

Parent of IMImobile South Africa 2 Limited  
(09633868)

**Company Registration No. 08802718**

**IMImobile PLC**

**Annual Report and Financial Statements**

**31 March 2020**



# **IMIImobile PLC** **Annual Report and Financial Statements for the year ended 31 March 2020**

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## Welcome to IMImobile

IMImobile is a communications software provider whose solutions enable enterprises to automate digital customer communications and interactions to improve customer experience and reduce operating costs. IMImobile's enterprise cloud communications software platform orchestrates customer interactions, connecting existing business systems with digital communications channels.

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.

### **Jay Patel, Chief Executive Officer of IMImobile PLC, commented:**

*"We have delivered another year of strong progress, with double digit revenue growth across all sectors and regions for our core cloud communications product set.*

*We had many significant achievements in the year, including the winning of one of the world's largest retailers as a new client through to the acquisition and integration of 3Cinteractive Corp and the renewal of all major contracts falling due during the period. We have received continued recognition from leading customers and analysts that we have a globally leading and relevant set of customer engagement products.*

*The arrival of the pandemic in the final months of the year saw us take decisive action. Through prudent cost management and our teams' ability to identify opportunities for future revenue generation amongst the rapidly changing environment, we have managed to limit the short-term impact on our business whilst positioning ourselves for continued strong growth in the medium and longer term.*

*Many exciting and substantial opportunities are available to us, not least the potential for expansion in North America where our sales pipeline continues to expand. As one of the established leaders in our industry, with a high proportion of recurring revenues, we are confident of gathering further momentum."*

## Group Highlights

### Key financial highlights

- Revenue increased 20% to £171.2m (2019: £142.7m)
- Gross profit increased 26% to £79.1m (2019: £62.6m)
  - Organic<sup>1</sup> growth of cloud communication products of 15%, now representing 82% of gross profit. Overall, organic<sup>1</sup> growth of gross profit of 7%.
- Adjusted EBITDA<sup>2</sup> increased 13% to £21.6m (2019: £19.1m<sup>3</sup>)
- Adjusted profit after tax<sup>2</sup> increased 14% to £12.3m (2019: £10.8m<sup>3</sup>)
- Adjusted 'cash generated from operations'<sup>2</sup> increased 33% to £24.0m (2019: £18.0m<sup>3</sup>) with improved cash conversion<sup>4</sup> of 111% (2019: 94%<sup>3</sup>)
- Operating profit on a statutory basis of £4.6m (2019: £1.0m)
- Profit after tax on a statutory basis of £2.0m (2019: loss after tax of £1.3m)
- Net bank debt<sup>5</sup> of £22.2m at 31 March 2020 (2019: £7.6m). Net cash of £2.0m as at 30 June 2020, following the Group's post-period end share placing in April which raised gross proceeds of £22.2m

### Operational highlights

- Double-digit revenue growth across all sectors and regions for cloud communication platform, products and services as a result of both organic progress and strategic acquisitions
- Strong momentum in North America:
  - Cloud Communications gross profit up 152% following successful integration of 3Cinteractive Corp. ("3C"). The region now represents 25% of the Group's gross profit
  - Signed a significant new client, one of the world's largest retailers, for low-code CPaaS (Communications Platform as a Service) offering
- Strong period of new client wins, additional partnership agreements and renewal of all major contracts in the year ended 31 March 2020
- Growing adoption of new richer messaging channels including RCS (Rich Communications Services), WhatsApp Business and Apple Business Chat
- Continued product innovation including launching and taking live a new healthcare video consultation product, eClinic, for the NHS
- 46 clients providing more than £500k per annum revenue (2019: 40) and 118 clients with revenues between £100k - £500k per annum (2019: 83)

### COVID-19 update

- Mitigated short term impact through a number of internal cost management measures
- Following a good Q1 FY21 performance, a number of these measures have been reversed, including all salary reductions except those of the Board and, since 1 July 2020, the Group has started to bring employees back from furlough
- Rolled out crisis communications services for customers including video consultation solutions, remote contact centres and emergency broadcast alerts
- Long term positive impact expected, accelerating need for businesses to effectively communicate digitally with customers
- Successful share placing in April 2020 strengthened the balance sheet and safeguarded our financial flexibility and optionality for future growth plans

<sup>1</sup> Excluding acquired business of Impact Mobile and ExpressPigeon in the current and prior years and 3Cinteractive and Rostrvm in the current year

<sup>2</sup> Adjusted for costs which management do not consider reflect underlying business performance - see note 10 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results

<sup>3</sup> Restated prior year adjusted performance measure had IFRS 16 been adopted from 1 April 2018

<sup>4</sup> Cash conversion is defined as adjusted cash generated from operations (see note 10) as a percentage of adjusted EBITDA

<sup>5</sup> Bank borrowings (excluding capitalised borrowing costs) net of cash and cash equivalents

## Strategic Report

### Chairman's Statement

I am delighted to introduce these results, which reflect another year of strong delivery against our strategy. The year to 31 March 2020 was another period where the Group made notable financial and operational progress. The Company has continued to maintain strong positive momentum for the last six years, with a revenue CAGR<sup>1</sup> of 26% and gross profit CAGR<sup>1</sup> of 19% since listing. Pleasingly, growth has been derived from all geographic regions and driven by adoption of our core cloud communication product set.

During the period, we took the decision to separate the activities of our Group into two units;

1. Cloud communications products, platforms and services, which contributed 82% of Group gross profit, grew by more than 38% year on year
2. Operator value added services (VAS) and mobile payments, which contributed 18% of Group gross profit, declined by 8% year on year

The business model and market dynamics are different for each unit. There are significant variations in how we go to market and serve our customers for each set of products. The reorganisation allows us to capitalise better on market opportunities and enables us to have greater focus on product and service innovation.

Probably the most significant development in the year was our milestone acquisition of US-based company, 3C. The addition of a new blue-chip, enterprise customer base, an experienced leadership team and approximately 100 colleagues to our North American business unit significantly progresses our ambitions to further accelerate the growth of our operations in the region. The combination has also given the Group a leadership position in deploying rich communication services (RCS) business messaging solutions for large brands and enterprises globally.

In other markets we have also made good progress in maintaining existing customer relationships and winning new clients across multiple industry sectors. Continued investment in R&D evolves our product, platform and service offering and we have seen our strategy validated through the winning of several competitive new opportunities across the regions in which we operate.

### COVID-19

Following a strong year, we have had to adapt to the challenges presented by the COVID-19 pandemic. Whilst recognising that this is an unprecedented challenge for our colleagues, customers, partners, shareholders and the global economy, we are pleased with the efficacy of our response so far and the resilience of the business performance.

We have adapted to remote working very quickly, with over 1,100 colleagues moving to work from home in just a few days. Our business continuity plans have worked well, as expected, with the Group able to support emergency communications initiatives for customers at very short notice.

The Company took swift action in the early days of the pandemic, introducing a hiring freeze and early travel restrictions as well as temporary salary reductions, including 33% for the Board. We also took the prudent step of strengthening the balance sheet through the share placing to existing and new institutional shareholders announced on 9 April 2020, raising gross proceeds of £22.2m.

More recently, we have begun to see a steady recovery in the activity of clients in the worst impacted sectors, alongside continued momentum in our work with core sectors such as banking, mobile operators and logistics. In line with these encouraging developments, the Company has begun to return furloughed employees to the business and since 1 July 2020, has returned all salaries, except those of the Board, to normal levels. The Company will also review the repayment of salary reductions based on its full year 2021 performance.

### Our people

During the year we have strengthened our exceptional team through both hiring and the acquisitions of 3C and Rostrvm, and I am confident that we have the right people to continue to deliver on our strategic objectives in all regions in which we operate.

<sup>1</sup> Compound annual growth rate, calculated against revenue of £43.4m and gross profit of £27.9m in the year ended 31 March 2014

On behalf of the Board, I want to acknowledge the contribution made by all members of the growing IMImobile family. The team have delivered another strong set of results, and risen to the challenges of lockdown and remote working. I am incredibly grateful for the ongoing commitment and hard work of our people.

