: 7.0 years).

Archer put/call option

Archer management team's shareholding in Archer Digital Limited includes a put option which enables them to sell their holding to the Group after 5 years or in the event of an unconditional offer for the Company, and a call option which gives the Group the right to require management to sell some or all of its holding at fair market value. The Group revalues this option each year and has accounted for it as a cash settled share-based payment vesting over the 5-year period, with a charge of £73,000 recorded in the year ended 31 March 2019 (2018: £362,000).

The fair value at grant date has been determined using the Black-Scholes valuation model. The significant inputs into the model were a risk-free interest rate of 0.44% to 1.10%, an expected option life of five years, volatility of 9% to 35% depending on the vesting date of the options and a dividend yield of nil.

Infracast contingent consideration

The contingent consideration arising from the acquisition of Infracast is treated as remuneration rather than consideration as one of the conditions of payment is continued employment of one of the shareholders of the company post-acquisition. As the Group has the option to settle the contingent consideration in shares in the Company or cash, it is included as a share-based payment. The charge is taken to the consolidated income statement evenly over the period from acquisition to the settlement date.

The total intrinsic value at 31 March 2019 is £1,000,000 and the Group recorded total expense of £4,426,000 in the year (2018: £2,387,000). During the year the Group settled in cash the contingent consideration of £2,387,000 arising in the prior year, resulting in a reduction to the share-based payment reserve.

Healthcare Communications contingent consideration

Part of the contingent consideration arising from the acquisition of Healthcare Communications was being treated as remuneration rather than consideration as one of the conditions of payment is continued employment of two of the former shareholders of the company post-acquisition. As the Group had the option to settle the contingent consideration in shares in the Company or cash, it is included as a share-based payment.

During the year the Group agreed early settlement of the contingent consideration in order to accelerate integration activities and to further capitalise on market opportunities. The early settlement resulted in a share-based payment charge in the year of £1,213,000 (2018: £334,000) and a reduction to the share-based payment reserve of £1,547,000. The consideration for early settlement comprised £750,000 settled in 348,837 Ordinary shares issued in the Company in the year and £1,750,000 paid in cash in April 2019, included in current provision for contingent consideration at year end (see note 18).

There will be no further charges in relation to Healthcare Communications contingent consideration.

Sumotext put/call option

Sumotext's management's shareholding in IMI Mobile North America Inc includes a put option which enabled them to sell their holding to the Group after 5 years or in the event of an unconditional offer for the Company, and a call option which gave the Group the right to require management to sell some or all of its holding at fair market value.

During the year the Group exercised their call option to acquire the remaining 20% share of IMI Mobile North America Inc for consideration of £2,604,000 settled with the issue of 888,566 ordinary shares in the Company. This resulted in a share-based payment charge in the year of £2,407,000 (2018: £197,000).

There will be no further charges in relation to the Sumotext put option.

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23. Share-based payments (continued)

Share-based payment charge

The Group recognised the following expense related to share-based payments:

	31 March 2019 £000	31 March 2018 £000
Employee share schemes granted as part of the Group's listing in June 2014	76	445
Employee share schemes granted to retain key staff as part of an acquisition	122	29
On-going employee incentive share schemes	582	807
Infracast contingent consideration	4,426	2,387
Healthcare Communications contingent consideration	1,213	334
	<u>6,419</u>	<u>4,002</u>
Credit to equity for share-based payments		
Archer put option	73	362
Sumotext put option	2,407	197
	<u>2,480</u>	<u>559</u>
Movement in put options on acquisitions		
Share-based payment charge	<u>8,899</u>	<u>4,561</u>

24. Notes to the Consolidated Cash Flow Statement

Cash generated from operations

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Cash flows from operating activities:		
Profit before taxation	710	2,660
Adjustments:		
Net finance costs	285	126
Share-based payments	8,899	4,561
Exchange losses on the Nigerian Naira	26	349
Depreciation of property, plant and equipment	2,069	2,140
Amortisation of intangible assets	5,016	2,685
Change in the benefit limit of defined gratuity	-	96
	<u>17,005</u>	<u>12,617</u>
Operating cash flow before movements in working capital		
Increase in receivables	(9,666)	(10,460)
Increase in payables	8,426	8,246
Increase in provision for defined benefit gratuity plan	138	348
Foreign exchange gain on working capital	-	(31)
	<u>15,903</u>	<u>10,720</u>

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities

	1 April 2018 £000	Financing cash flows £000	31 March 2019 £000
Cash changes:			
Bank borrowings (note 19)	11,419	9,312	20,731
Total liabilities from financing activities	<u>11,419</u>	<u>9,312</u>	<u>20,731</u>

25. Dividends per share

No dividends were paid in the year ended 31 March 2019 or 31 March 2018.

26. Contingent liabilities

There were no contingent liabilities at 31 March 2019 or 31 March 2018

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27. Financial risk management

The Group's financial instruments comprise cash and cash equivalents and items such as trade payables and trade receivables which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk, equity price risk and foreign currency exchange rate risk. It is the objective of the Group to minimise these risks where possible by maintaining and operating a robust control environment. Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Group's finance department.

The Group currently does not use derivative financial instruments to manage its exposure to these risks.

Financial instruments

The following table combines information about:

- classes of financial instruments based on their nature and characteristics,
- the carrying amounts of financial instruments,
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Notes	Financial assets at amortised cost £000	Financial liabilities at FVTPL £000	Financial liabilities at amortised cost £000	Fair value hierarchy
Cash and cash equivalents	13	13,247	-	-	Level 1
Trade and other receivables	14	50,615	-	-	Level 1
Trade and other payables	17	-	-	(54,385)	Level 1
Provision for contingent consideration					
- current	18	-	(1,806)	-	Level 3
- non-current	18	-	(57)	-	Level 3
Bank borrowings					
- current	19	-	-	(1,611)	Level 1
- non-current	19	-	-	(19,120)	Level 1

The provision for contingent consideration primarily relates to the acquisition of Healthcare Communications and fair value was based on expected gross profit growth in the business. Early settlement was reached with the owners of the business during the year (see note 23) so the fair value amount was paid in cash in April 2019.

Liquidity risk

As regards liquidity, the Group's policy throughout the period has been to ensure continuity of funding. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows. The Group has not entered into any derivative transactions in the current or prior year.

All trade payables (note 17) are due to be paid within twelve months of the balance sheet date. The average trade creditor days for the Group, expressed as a number of days, was 128 (2018: 133).

Currency risk

The Group's policy is to conduct the majority of its sales in the local or pegged currency of each entity (see note 2). Within each statutory entity, there is an amount of trading with overseas customers which are settled in foreign currencies. The Group monitors its exposure to currency by regularly reviewing its cash balances and matching these with future and forecast requirements.

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27. Financial risk management (continued)

The Group at the year-end held cash at bank amounts as follows:

	As at 31 March 2019 £000	As at 31 March 2018 £000
United Arab Emirates Dirham	218	284
Bangladesh Taka	99	275
Euro	1,124	3,276
UK Pounds Sterling	4,765	5,950
Indian Rupee	2,266	1,617
Nigerian Naira	66	272
Sri Lankan Rupee	16	17
US Dollar	1,963	2,593
South African Rand	804	1,125
Tunisian Dinar	295	146
Myanmar Kyat	221	144
Nepalese Rupee	106	44
Canadian Dollar	1,304	-
	<u>13,247</u>	<u>15,743</u>

Foreign currency exchange rate risk

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. As well as naturally mitigating this risk by offsetting its cost base in the same currencies where possible, currency exposure arising from the net assets of the Group's foreign operations is managed through cash balances denominated in the relevant foreign currencies.

The Group is mainly exposed to the Canadian Dollar, South African Rand, US Dollar, Indian Rupee and Euro currencies.

The following table details the Group's sensitivity to a 10% increase or decrease in Sterling against the relevant foreign currencies. 10% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where Sterling strengthens 10% against the relevant currency. For a 10% weakening of Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative or positive.

	As at 31 March 2019 £000	As at 31 March 2018 £000
Currency impact of:		
South African Rand	(32)	39
US Dollar	373	(217)
Indian Rupee	144	73
Euro	39	217
Canadian Dollar	(183)	-

Interest rate risks

Historically the Group has financed its operations through a mix of equity and debt to help minimise its exposure. During the year the Group increased its bank borrowings (note 19) to help fund the acquisitions of Impact Mobile and ExpressPigeon.