### **Summary and Outlook**

IMImobile is now a large, diversified business and one of the established leaders in our industry. We currently employ over 1,100 staff and have 21 offices around the World. During the reporting period, we took another key step on that journey, with the acquisition of 3C which has provided us with a strong foothold in the US, our largest addressable growth market. This strategic move has been further validated by the signing of our largest contract to date with one of the world's largest retailers.

Notwithstanding the challenges associated with COVID-19, our response has been decisive and the business has performed strongly. In the longer term, we anticipate that the significant disruption caused will drive and accelerate uptake of our leading technology and services as large global enterprises increasingly adopt digital transformation initiatives to improve customer engagement strategies. We have an excellent team, cutting-edge technology and products, good brand penetration in all our chosen markets and a significant growth opportunity in North America.



*John Allwood*  
*Non-Executive Chairman*

## **Chief Executive's Report**

We have delivered another very strong trading performance over the year to 31 March 2020 with growth across all sectors and regions for our core cloud communication platform, products and services.

We achieved numerous new client wins, enhanced partner acquisition and achieved the renewal of all major contracts falling due during the period. Consequently, we have delivered strong gross profit growth of 26% (7% organic) and adjusted EBITDA growth of 13%.

It has also been a particularly strong period of strategic and commercial progress for the Group's cloud communication product set, which in the period represented 82% of Group gross profit. The broader market for cloud-based communication products (Communication Platform as a Service - "CPaaS") continues to grow strongly with increased global adoption, reflected in our 'cloud communication products' business growing organically by 15% during the period.

We have also made extremely pleasing further progress in the North American market, following the landmark acquisition of US-based company, 3C, in August 2019 which provided solid foundations for US expansion and a very significant new client win in the retail sector. There is a strong and growing pipeline of growth opportunities in the region and we remain excited by the significant potential in North America in the years ahead.

### **Growth strategy**

#### ***Continued delivery***

The Company has consistently delivered on its long-term growth strategy which focuses on four clear objectives:

1. To grow our share of customer interactions within existing clients;
2. To accelerate market penetration of our technologies through partnerships;
3. To be at the forefront of introducing new innovative customer engagement technologies; and
4. To leverage acquisitions for market distribution.

The Group is able to progress against these aims due to the strength of its broad product offering, its owned IP and proven ability to innovate, alongside its international presence and experienced global management team.

### **Interactions**

#### ***Developing relationships with existing customers***

One of our key strategies for growth involves up-selling new products, channels or technologies to existing customer accounts. During the year to 31 March 2020, the number of clients that provide more than £500k per annum revenue increased to 46 (40 in FY19) and clients with revenues between £100k per annum and £500k per annum increased to 118 (83 in FY19).

For example, we have successfully grown our share of interactions for a major UK operator, a longstanding existing client. During the year, we have launched new channels for this mobile operator, including RCS and email, and expanded our services across their sub-brands. This has resulted in the number of customer interactions within that account increasing by more than double. We have also increased our share of interactions within an existing client in the logistics sector by more than double in the last year by launching new customer journeys, providing them with an additional channel (in-app push) and due to an increase in parcels being sent during the lockdown period.

The focus since the acquisition of 3C last year has been to introduce the Group's core cloud communication product set to 3C's largest customers and several are now being progressed in order to grow the share of customer interactions within those existing accounts.

### **Partnerships**

#### ***Reaping the reward of further investment in partnerships***

We have continued to invest in our partnerships programme in order to target new enterprise clients and sectors and have expanded the partnerships team during the last year. We have strengthened existing partnerships during the period, notably expanding our product offering with BT and generating a number

of pipeline opportunities as well as across broader geographies with Scandinavian mobile operator, Telia, who have added the Textlocal product to their reseller agreement.

We have also secured new partnerships with Communisys, a print and messaging business, who want to digitise communications for their customers and fast-growing cloud contact centre businesses. We have also increasingly partnered with global network infrastructure and systems integrators on specific commercial opportunities.

## **Innovation**

### ***Building on the Group's reputation for innovation***

In the past year, we have seen our clients start to realise the potential of and to implement new, richer communication channels such as RCS, WhatsApp Business and Apple Business Chat as part of their customer communication strategies. The momentum for large consumer-facing businesses starting to use these channels and see their improved customer engagement rates continues to grow and we have a strong pipeline of opportunities from existing clients.

We have deployed RCS for major mobile operator clients across Europe, North America and a new mobile operator client in Brazil as well as for enterprises such as Pizza Hut, Sweaty Betty, Best Buy and Walgreens. In addition, we have launched Apple Business Chat for Vauxhall, npower, O2 and our largest banking client. WhatsApp Business has also been a popular channel to provide customer service amongst our enterprise clients including Hyundai, Skoda, Britannia and two banking clients.

Furthermore, in October 2019, we launched eClinic to support the NHS in meeting their long-term plan of offering 30 million virtual appointments by 2022. eClinic is powered by our WebRTC solution, IMlassist, which enables enterprises to transform their customer interactions with real-time video assistance. eClinic is currently being used by three NHS trusts in the UK and, due to the impact of COVID-19, has generated a number of opportunities with clients and partners across international markets. We were also pleased that eClinic was recognised at the 2020 National Innovation Awards, winning the 'Service Personalisation' category.

## **Acquisitions**

### ***Two strategically important acquisitions completed***

During the period, we successfully completed two acquisitions. We acquired US-based company, 3C, in order to provide us with additional distribution capabilities in North America, a strong client base of enterprise clients and to consolidate our global leadership position in RCS Business Messaging. Since acquisition, the North America team have introduced the Group cloud communication products over a series of twenty workshops to existing 3C strategic accounts. These have yielded an immediate pipeline of opportunities in the region.

Most recently, we acquired UK-based, cloud contact centre provider, Rostrvm. The core reason for this acquisition was to provide the Group with additional voice capabilities to enhance its cloud contact centre offering. The technical integration work has now been substantially completed and we have successfully sold the enhanced contact centre product and we have a number of other opportunities moving forward.

We have completed a number of successful acquisitions since IPO in 2014 and continue to explore strategic acquisitions that meet our criteria, which has remained the same in that we look to acquire businesses that provide similar communication software and services as the Group and have strong long-term relationships with major blue chip clients therefore providing an opportunity to upsell the Group's broader portfolio of capabilities.

## **Trading performance to 31 March 2020**

### ***All regions delivered double digit gross profit growth or more for the core communication product set***

This year, we have more formally reorganised the business into two differentiated areas based upon their respective product sets. The core area of the business is 'Cloud Communication Products' which in the period represented 82% of Group gross profit at year end. The remainder of the business is referred to as 'Operator VAS and Mobile Payments' which represented 18% of the business in the period. The Board considers that gross profit is the key operational measure of performance in the business.

### **Cloud Communication Products – 82% of Group gross profit**

This business unit focuses on a core set of customer communication products, targeted at large enterprises and supplemented by propositions for developers and small and medium-sized business (SMB) customers.

*Europe – gross profit up 13% to £37.8m (2019: £33.3m)*

The region has delivered organic gross profit growth of 12%, driven by new client wins and cross selling to existing accounts of additional cloud communications products. In the UK, the telco business continues to perform well, and we have launched RCS campaigns for three of the major mobile operators. The enterprise business has also seen new client wins and upsell of additional products across the banking, utilities and public sector.

The healthcare division of the Group, Healthcare Communications, which provides communication products to NHS trusts, signed 11 new trusts during the period, prior to the impact of COVID-19 and implementation of the national lockdown, and experienced a 27% growth in year on year volumes. As previously mentioned, we have launched a new eClinic product for the NHS to enable clinicians to have video consultations with patients and we anticipate that the COVID-19 outbreak may accelerate the need for this type of product and general digital transformation initiatives within the NHS.

We have also seen progress across mainland Europe, where our enhanced RCS solution has provided us with the opportunity to build more commercial opportunities with mobile operators as messaging standards evolve. We have also renewed a significant contract with one of the leading Spanish mobile operators during the period.

The business has also invested further in partnerships and signed, through competitive tender processes, new partnerships with telecom and business services companies.