The Group minimises its risk to interest fluctuations by closely monitoring interest rates and drawing funds from jurisdictions with low and stable interest rates. The Group controls the value of debt taken on as a ratio of profits. An increase in LIBOR and South Africa's prime rate by 0.5% would increase the total interest expense for the Group, in relation to the UK and South African loans, by £104,000.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's receivables from customers. It is the Group's policy to minimise its credit risk exposure by reviewing the recoverability of trade receivables at the balance sheet date and considers any change in the credit quality of the receivables on an individual basis from the date the receivable was created to the date the balance is settled.

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27. Financial risk management (continued)

The Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rate is based on the historical credit losses experienced within the past 12 months. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The financial asset is considered in default when there is evidence indicating the asset is credit-impaired and is written off when there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.

There has been no material change in the credit risk compared to the prior year. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date can be found within notes 14 and 15. The table below summarises the Group's credit exposure to six of its key customers at the balance sheet date, excluding pass through revenues.

	As at 31 March 2019 £000	As at 31 March 2018 £000
Customer A	8,726	2,355
Customer B	1,513	1,127
Customer C	3,810	2,091
Customer D	523	1,368
Customer E	1,111	459
Customer F	2,733	1,486

There are no other customers that represent more than 5% of the total balance of trade receivables in either period.

28. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. For the purpose of capital risk management, the total capital resources consist of the following components:

	As at 31 March 2019 £000	As at 31 March 2018 £000
Cash and cash equivalents	13,247	15,743
Bank borrowings	(20,731)	(11,419)
Net (debt)/cash	(7,484)	4,324
Equity	60,120	54,162

29. Operating lease arrangements

The Group's significant lease arrangements are in respect of operating leases for premises (residential and office). These lease arrangements which are non-cancellable, ranging between 6 months and 2 years, are generally renewable by mutual consent on mutually agreeable terms.

As at the balance sheet date, the Group has outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March 2019 £000	As at 31 March 2018 £000
Land and buildings:		
Within one year	1,050	686
In the second to fifth year inclusive	723	226
In more than five years	-	-

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30. Acquisitions

Acquisition of Impact Mobile

On 2 July 2018, IMImobile Canada Inc acquired Impact Mobile Inc and its subsidiary, Impact Mobile USA Inc, (together "Impact Mobile") for a total consideration of C\$27.9 million (£16.1 million) comprising an initial consideration of C\$25.4 million (£14.7 million) paid in cash at the time of completion and a further C\$2.5 million (£1.4 million) paid in cash six months after completion. Impact Mobile Inc was subsequently amalgamated with IMImobile Canada Inc.

Impact Mobile provides a full range of software solutions and services to mobile operators, retailers, SMS aggregators, government agencies and major household brands across Canada and the United States. In addition to a comprehensive range of mobile solutions, Impact Mobile's JumpTXT platform adds significant value to clients by helping them to meet regulatory compliance requirements, providing mobile engagement capabilities and supplying carrier grade messaging infrastructure.

The acquisition is highly complementary to IMImobile's product set and customer base and was expected to be immediately significantly earnings enhancing for the Group. Impact Mobile's existing reach into the US market is also highly appealing and the acquisition provides further opportunity to strengthen the Group's position in this market, which accounts for the value of goodwill arising from the acquisition as well as employee skills and knowledge.

The acquisition also strengthened IMImobile's North American management team with the Impact Mobile team being retained within the business to oversee the integration and delivery of future growth initiatives. The Impact Mobile JumpTXT platform will be integrated into IMImobile's core cloud infrastructure with expected operational benefits.

The results of the acquired entity which have been consolidated in the income statement from 2 July 2018 contributed £6.4 million of revenue and profit after tax of £1.8 million during the period. Had Impact Mobile been acquired at the start of the period the contribution would have been £8.2 million of revenue and a profit after tax of £2.5 million.

Acquisition related costs were recognised through the income statement in the year (see note 4).

The provisional purchase price allocation is set out in the table below

	Fair value £000
Net assets acquired	
Identifiable intangible assets	
Customer relationships	6,365
Technology	463
Trade name	364
Deferred tax recognised on identifiable intangible assets	
Customer relationships	(1,641)
Technology	(128)
Trade name	(101)
Property, plant and equipment	625
Intangible assets – trademarks and licences	12
Trade and other receivables	1,300
Cash and cash equivalents	95
Trade and other payables	(1,396)
Net identifiable assets acquired	5,958
Goodwill	10,205
Total consideration	16,163
Cash consideration during the year	16,163
Cash acquired	(95)
Consideration during the year net of cash acquired	16,068

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30. Acquisitions (continued)

Acquisition of ExpressPigeon Incorporated ("ExpressPigeon")

On 19 November 2018, IMI Mobile North America Inc acquired the trade and assets of ExpressPigeon for an initial cash consideration of \$0.6 million (£0.5 million) paid in cash at the time of the deal. A further \$0.9 million (£0.7 million) is payable bi-annually over the 30 months following acquisition and is contingent on continued employment of the major shareholder so is accounted for as remuneration and will be recognised in subsequent periods as it becomes due.

ExpressPigeon brings further email capabilities to the Group and provides further opportunities to enhance IMI Mobile's offering in the US market.

The results of the acquired entity which have been consolidated in the income statement from 19 November 2018 contributed £0.1 million of revenues and a profit of £0.1 million to the profit attributable to equity shareholders of the Group during the year. As this was an asset acquisition it is not possible to accurately determine the contribution had the assets been acquired at the start of the year.

Acquisition related costs were recognised through the income statement in the year (see note 4).

The provisional purchase price allocation is set out in the table below:

	Fair value £000
Net assets acquired:	
Identifiable intangible assets:	
Technology	292
Net identifiable assets acquired	292
Goodwill	215
Consideration during the year	507

31. Post balance sheet events

Infracast early settlement agreement

On 1 July 2019 the Company agreed early settlement of the contingent consideration payable on the acquisition of Infracast in order to accelerate integration activities and to further capitalise on market opportunities.

The Company agreed to pay to the sellers an aggregate settlement amount of £1,035,111 comprising £521,170 in cash, payable within 5 days, and £513,941 through the immediate issue of 159,609 ordinary shares of 10p each in the Company. Following payment of the settlement amount, there will be no further contingent consideration payable in relation to the acquisition.

Acquisition of 3C

On 23 July 2019 the Group conditionally agreed to acquire the entire share capital of 3C Interactive Corp. ("3C"), a private US cloud-based multichannel, customer engagement platform company with a leading position in Rich Communication Services, on a debt-free, cash-free, basis for a total consideration of \$53.2m (£42.6m).

The total consideration will be satisfied through \$43.2m (£34.6m) in cash on completion and \$10.0m (£8.0m) through the issue of 2,567,256 new Ordinary shares of 10p each (the "Consideration Shares") which will be deferred for up to two years with founders and key employees subject to a further 12 month orderly market agreement thereafter.

The initial cash consideration will be funded through the drawdown of new debt facilities of up to \$18.7m (£15.0m) and the placing of 6,533,422 new Ordinary shares of 10p each at a price of 310p per share to raise gross proceeds of \$25.2m (£20.3m).

The acquisition is being made by way of tender offer which is made pursuant to the agreement and plan of merger. The 3C board has unanimously recommended acceptance of the tender offer. IMI Mobile has received undertakings to accept the tender offer from the holders of approximately 55% of the issued share capital of 3C (including all of its executive management). The tender offer will remain open for at least 20 business days. Shares in 3C that are not purchased in the tender offer will be exchanged for the right to receive equivalent consideration in a merger that will be completed shortly after the closing of the tender offer.

IMI Mobile's obligation to accept shares in the tender offer is subject to certain conditions, including a minimum acceptance condition (which may be waived by IMI Mobile in certain circumstances).

The agreement and plan of merger contain representations and warranties regarding 3C and its business. The Consideration Shares will be held back to satisfy claims and will be released as to 50% thereof (other than to key management) on the first anniversary of closing of the Tender Offer and as to the balance (including to key management) on the second anniversary of closing of the Tender Offer.

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Company Balance Sheet As at 31 March 2019

	Notes	As at 31 March 2019 £000	As at 31 March 2018 (as restated ¹) £000
Non-current assets			
Investments	34	126,734	104,175
Total non-current assets		126,734	104,175
Current assets			
Cash and cash equivalents		66	1,422
Trade and other receivables	35	21,624	2,775
Total current assets		21,690	4,197
Current liabilities			
Trade and other payables		(318)	(309)
Provision for contingent consideration	18	(1,750)	(487)
Overdraft		-	(1,874)
Bank borrowings	19	(1,392)	-
Total current liabilities		(3,460)	(2,670)
Net current assets		18,230	1,527
Non-current liabilities			
Trade and other payables	36	(51,211)	(31,121)
Bank borrowings	19	(18,898)	(10,765)
Provision for contingent consideration		-	(465)
Total non-current liabilities		(70,109)	(42,351)
Net assets		74,855	63,351
Equity attributable to the owners of the parent			
Share capital	22	6,671	6,204
Share premium	22	6,666	1,246
Share-based payment reserve		23,036	16,615
Retained earnings	33	38,482	39,286
Total equity		74,855	63,351

The Company reported a loss for the financial year ended 31 March 2019 of £804,000 (2018: loss of £4,017,000 as restated¹) including dividend income of £4,076,000 (2018: £nil) received from its subsidiaries.