We are pleased to see continued good momentum at the start of the new financial year and there is a strong pipeline of new business opportunities in the region.

*Americas – gross profit up 152% to £18.4m (2019: £7.3m)*

The region continues to make good progress, achieving 10% organic gross profit growth for the cloud communications products set. The Board is significantly encouraged of the growth opportunity presented having been selected by one of the world's largest retailers for its CPaaS offering ('IMIconnect') following a competitive tender process. This project is now in deployment and provides clear evidence of the relevance of the product suite in North America, the largest addressable market for the Group's product set.

In August 2019, the Company acquired 3C, a US cloud-based business with a leading RCS offering, and the integration of that acquisition is now substantially complete, with the consolidation of all North American operations under one team and management structure as well as common business systems and processes. The focus since acquisition has been to introduce the Group's communication product set to 3C's customers and, as aforementioned, we have held over twenty workshops with existing customers whereby several opportunities are now being progressed. We remain excited by the growth potential of the North American market moving forward.

*Middle East & Africa (MEA) – gross profit up 29% to £4.4m (2019: £3.4m)*

The region has experienced a solid trading performance enhanced by the growth of new messaging channels and the implementation of automation technologies. We have had a significant number of new contract wins across the banking, mobile operator and utilities sectors during the period for the Group's cloud communication products set.

These include significant new contracts for banking clients including Absa, Old Mutual and the largest bank in the Middle East. We have also signed new contracts with the leading mobile operator in the Middle East; Dubai Electricity & Water Authority (DEWA) and TV services company, Multichoice.

*Asia-Pacific (APAC) – gross profit up 45% to £4.0m (2019: £2.8m)*

The region has experienced good momentum selling the Group's cloud communications products. We have seen a significant acceleration in the number of customers wanting to use WhatsApp Business in the region due to the reach and popularity of the channel in specific markets. We have successfully onboarded a

number of clients across the automotive, retail and banking sectors onto IMIconnect to enable them to communicate with their customers via WhatsApp.

The SMB business in the region has also continued to perform well. The self-serve Textlocal platform has added approximately 1,000 new customers per month and sent over 1.5 billion SMS messages during the period which is a growth of 59% year on year.

#### **Operator VAS & mobile payments – 18% of Group gross profit**

As previously disclosed, the Group's operator VAS and mobile payments business experienced a decline of 8% in line with management expectations. Excluding the acquired payments business in the Americas region, contributing gross profit of £1.1m, gross profit declined by 15%.

The mobile payments business in the UK continues to experience declines due to regulations and changes in consumer habits, with gross profit in the region falling by 35% from £4.0m to £2.6m.

In APAC, gross profit was flat at £6.0m reflecting growth from the usage of IMIdigital for self-care applications for mobile operator portals offsetting the one-off licence fees achieved last year. In MEA, gross profit was down 14% from £5.7m to £4.9m, with continued decline in the revenues for certain content services. However, our long term, trusted relationships with leading telecom groups does provide a foundation for future growth.

#### **Case studies**

##### ***Major US Pharmacy Retailer***

Using RCS to increase the effectiveness of the prescription refill reminder program

Region: US

Sector: Retail

**Problem statement:** A major US pharmacy retailer was looking for innovative ways to enhance customer engagement and increase the effectiveness of its prescription refill reminder program.

**Solution:** Leveraging IMImobile software to expand the client's program to RCS-capable devices, the campaign was built enabling RCS features including branding, rich cards and suggested replies. The formatting with RCS enabled the client to present refill reminders in a much more organised manner, making it easier for the end user to understand and take action on the message. The user simply taps the "yes" suggested reply chip to opt into the program, or "refill" to initiate the prescription refill process.

**Results:** Since the launch of the program last year, results have shown opt-in-rates for RCS are 27% higher than SMS and the refill conversions rate with RCS is 15% higher than SMS thus enabling the client to improve the customer lifetime value of program participants.

##### ***Cambridge University Hospitals NHS Foundation Trust***

Reducing missed appointment rates with multi-channel reminders

Region: UK

Sector: Healthcare

**Problem statement:** Cambridge University Hospitals NHS Foundation Trust is one of the largest and most well-known hospitals in the UK with approximately 750,000 outpatient visits last year. Although digital innovators in many ways, their appointment management system was cumbersome, and the Trust was not capitalising on technology to improve patient engagement and drive cost efficiencies. The reminder process was disjointed, with staff having to call patients individually about cancelled clinics or to fill last minute slots; a time consuming and expensive process. The system also received high levels of complaints from patients, particularly older patients, who were suspicious of the origin of the calls and wary of phone scams.

**Solution:** The team created a solution whereby a conversational reminder text is sent enabling patients to confirm, cancel or rebook their appointment without having to call the hospital. If the SMS is not delivered, or no mobile number is held for the patient, the platform automatically generates an IVM (Interactive Voice Message) to be sent at the optimum time to reach patients. In addition, 48 hours prior to the appointment, a one-way reminder text message or IVM is sent to patients.

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**Results:** Overall, this solution has resulted in a 27% decrease in missed appointments, which has helped the Trust have one of the lowest DNA (Did Not Attend) rates in the country. The solution is more cost effective than the previous system and achieves higher patient contact outcomes, increasing income potential.

### **Centrica**

Enabling seamless interactive voice response (IVR) call deflection to shift inbound customer service calls to messaging channels

Region: UK

Sector: Utilities

**Problem statement:** Centrica wanted to modernise and improve their contact centre operations by deflecting inbound calls to SMS. Customers were having to endure long wait times to connect to an agent during peak hours and a high volume of inbound calls meant a high cost to serve customers for Centrica. They wanted to implement a solution that would also replace 'live chat' with mobile messaging channels to improve customer experience (CX).

**Solution:** Using a combination of our products, IMIconnect and IMIchat, we implemented a solution that enabled Centrica to deflect inbound calls to SMS. Customers are taken through a number of automated qualification questions to identify if they have one of the 95 inquiries that could be resolved using SMS. The caller is then asked if they would like to switch to SMS and the conversation is then transferred by sending an outbound message to the caller's device to start the conversation. An intelligent fall-back system ensures that any customer who messages outside of office business hours receives a reply with instructions on when to get in contact.

**Results:** The solution has had a significant impact on the number of enquiries being answered through voice and, after 6 months, 20% of Centrica's callers who matched the 95 enquiry types chose to deflect to SMS. The reduction in the number of voice calls is helping Centrica to reduce contact centre operational costs while improving customer experience.

### **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 a 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.

### **Market developments**

#### ***Customers increasingly moving to rich messaging channels and self-service***

Technology has and will continue to fundamentally change how businesses engage with their customers. New communication channels and the possibilities of intelligent automation allow businesses to improve customer experience and reduce operational costs.

However, many large, consumer-facing businesses across all sectors face challenges in meeting customer expectations for seamless interactions; often held back by existing legacy systems, siloed data and long development cycles. As a result, businesses are increasingly leveraging CPaaS software to manage their customer interactions across a growing number of channels and touchpoints. With customer engagement becoming paramount to business success, the CPaaS market is predicted to grow to more than \$17.2 billion by 2023, representing a CAGR of nearly 40% from \$3.3 billion in 2018.<sup>1</sup> We have always believed in a world

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<sup>1</sup> IDC, Worldwide Communications Platform-as-a-Service Forecast, 2019–2023, <https://www.idc.com/getdoc.jsp?containerId=US45534219>.

in which consumers are delivered great customer experiences through continuous, seamless engagement and our CPaaS offering, IMIconnect, helps large enterprises achieve this goal.

In the past year, we have seen both new and existing clients realise the potential of new channels such as RCS, WhatsApp Business and Apple Business Chat to transform their business to customer interactions. We are one of only a few official technology providers approved by Google, Apple and Facebook to provide blue-chip companies with these channels. Following the 3C acquisition last year, the Group is now the global leader for RCS Business Messaging and we anticipate that this will be a key area for growth moving forward as the addressable number of RCS-enabled handsets increases.