The accompanying notes are an integral part of the Company financial statements.

The financial statements of IMImobile PLC (Company number: 08802718) were approved by the Board and authorised for issue on 25 July 2019.

Signed on behalf of the Board

Mike Jefferies
Director

¹ See note 32 for details of prior year restatement of share-based payment accounting

IMIMOBILE PLC COMPANY FINANCIAL STATEMENTS

Company Statement of Changes in Equity For the year ended 31 March 2019

	Share capital £000	Share premium £000	Share-based payment reserve £000	Retained Earnings/ (Deficit) £000	Total equity £000
Balance at 31 March 2017 (as reported)	6,102	69,754	92	(21,223)	54,725
Share-based payment accounting correction ¹	-	-	12,521	(5,282)	7,239
Balance at 31 March 2017 (as restated¹)	6,102	69,754	12,613	(26,505)	61,964
Loss for the year (as restated ¹)	-	-	-	(4,017)	(4,017)
Proceeds from share issue	102	1,300	-	-	1,402
Credit to equity for share-based payments (as restated ¹)	-	-	4,002	-	4,002
Cancellation of share premium account	-	(69,808)	-	69,808	-
Balance at 31 March 2018 (as restated)	6,204	1,246	16,615	39,286	63,351
Loss for the year	-	-	-	(804)	(804)
Proceeds from share issue (note 22)	343	2,190	-	-	2,533
Issue of shares as part of acquisition (note 22)	124	3,230	-	-	3,354
Credit to equity for share-based payments	-	-	6,421	-	6,421
Balance at 31 March 2019	6,671	6,666	23,036	38,482	74,855

The accompanying notes are an integral part of the Company financial statements.

¹ See note 32 for details of prior year restatement of share-based payment accounting

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As at 31 March 2019

32. Significant accounting policies

Basis of accounting

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards. As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, standards not yet effective and related party transactions as disclosed in the group accounts.

The financial statements have been prepared under the historical cost convention. Further details of the Directors' considerations in relation to going concern are included in the Strategic Report, the Directors' Report and note 1.

The principal accounting policies applied in preparation of the Company Statement of Financial Position are set out below.

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

Foreign currencies

The Company financial statements are presented in UK Pounds Sterling ("the presentational currency" and "the functional currency").

Foreign currency transactions are translated into the presentational currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Company share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Going concern

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic review and Directors' Report and note 1.

Cash flow statement

A cash flow statement has not been prepared as the consolidated financial statements includes a consolidated Cash Flow statement.

Restatement

The Company financial statements include a restatement to correct the accounting treatment of share-based payment charges. The correction resulted in an increase to the prior year opening and closing share-based payment reserve of £12.5m and £16.5m respectively, and an increase in the prior year opening and closing investment in subsidiaries of the same amounts. Given the increase in investments, a corresponding impairment charge was recognised to the extent the investment value could not be supported by the underlying trade of the subsidiaries. This resulted in a decrease in the prior year opening and closing retained earnings of £5.3m and £7.2m respectively, and a decrease in the opening and closing investment in subsidiaries of the same amounts. The restatement only affects the Company financial statements. There is no effect on the consolidated financial statements.

33. Profit for the year

The auditor's remuneration for audit and other services is disclosed within note 4 to the consolidated financial statements. The only employees of the Company are the Non-executive Directors whose emoluments are disclosed in the Directors' Report.

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34. Investments

The Company has investments in the following subsidiaries:

	Opening £000	Additions £000	Share-based payments £000	Impairment £000	Foreign exchange movement £000	Closing £000
31 March 2019						
IMI Mobile Private Limited	36,050	-	210	-	-	36,260
IMImobile Europe Limited	26,144	-	393	(3,279)	-	23,258
Txtlocal Limited	13,385	-	27	-	-	13,412
IMImobile Intelligent Networks Limited	10,607	-	4,480	-	-	15,087
IMImobile South Africa Pty Limited	77	-	21	-	-	98
IMImobile African Holdings Limited	4,179	-	-	-	(512)	3,667
IMImobile South Africa 1 Limited	225	-	-	-	-	225
IMImobile South Africa 2 Limited	56	-	-	-	-	56
IMImobile Limited FZE	2	-	-	-	-	2
IMImobile North America Inc	2,864	3,768	29	-	203	6,864
Healthcare Communications UK Limited	10,586	-	1,256	-	-	11,842
IMImobile Software Limited	-	16,055	-	-	(92)	15,963
IMImobile Inc	-	-	5	(5)	-	-
	<u>104,175</u>	<u>19,823</u>	<u>6,421</u>	<u>(3,284)</u>	<u>(401)</u>	<u>126,734</u>
	Opening £000	Additions £000	Share-based payments £000	Impairment £000	Foreign exchange movement £000	Closing £000
31 March 2018 (as restated¹)						
IMI Mobile Private Limited	37,350	-	299	(1,599)	-	36,050
IMImobile Europe Limited	26,822	-	923	(1,601)	-	26,144
Txtlocal Limited	13,377	-	8	-	-	13,385
IMImobile Intelligent Networks Limited	8,218	-	2,389	-	-	10,607
IMImobile South Africa Pty Limited	40	-	37	-	-	77
IMImobile African Holdings Limited	4,123	-	-	-	56	4,179
IMImobile South Africa 1 Limited	225	-	-	-	-	225
IMImobile South Africa 2 Limited	56	-	-	-	-	56
IMImobile Limited FZE	2	-	-	-	-	2
IMImobile North America Inc	-	3,030	-	-	(166)	2,864
Healthcare Communications UK Limited	-	10,250	336	-	-	10,586
IMImobile Inc	-	-	10	(10)	-	-
	<u>90,213</u>	<u>13,280</u>	<u>4,002</u>	<u>(3,210)</u>	<u>(110)</u>	<u>104,175</u>

The investment in IMImobile African Holdings includes a long-term loan of ZAR 69,000,000 which is considered to be part of the net investment in the subsidiary.

During the prior year the Company made a long-term loan of USD 4,011,000 to IMImobile North America Inc to acquire the assets of Sumotext Corporation, which has been revalued in the current year. During the current year the Company made a further long-term loan of USD 1,500,000 to settle the contingent consideration due on the acquisition and issued shares with a market value at the time of issue of £2,604,000 to enable IMImobile North America Inc to settle the Sumotext put option (see note 23), all of which are considered to be part of the net investment in the subsidiary.

During the year the Company made a long-term loan of CAD 27,747,000 to IMImobile Software Limited to be used in the acquisition of Impact Mobile (see note 30 for details) which is considered to be part of the net investment in the subsidiary.

See note 1 for the class of shares held, the proportion of the nominal value of the class of shares held and the registered offices of the subsidiaries.

¹ See note 32 for details of prior year restatement of share-based payment accounting

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35. Trade and other receivables

	As at 31 March 2019 £000	As at 31 March 2018 £000
Due from subsidiary - IMI Mobile Private Limited	2,600	2,600
Due from subsidiary - IMImobile South Africa 1 Limited	121	138
Due from subsidiary - Tap2Bill Limited	16,366	-
Due from subsidiary - IMImobile Limited FZE	1,853	-
Due from subsidiary - Lenco International Limited	161	-
Due from subsidiary - Healthcare Communications UK Limited	418	-
Other receivables	105	37
	<u>21,624</u>	<u>2,775</u>

36. Non-current trade and other payables

	As at 31 March 2019 £000	As at 31 March 2018 £000
Due to subsidiary - IMI Mobile VAS Limited FZE	23,311	23,080
Due to subsidiary - IMImobile Limited FZE	-	1,532
Due to subsidiary - IMImobile Europe Limited	13,784	4,998
Due to subsidiary - Lenco Technology Group Limited	184	-
Due to subsidiary - IMImobile African Holdings Limited	594	677
Due to subsidiary - IMImobile Inc	110	124
Due to subsidiary - Txtlocal Limited	9,262	330
Due to subsidiary - Healthcare Communications UK Limited	-	380
Due to subsidiary - Chilli Digital Europe Limited	67	-
Due to subsidiary - IMImobile Intelligent Networks Limited	3,813	-
Due to subsidiary - IMImobile Canada Inc	86	-
	<u>51,211</u>	<u>31,121</u>