Following the COVID-19 outbreak towards the end of the period and throughout the current financial year to date, the Company has seen increased demand from the market for certain remote communication solutions. We are confident that this trend in increased demand will continue over the long term, and that the crisis will ultimately lead to an acceleration in digital transformation initiatives within enterprises, giving us great optimism for the future.

## **Products, technology and infrastructure**

### ***Continuous innovation to maintain our leading position***

For B2C companies, transforming customer experience (CX) has become a strategic imperative. Delivering great CX requires customer interactions, on any channel, to be seamlessly connected to existing backend systems and orchestrated across departments, business units and geographies.

Our integrated, yet modular Customer Interaction Management (CIM) suite enables businesses to manage, automate and orchestrate customer interactions – from simple communication flows to complex multi-step interactive journeys. Our CIM products cater to the needs of a wide set of user personas in an enterprise – communications APIs (application programming interfaces) and SDKs (software development kits) for developers, low-code platforms for technical users and pre-packaged application software for users in marketing, contact centres and operations. The modular design and interoperability across products enable flexibility in how clients use our products, starting with a single solution or use case and upgrading to the full CIM suite over time.

Providing rich application and platform functionality to enable the end-to-end management, orchestration and automation of customer interactions remains central to our strategy. This includes providing developers access to communication channels but is not limited to that, as is the case with most pure play CPaaS providers. Our strategy is validated by a leading industry analyst who commented that rather than “the usual catalog of SDKs and APIs, the company ... is focused around end-to-end automation of customer journeys across digital touch points”.

We continue to invest in our products suite as we lead the way in shaping the evolution of the customer interaction management category. Key roadmap themes include:

- Deeper cross-product integrations, particularly in the areas of product operations, monitoring & alerting, troubleshooting, SLA (Service Level Agreement) management and license administration
- Broader AI-enrichment across products, not just in functional capabilities, but with in-life service management as well
- Multi-cloud support as we adapt our products to run on Microsoft Azure in addition to Amazon Web Services that we already support
- Richer out-of-the-box data visualisation and descriptive analytics capabilities that enable ongoing improvements to customer interactions and customer journeys
- Self-serve product operations and administration consoles and interfaces to help us scale our go-to-market through channel partners

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## ***Product information***

The Group has developed the following core products:

### ***Cloud Communication Products***

#### ***IMIconnect***

Our core platform, IMIconnect, is our enterprise CPaaS offering which helps businesses to rapidly create and launch omnichannel customer journeys using a visual flowchart builder and pre-configured integrations. The platform is built with large, consumer facing enterprises in mind, delivering context-aware messaging experiences and orchestrating customer communication flows with back-end systems whilst also providing end to end service management, in life support and comprehensive reporting.

In the last year, we have carried out several user experience (UX) enhancements to our low-code toolset to make it even easier for non-technical users to launch new customer journeys. As a leading-edge platform in our industry the platform was one of the first in the CPaaS market to provide support for various rich messaging features across different channels including RCS, WhatsApp, Apple Business Chat, Twitter etc. Additionally, as a launch partner for Google, the platform now supports 'Verified SMS' to enhance consumer trust in SMS messages sent by businesses.

#### ***IMIchat***

Our cloud contact centre application, IMIchat, allows contact centre agents to easily interact with customers across all digital and mobile messaging channels. Following the acquisition of UK contact centre provider, Rostvrm, in November 2019, the Rostrvm product has been integrated with IMIchat to provide a unified contact centre offering for both voice and messaging channels within the same application. The integration was completed in under three months and early sales of the enhanced offering have now been generated.

Other product enhancements include adding a partner framework to allow IMIchat to work within or alongside other contact centre applications, creating a virtual agent framework to facilitate the seamless deployment of bots alongside live agents as well as launching native surveys to allow clients to build, manage and activate customer satisfaction surveys from within the product.

#### ***IMIcampaign***

Our multichannel marketing automation product, IMIcampaign, allows businesses to automate, personalise and contextualise their customer communications at scale using a mobile first approach. Enhancements made to the product in the last year include enabling richer content such as emojis for email and push notifications, creating a better UX for marketing users to deliver personalised campaigns with less resources, and improving the reporting and analytics capabilities with a new campaign dashboard which allows marketing users to build their own custom reports.

#### ***IMIbot.ai***

With automation a strategic imperative for most businesses, we have continued to develop the AI and machine learning capabilities within the product to better automate customer interactions. IMIbot.ai allows businesses to securely build chatbots at an enterprise level which can easily integrate with existing systems, processes and services.

During the past year, IMIbot.ai has been enhanced by supporting additional languages as well as adding a curation console which enables end users to review cases where the bot performance was underwhelming and creates a feedback loop for the bot to learn from and subsequently improve over time.

#### ***Textlocal***

Our SMB product, Textlocal, is a self-serve tool that allows small to medium sized businesses to purchase credits in order to send customer communications. In the past year, the product has seen a 30% growth year on year in SMS credit usage.

#### ***NMX***

There have also been improvements to our operator-specific messaging platform, NMX, including performance and prioritisation enhancements to improve regulatory and OTP traffic handling and industry leading, dynamic anti-smishing tools to help combat SMS fraud.

## ***Operator VAS and Mobile Payments***

### ***IMIdigital***

IMIdigital is a content management platform delivering digital content services for mobile operators. In the last year, we have implemented feature enhancements for our telco self-care stack and improved the bulk messaging module to enable enterprise clients of mobile operators to better target users.

## **Organisation and systems**

### ***Progressing integration of acquisitions and enabling global collaboration***

The Group has continued to grow in the last year, with the landmark US acquisition of 3C as well as the acquisition of UK contact centre provider, Rostrvm. The integration of both acquisitions is now substantially complete with all global employees collaborating using internal systems such as Microsoft Teams, SharePoint and Workplace. These systems also enabled us to transition all global employees to remote working due to the COVID-19 crisis. We are also currently implementing a global HR system for all employees to centrally manage onboarding/offboarding, recruitment and performance management processes.

As previously mentioned, we have also reorganised the business into two separate business units based upon the product set. The 'Cloud Communications Products' and 'Operator VAS and mobile payments' business units will now operate independently with separate roadmaps and management teams. This reorganisation will enable us to have a greater focus on product and service innovation and further capitalise on market opportunities.

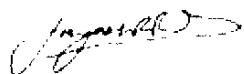
## **Current trading and Outlook**

The Group has delivered a resilient performance in Q1 FY21 despite the operational challenges presented by the COVID-19 pandemic. Notwithstanding the impact to businesses globally, we strongly believe that current trends will benefit IMImobile, evidenced by Group gross profit being up approximately 20% year-on-year for the quarter, with the cloud communications product set showing year-on-year gross profit growth of over 30%.

Following period end, the Group has seen clear positive momentum across its regions. Alongside seeing a steady recovery of client activity in the worst-impacted industry sectors since late May 2020, the Group has been focused on strategic deployments, as existing and new blue-chip clients look to accelerate their adoption of digital communication strategies, that will help drive future revenues. Performance in North America, the largest addressable and growth market for the Group's product set, continues to be encouraging, with new strategic deployments for large US retailers having continued during the first quarter.

As previously disclosed, the results for Q1 FY21, together with a good and growing visibility of earnings, underpins the Company's confidence in achieving good year-on-year gross profit growth, subject to the impact of any second wave of the pandemic, including further organic growth in the cloud communications products business, in the full year to 31 March 2021.

With an established leading position in a number of our markets, and substantial opportunities for further growth, we are at an exciting juncture for the business, as companies increasingly focus on digital transformation for customer engagement. Our execution of strategy is proven, and we look forward to delivering yet another year of growth ahead.



Jay Patel  
Group Chief Executive

## Q&A with Jay Patel, Group CEO

*Q: How do you summarise what IMImobile does for its customers?*

A: We help our customers communicate and interact with their customers over different digital channels. These communications can be as simple as a notification to let you know that a direct debit has been added to your account, a two-way interaction to allow you to change a parcel delivery time or a more complex multi-step customer journey such as ordering a stock item from a retailer to be delivered in a few weeks' time. We do this across any channel that our customers want to use, and which is most relevant for their customers' preferences as well as for the content and context of the communication.

*Q: What have been the major market developments in the last year?*

A: Over the last year, the market has developed in accordance with our strategic vision and planning. As anticipated, we have seen an increase in the use of richer, digital communication channels and a greater customer requirement to allow consumers to self-serve over these channels. These developments have manifested themselves in the adoption of channels such as WhatsApp Business, Apple Business Chat and RCS for business to consumer interactions which we have started to deploy at scale for some of our major clients. We have also seen the early signs of mobile operators investing in 5G technologies which we anticipate will accelerate the use of these rich media channels as well as the use of video for customer service using WebRTC technology.

*Q: Has there been any business impact due to the COVID-19 outbreak?*

A: In general, although there has certainly been an impact on the way we and our clients work, we are pleased to have demonstrated resilience to these unique circumstances. Whilst it remains difficult to determine what the overall impact of COVID-19 will be on the business and market in the long term, given it's such an unprecedented situation, the immediate impact has had both pluses and minuses for the business. We have been delivering crisis communication services for our clients including mobile operators and banks as well as helping NHS healthcare trusts implement virtual appointments amid the pandemic. However, we have clearly seen some decline in volumes from our retail and small business clients who are unable to work as normal under lockdown conditions. Encouragingly, more recently we have seen a steady recovery in these sectors, providing increasing confidence going forward. What we can say is that thanks to the speed and strength of our response to the pandemic, the financial impact has been limited and we have made sure we are well positioned for continued growth.

The ongoing impact of COVID-19 is harder to assess, but we believe that the nature of this crisis could accelerate digital transformation initiatives for large businesses. Ultimately, this could provide a growth in the use of video-based customer service, telemedicine and remote working in just a few months rather than a gradual change over a few years in normal market conditions.

*Q: How well is IMImobile positioned against its competitors?*

A: Due to the scale of the CPaaS market opportunity, we believe that we can succeed alongside our current direct competitors. The key differentiator IMImobile has in the market is that we have a technical, mobile-first heritage and are able to deliver end to end solutions, using our own tools, our own people and our own software. We are encouraged by the progress made in the North American market, having recently won a significant new client, a major US retailer, following a competitive tender process.

*Q: What are the biggest growth opportunities for the next year?*

A: The single largest addressable market for the Group's software is in North America and is a key area of focus moving forward. The market is currently undergoing a period of digital transformation and we believe that the experience and expertise we have gained in the UK, establishing a market leading position, is also relevant in North America. In addition, we believe that businesses are still in the early stages of realising the benefits of new communication channels and the possibilities of intelligent automation. Helping provide our clients with more innovative solutions will continue to be a significant growth driver across all sectors and regions.

*Q: What are your biggest challenges to achieving growth?*

A: The current COVID-19 outbreak and general concerns around globalisation and global growth may impact specific sectors and, in the event that restructurings may happen within those sectors, this could

curtail certain investments which could have an impact on the wider economy and therefore decision making. However, we remain very confident of our growth prospects. The trends driving structural growth around consumer behaviour and technological developments remain and give us significant growth potential over the next few years.

## Financial Review

### Group performance at a glance

Year ended 31 March	2020 £000	2019 £000	Growth
Revenue	171,187	142,731	20%
Gross profit	79,107	62,573	26%
Gross margin	46.2%	43.8%	
Adjusted EBITDA <sup>1</sup>	21,597	19,069 <sup>2</sup>	13%
Adjusted EBITDA margin <sup>3</sup>	27.3%	30.5%	
Operating profit	4,610	995	363%
Adjusted operating profit <sup>1</sup>	15,960	14,078 <sup>2</sup>	13%
Profit before tax	3,130	710	341%
Adjusted profit before tax <sup>1</sup>	14,585	13,647 <sup>2</sup>	7%
Profit/(loss) after tax	2,028	(1,312)	255%
Adjusted profit after tax <sup>1</sup>	12,272	10,756 <sup>2</sup>	14%
Diluted EPS	2.5p	(1.9p)	229%
Adjusted diluted EPS <sup>1</sup>	15.5p	15.1p	3%
Cash at period end	25,089	13,247	89%
Bank borrowings (excluding capitalised borrowing costs)	47,328	20,848	127%

### Key performance indicators (KPIs)

This section sets out the KPIs for the Group during the year ended 31 March 2020.

#### Revenue and gross profit

For the year ended 31 March 2020 total revenue increased by 20% to £171.2m (2019: £142.7m) and gross profit increased by 26% to £79.1m (2019: £62.6m). The Board considers that gross profit is the key operational measure of performance in the business.

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

Revenue			
Year ended 31 March	2020 £000	2019 £000	Growth/ (decline)
<b>Cloud communication products</b>			
Europe	107,001	94,400	13%
Americas	25,787	10,498	146%
Asia-Pacific	8,844	7,216	23%
Middle East & Africa	9,250	7,897	17%
<b>Total</b>	<b>150,882</b>	<b>120,011</b>	<b>26%</b>
<b>Operator VAS and mobile payments</b>			
Europe	4,535	6,207	(27%)
Americas	1,281	89	1,341%
Asia-Pacific	9,163	9,160	0%
Middle East & Africa	5,326	7,264	(27%)
<b>Total</b>	<b>20,305</b>	<b>22,720</b>	<b>(11%)</b>
<b>Total</b>	<b>171,187</b>	<b>142,731</b>	<b>20%</b>

<sup>1</sup> Adjusted for costs which management do not consider reflect underlying business performance - see note 10 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results.

<sup>2</sup> Restated prior year adjusted performance measure had IFRS 16 been adopted from 1 April 2018

<sup>3</sup> Adjusted EBITDA margin calculated as adjusted EBITDA divided by gross profit.

**Gross profit**

Year ended 31 March	2020 £000	2020 %	2019 £000	2019 %	Growth/ (decline)
<b>Cloud communication products</b>					
Europe	37,760	35.3%	33,296	35.3%	13%
Americas	18,364	71.2%	7,276	69.3%	152%
Asia-Pacific	4,012	45.4%	2,774	38.4%	45%
Middle East & Africa	4,386	47.4%	3,389	42.9%	29%
<b>Total</b>	<b>64,522</b>	<b>42.8%</b>	<b>46,735</b>	<b>38.9%</b>	<b>38%</b>
<b>Operator VAS and mobile payments</b>					
Europe	2,600	57.3%	4,013	64.6%	(35%)
Americas	1,069	83.5%	62	69.7%	1,626%
Asia-Pacific	6,012	65.6%	6,051	66.1%	(1%)
Middle East & Africa	4,904	92.1%	5,712	78.6%	(14%)
<b>Total</b>	<b>14,585</b>	<b>71.8%</b>	<b>15,838</b>	<b>69.7%</b>	<b>(8%)</b>
<b>Total</b>	<b>79,107</b>	<b>46.2%</b>	<b>62,573</b>	<b>43.8%</b>	<b>26%</b>

*Cloud communication products*

The cloud communication products contributed 82% of the Group's gross profit and grew by 38% in the year. When excluding the impact of acquisitions gross profit grew by over 15% in the year. All regions delivered double digit organic gross profit growth from cloud communications products.

Gross margin increased from 38.9% to 42.8% as a result of the increase in the relative contribution from the higher margin Americas region and improving margins from APAC and MEA which grew as a result of new higher margin messaging channels and increased mix in software licenses in those regions.

*Operator VAS and mobile payments*

18% of the Group's gross profit comes from Operator VAS and mobile payments. Gross profit from this unit fell by 8% in the year. Excluding the impact of acquisitions gross profit declined by 15%.

Gross margin increased from 69.7% to 71.8% as a result of acquired line of business from the 3C acquisition and reduced content related costs in the MEA region.

*Adjusted operating costs<sup>1</sup>*

Adjusted operating costs<sup>1</sup> in the year were £63.1m (2019: £48.5m<sup>2</sup>). This reflects the full year inclusion of Impact Mobile and ExpressPigeon and the post-acquisition costs of 3Cinteractive and Rostrvm as well as additional investment in product development, partnerships and sales and marketing across the Group.

*Adjusted EBITDA<sup>1</sup>*

Adjusted EBITDA<sup>1</sup> for the year ended 31 March 2020 was £21.6m (2019: £19.1m<sup>2</sup>) representing an increase of 13% against the prior year mainly due to the organic growth in the Europe and Americas region and the full year inclusion of Impact Mobile and the post-acquisition contribution of 3C. Due to the difficulty in identifying incremental costs arising across the Group following acquisitions, adjusted EBITDA<sup>1</sup> is not assessed at an organic level.

*Client concentration*

The number of clients that provide more than £500k p.a. revenue increased to 46 (2019: 40) and clients with revenues between £100k p.a. and £500k p.a. increased to 118 (2019: 83).

*Adjusted 'cash generated from operations'<sup>1</sup> and cash conversion<sup>3</sup>*

Adjusted 'cash generated from operations'<sup>1</sup> was £24.0m (2019: £18.0m<sup>2</sup>) and represents an operating cash flow conversion<sup>3</sup> of 111% of adjusted EBITDA<sup>1</sup> (2019: 94%<sup>2</sup>).

*Group cash flow and working capital*

During the year the Group raised £19.6m (after expenses) from a share placing and agreed new UK bank loan facilities with Silicon Valley Bank and HSBC, increasing total bank borrowings by £26.8m after principal repayments in the year, which were used to fund the acquisitions of 3C and Rostrvm. Year-end cash and cash equivalents were £25.1m (2019: £13.2m) and total bank borrowings (excluding capitalised borrowing costs) at 31 March 2020 were £47.3m (2019: £20.8m). Cash less bank debt was £22.2m (2019: £7.6m).

<sup>1</sup> Adjusted for costs which management do not consider reflect underlying business performance - see note 10 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results.

<sup>2</sup> Restated prior year adjusted performance measure had IFRS 16 been adopted from 1 April 2018

<sup>3</sup> Cash conversion is defined as adjusted cash generated from operations (see note 10) as a percentage of adjusted EBITDA

Group working capital is made up as follows:

As at 31 March	2020 £000	2019 £000
Cash and cash equivalents	25,089	13,247
Bank borrowings (excluding capitalised borrowing costs)	(47,328)	(20,848)
Trade and other receivables	49,609	50,615
Trade and other payables (excluding contract liabilities)	(48,313)	(44,678)
Net working capital less borrowings	(20,943)	(1,664)

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 2020 is £2.1m (2019: £3.3m) and £4.4m (2019: £5.1m) in trade and other payables.

The value of trade and other receivables included from the new acquisitions in the year, 3C and Rostrvm, at 31 March 2020 is £4.4m. Of the remaining movement, trade receivables has decreased by £6.9m primarily due to the timing of receipts from a major customer (see credit risk section of note 29), higher monthly recurring revenues in Europe compared to the previous year offset by the write off of debt due from an operator VAS customer in the Middle East (see note 15) contributed to a £0.5m increase in contract assets and pass through transactions have decreased by £1.2m, as referred to above. The Group made a loan of £1.0m inclusive of accrued interest to the management of IMI mobile North America Inc, secured against the shares issued in November 2018 as consideration when the Group exercised its call option to acquire the remaining 20% share of IMI mobile North America Inc. The remaining movement is mainly attributable to the £1.4m increase in the 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 £1.0m to the overall increase in trade and other payables (excluding deferred income), offset by the reversal of £1.0m of accrued costs related to the write off of debt due from an operator VAS customer in the Middle East (see note 15). Pass through transactions have decreased by £0.7m, as referred to above. The value of trade and other payables (excluding deferred income) included from the new acquisitions in the year, 3C and Rostrvm, at 31 March 2020 is £4.9m. The remaining movement is mainly attributable to the decrease in the put option on the acquisition of IMI mobile South Africa (formerly Archer).

#### *Profit after tax and adjusted profit after tax<sup>1</sup>*

Profit after tax was £2.0m (2019: loss of £1.3m) after the net of tax impact of acquisition costs of £3.3m (2019: £0.9m), acquisition-related share-based payment charges of £0.9m (2019: £8.1m), share-based payment charges of £1.6m (2019: £0.7m) and amortisation of acquired intangibles of £4.5m (2019: £2.4m). Adjusted profit after tax<sup>1</sup> was £12.3m (2019: £10.8m) which is 14% higher than the prior year.

#### *Earnings/loss per share*

Diluted earnings per share was 2.5p (2019: loss per share of 1.9p). Diluted adjusted EPS<sup>1</sup> increased by 3% to 15.5p (2019: 15.1p).

#### **Other financial information**

##### *Group taxation*

The tax charge for the year was £1.1m (2019: £2.0m). The adjusted effective rate of tax<sup>2</sup> for the year was 15.9% (2019: 21.1%).

##### *Other intangible assets*

During the year ended 31 March 2020 the Group capitalised £6.0m of development costs (2019: £6.3m), of which £5.5m (2019: £5.3m) were internally generated, and acquired £25.4m of intangible assets as a result of the acquisitions of 3C and Rostrvm. In addition to this, expenditure during the year on software and trademarks and licenses was £0.3m (2019: £0.2m).

##### *Property, plant and equipment*

Capital expenditure on property, plant and equipment during the year was £0.7m (2019: £1.2m) and the Group acquired £0.8m of property, plant and equipment as a result of the acquisitions of 3C and Rostrvm. The adoption of IFRS 16 resulted in right-of-use assets of £2.8m.

##### *Goodwill*

Goodwill held at 31 March 2020 was £70.0m (2019: £43.6m) which increased following the acquisitions of 3C and Rostrvm.

##### *Deferred tax*

Deferred tax assets at 31 March 2020 were £0.7m (2019: £0.6m) and deferred tax liabilities at 31 March 2020 were £7.1m (2019: £3.9m) including the amount recognised on identifiable intangible assets acquired in 3C and Rostrvm.

##### *Non-current liabilities*

As well as the deferred tax liabilities and bank borrowings above, the provision for defined benefit gratuity obligation increased to £1.3m (2019: £1.0m) and the provision for contingent consideration due in more than one year increased to £4.9m following the acquisition of 3C. The adoption of IFRS 16 resulted in long term lease liabilities of £1.2m.

<sup>1</sup> Adjusted for costs which management do not consider reflect underlying business performance - see note 10 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results.

<sup>2</sup> Adjusted tax as a proportion of adjusted profit before tax, as reconciled in note 10.

## Principal risks and uncertainties of the Group

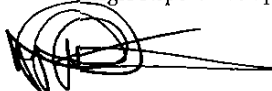
The Board has overall responsibility for managing risk. Risks are formally identified and recorded in a risk register, which is reviewed by the Board at each full board meeting. Risks are evaluated based on likelihood and potential impact, including any change from the prior year, and the register records current mitigating controls to reduce risk, together with any required actions to further reduce risk to appropriate levels. The acquisition of 3C during the year was the biggest acquisition in the Group's history, and as a result the Board acknowledges that this risk area has increased during the year. Since the outbreak of COVID-19 the Board has added an additional risk area to the Group's risk register related to the impact of a global pandemic.

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, Canadian Dollars and South African Rand 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.

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 certain legislation including 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 operator VAS and mobile payments unit 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>Cyber security</i>	<p>Security of customer, employee and commercial data represents an increasing reputational and financial risk. Many of the Group's customers are high profile and recognisable brands, and a failure to maintain best in class security protocols and systems could result in significant damage to the Group.</p> <p>The increasing trends around cyber crime suggest that this risk will continue to increase over time.</p>	↑	<p>The Group invests in best-in class software and platforms for proactively managing cyber security. Group staff undergo regular training and are kept aware of evolving risks.</p> <p>The Group maintains various security certifications including ISO 27001.</p> <p>The Group also benefits from working with some of the best Global businesses with extremely high security standards, requiring regular and detailed audits of their suppliers.</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, as well as factors outside of the Group's control, such as 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>
<i>COVID-19 or other global pandemic</i>	<p>The COVID-19 pandemic has had wide-ranging impacts on the Global economy and could impact the Group's employees, shareholders, suppliers and customers as a result of restrictions in movement.</p> <p>The full consequence of COVID-19 has not yet been seen and is hard to predict, but some potential impacts include:</p> <ul style="list-style-type: none"> <li>• Reduction in interaction and therefore revenues from certain customer verticals or in certain geographies</li> <li>• Reduction in ability to identify and win new sales opportunities</li> </ul>	↑	<p>The Group maintains and tests detailed, regional business continuity plans covering remote working and back-up measures to ensure that support and services provided to customers can be maintained remotely from the various regions in which the Group operates.</p> <p>The Group has a well diversified customer base spread across several international markets.</p>

	<ul style="list-style-type: none"> <li>• Increase in likelihood of bad debt from customers in financial distress</li> <li>• Increase in volume of financially motivated cyber attacks</li> </ul>		<p>The major debtors of the Group are made up of large corporates and therefore less likely to default on credit obligations.</p> <p>The Group's well established information security controls are continually reviewed and enhanced.</p>
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The Strategic Report was approved by the Board and signed on its behalf by:



Mike Jefferies  
Group CFO  
27 July 2020

## 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. *This year, we also signed up to be part of the GSMA's Digital Declaration initiative which unites CEOs from across industries who are committed to acting ethically in the digital era.*

### Section 172 statement

#### Our Workplace

We recognise that our employees are our greatest asset and critical to business success. We continue to invest in developing our employees and encourage teams to develop their skills and keep up to date with new technologies, market developments and business processes. Training requirements are reviewed regularly through performance management processes as well as through ongoing discussions between teams and their line managers.

Using the Group's internal communications tool, Workplace, Group CEO, Jay Patel, holds regular 'Live Q&A' sessions where all staff globally are invited to attend and ask questions directly about business updates such as financial results, acquisitions, product and market developments. *We also have an online feedback tool where all employees can anonymously submit any feedback and provide thoughts or suggestions on any aspect of the business.*

We actively encourage our employees to adopt a healthy lifestyle and the physical and mental wellbeing of our teams is one of our highest priority. Across our teams globally, we have wellbeing programmes managed by local HR teams. These provide benefits such as staff health insurance schemes, wellness events such as yoga classes and in-office massages as well as educational assistance programmes which provide staff information on stress management, diet and nutrition, childcare/parenting etc. We also have invested in mental health first aid training for some of our employees.

#### Our Community

We continue to encourage our teams to support local community initiatives across all the regions in which we operate. In the UK last year, we participated in a number of charitable events including an annual bake off, glitter run, football matches and raffles in order to raise money for our nominated charity 'Rays of Sunshine'. We have also donated iPads to children in local hospitals with the charity. During the COVID-19 outbreak, we have donated supplies to food banks and homeless shelters as well as offering our healthcare video consultation product, eClinic, to NHS trusts for free for one year.

The North American team annually donate canned goods and supplies to hurricane relief organisations and, this year, hosted a charity bike ride for multiple sclerosis charities. In South Africa, the team's social responsibility donation this year was made to Kliptown Youth Program who we have supported over the years to help individuals out of poverty through education. The team have also supported the eDeaf 'Employ and Empower' projects who are the leading provider of deaf skills development training in South Africa.

#### Our Customers and Suppliers

We are dedicated to providing and maintaining the highest standards in all aspects of the organisation's relationships with clients, staff and suppliers.

These standards not only apply to all professional advice supplied by our business, but also to the organisation's ethics, behaviour and relationships. We seek on-going and continuous improvement of quality and are committed to:

- Clear identification and definition of client requirements as a first step to ensure customer satisfaction;
- Staff commitment to a quality and continuous improvement approach;
- Helping staff develop their competencies towards business objectives;
- Ensuring that our supply chain operates in an ethical and responsible manner;
- Using a continuous improvement approach in all aspects throughout the business; and
- Regularly reviewing systems, covering effectiveness and any non-conformance issues.

#### Our Environment

The environmental impact of the business is relatively low as we have no manufacturing facilities and many of our cloud-based solutions reduce environmental impact for our clients through digital communications such as digital hospital appointment letters and delivery of paperless bank statements.

At present, we have implemented the following sustainability initiatives:

- Reducing travel emissions through cycle to work schemes, discounted rail fares, pollution checking for employee vehicles etc.;
- Use of video conferencing software, Microsoft Teams, to limit number of in-person meetings;
- Supporting flexible working where possible;
- Reducing paper and ink wastage through automatic double-sided printing;
- Upholding good office practices such as recycling and limited use of single use or plastic materials; and
- Our annual report will not be printed from FY20, unless specifically requested by shareholders.

We are committed to continuing to reduce our carbon footprint as a business during the coming year and have appointed a sustainability consultant to help us achieve our environmental goals.

## Directors' Report

The Directors present their annual report and audited consolidated financial statements on the affairs of IMImobile PLC for the year ended 31 March 2020.

### Results and dividends

The results for the year are set out in the consolidated income statement on page 42. 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 following Directors and their beneficiaries have significant beneficial interests in the ordinary share capital of the Company:

	31 March 2020 Number	31 March 2020 % of share capital and voting rights	31 March 2019 Number	31 March 2019 % of share capital and voting rights
Jay Patel	3,632,500	4.9%	3,632,500	5.4%
Vish Alluri	6,296,457	8.4%	6,296,457	9.4%

There were no changes in Directors' interests between 1 April 2020 and the date of these financial statements.

Details of related party transactions involving Directors of the Company are given in note 17 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 2020 Total £000	31 March 2019 Total £000
<b>Executive Directors</b>					
Jay Patel	300	-	14	314	310
Mike Jefferies	260	25	10	295	292
Shyam Bhat	89	-	-	89	76
<b>Non-executive Directors</b>					
John Allwood	60	-	-	60	50
Vish Alluri	33	-	-	33	33
Simon Blagden	48	-	-	48	45
	790	25	24	839	806

### Interests in share options

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

	1 April 2019 and 31 March 2020 Number of options	Weighted average exercise price (pence)	31 March 2020 Number of vested options	Earliest exercise date
Jay Patel	1,400,000	220	300,000	30/06/2019
Mike Jefferies	1,050,000	128	575,000	27/06/2014
Shyam Bhat	2,425,000	75	1,950,000	27/06/2014
John Allwood	-	-	-	-
Vish Alluri	218,879	70	218,879	27/06/2014
Simon Blagden	-	-	-	-

All unvested options are dependent upon continuing employment and vest on a change in control of greater than 50% of the voting capital stock.

## Pension contributions

The number of Directors who:

	31 March 2020 Number	31 March 2019 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 2020 £000	31 March 2019 £000
Jay Patel	14	10
Mike Jefferies	10	7
	24	17

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

	31 March 2020 £000	31 March 2019 £000
Shyam Bhat	38	33
Vish Alluri	16	15
	54	48

## 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 23. 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 29 to the consolidated financial statements and disclosures relating to exposure to price risk and credit risk are outlined in note 29.

## Streamlined energy and carbon reporting

As outlined in the Corporate Social Responsibility report, the group is committed to reducing its environmental impact. The new Streamlined Energy and Carbon Reporting (SECR) regulations require us to report on our energy use. The only company under the mandatory scope of SECR within the Group is IMImobile Europe Limited so the following disclosure relates only to that subsidiary.

### Scope and methodology

As IMImobile Europe Limited does not pay directly for its purchased fuel consumption within its offices we have estimated consumption by applying known energy use from meter readings in another UK office in the Group to the offices of IMImobile Europe Limited based on their square footage. The carbon impact of this energy use has been calculated by taking the average mix of fuels used in electricity and gas generation in the UK and the carbon intensity ratio of each to give the average kilograms of carbon dioxide (Kg CO<sub>2</sub>) produced for every kilowatt hour (KWh) of electricity and gas used.

Carbon from transport has been calculated based on the mileage in employee expense claims multiplied by the SECR provided intensity ratio for an average car.

We consider data centres to fall under scope 3 of the SECR guidelines as the company does not have control over the energy used and is not billed directly for the energy and therefore these are not included within this disclosure.

The company's energy use was as follows:

		kWh	Kg CO <sub>2</sub> e
Purchased electricity generated from office space	Scope 2	218,298	40,742
Fuel used by employees in personal cars on business use	Scope 1	29,191	32,498
		247,489	73,239

### Intensity measurement

The emissions intensity measure (scope 1+2/FTE) of IMImobile Europe Limited is 551 Kg CO<sub>2</sub>e per employee.

## 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 117 (2019: 128).

### **Related party transactions**

Disclosures relating to related party transactions are set out in note 17 to the consolidated financial statements.

### **Charitable and political donations**

Charitable donations made by the Group in the year were £88,000 (2019: £65,000). 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 including COVID-19, as given in the Strategic Report.

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, which includes gross proceeds of £22.2m raised from the share placing in April 2020, the Directors consider it appropriate to prepare the financial statements on the going concern basis. For further details please refer to note 1.

### **Auditor**

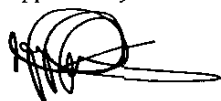
In the case of each of the persons who are Directors of the Company at the date when this report is approved:

- 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.

PricewaterhouseCoopers 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

27 July 2020

## 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  
27 July 2020

## 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 21 to 23 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, and is compliant with AIM rule 26.

**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 21 to 23), 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 or period, and the adequacy of current mitigating controls to reduce risk is reviewed during the meeting. The significant changes to the Company's risk profile are detailed on pages 21 to 23 of this annual report.

#### *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. Wherever the Board considers it necessary, third party advisors are also used to contribute to decision-making or offer counsel in areas where specific domain expertise is needed.

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.

Each year the Board also undertake a formal evaluation, in the form of a detailed questionnaire to be completed by each Director. This review includes an evaluation of the performance of individual Directors including the Chairman and the individual committees. The Board reviews the results of the evaluation and identifies and implements any actions that it considers need to be taken.

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 online collaboration tools, 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.

## Board of Directors

<b>John Allwood (1) (2)</b>	<b>Non-Executive Chairman</b>	<b>age 68</b>
<p>John Allwood has spent his career in media and telecoms holding a number of senior positions including Non-Executive Director of TalkTalk Telecom plc, 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>		
<b>Jay Patel</b>	<b>Group CEO</b>	<b>age 50</b>
<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>		
<b>Mike Jefferies</b>	<b>Group CFO</b>	<b>age 43</b>
<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>		
<b>Shyam Bhat</b>	<b>Group CTO</b>	<b>age 60</b>
<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>		
<b>Vish Alluri</b>	<b>Non-Executive Director</b>	<b>age 67</b>
<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>		
<b>Simon Blagden, CBE (1) (2)</b>	<b>Non-Executive Director</b>	<b>age 57</b>
<p>Simon, CBE, has over 30 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. Simon was appointed non-executive Chairman of Fujitsu UK in 2005 and stepped down in 2019 having served for 15 years.</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 the economy.</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.

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	3	3
Simon Blagden	3	3

##### *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

## **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**

PricewaterhouseCoopers LLP (PwC) have replaced Deloitte LLP as auditors for the year ended 31 March 2020.

During the year the external auditor did not provide any non-audit services. 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 PwC that it considered itself to be independent.

### **Significant areas of risk**

Prior to commencing the audit of the financial year to 31 March 2020 PwC identified the following significant audit risks:

- Revenue recognition
- Management override of controls
- Accounting for the 3C and Rostrvm acquisitions

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 16 *Leases*.

### **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 27 July 2020 and signed on its behalf by:



*John Allwood*  
*Audit Committee Chairman*

## Remuneration Committee Report

This report is for the period to 31 March 2020. 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, IMLmobile 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 25 to the financial statements. Details of the specific interests in share options of 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.

### *The scope of our audit*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

### **Key audit matters**

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><i>Risk of fraud in revenue recognition (Group)</i></p> <p>The Group principally earns revenue from delivering communications, most commonly SMS, on behalf of their customers to end consumers.</p> <p>The recording of price and quantity of these communications is non complex, and the significant risk of fraud in revenue recognition is considered to relate to any manual journal entries or "top-side" adjustments between the trial balance and financial statements.</p> <p>The Group also generate revenue from the provision of software licences and professional services.</p> <p>The risk of fraud in relation to software revenue recognition and professional services is considered to be manual journal adjustments to the underlying trial balance, consolidation or financial statements.</p>	<p>We addressed the risk of fraud in revenue recognition by performing the following:</p> <ul style="list-style-type: none"> <li>• We have obtained an understanding of the key internal controls over management's process for recording revenue from order to cash collection.</li> <li>• We have performed substantive audit procedures over each revenue stream. Our procedures included: <ul style="list-style-type: none"> <li>➢ Agreeing a sample of customer invoice pricing to the price in signed customer contracts;</li> <li>➢ Agreeing the quantity of messages sent by customer (per the customer invoice) to underlying internal systems that record these transactions;</li> <li>➢ We used our IT specialists to assess the IT General Controls over the internal messaging systems and ran dummy SMS transactions within the internal systems that record quantities to ensure these were correctly recorded;</li> <li>➢ Tested material manual journal entries (including any unusual credits to revenue) and any material "top-side" journals (post close and consolidation) between the trial balance and the financial statements that impact revenue; and</li> <li>➢ Testing the mathematical accuracy of the revenues calculated (price x quantity).</li> </ul> </li> </ul> <p>Based on our procedures we performed, we consider these to have materially addressed the risk of fraud in revenue recognition from manual adjustments or manual journals to revenue.</p>
<p><i>3C and Rostrom acquisition accounting (Group and Company)</i></p> <p>On 26 August 2019 the Group acquired 100% of the share capital of 3Cinteractive Corp (3C). 3C was acquired for total consideration of £44m which consisted of £35.8m in cash and deferred payments of £8.2m to be settled in cash.</p>	<ul style="list-style-type: none"> <li>• We have obtained an understanding of the key internal controls over managements review of the identification and valuation of the acquired identifiable intangible assets.</li> <li>• We have performed substantive audit procedures over the acquisition accounting,</li> </ul>

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On 25 November 2019 the Group acquired 100% of the share capital of Rostrvm Limited.

Rostrvm has been acquired for total consideration of £4.4m which consisted of £3.5m in cash, and deferred payments of £900k to be settled in cash, deferred for up to two years.

There is significant judgement in determining the fair value of the intangible assets acquired for each of these acquisitions. The acquired intangible assets are primarily customer relationships and technology.

including utilising our internal Valuations specialists. Our procedures included:

- Evaluating the appropriateness of the valuation technique and model utilised by management;
- Challenging the key assumptions applied including the discount rate, the terminal growth rate and the forecast future revenues;
- Performing sensitivities on the key assumptions including the discount rate;
- Comparing the projections used to Board approved forecasts; and
- Testing the mathematical accuracy of the model.

Based on our procedures we concluded that the purchase price allocation of intangible assets is materially accurate.

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*Impact of Covid-19 on going concern (Group and Company)*  
**COVID-19**

The impact of COVID-19 on the Group includes both the wider impact to the global economy and the direct impact on operations. Following the social distancing policy implemented in both the UK and the US, the Group had to temporarily close offices across the globe and put in place a work from home policy. Management considered that this did not significantly impact operations and they were able to continue to deliver to customers.

Whilst management have noted that there has been a slow down in new contract wins, the level of recurring revenue, and the volume of SMS communication by customers, has remained resilient. In addition, the Group is able to continue to deliver all services except for some small delays in professional services that are required to be performed on site.

The key suppliers of the Group are large telecommunications companies which are considered to be resilient to the impact of COVID-19.

The customer base is mixed but the largest customers are in Telecommunications, the public sector and financial services which have all remained resilient sectors.

As such, albeit COVID-19 is negative on revenues, management has reduced costs such as travel and headcount to compensate, and therefore the net impact on results is relatively low.

We note that the Group raised gross proceeds of £22.2m on 9<sup>th</sup> April 2020 from an equity placing and generated cash from operations for the year ending 31 March 2020 of £19.8m.

Our audit focussed on the extent of the impact to:

- i) the Group's near-term liquidity, its basis of preparation as a going concern and the associated disclosures; and
- ii) the impairment assessment for acquired intangible asset balances.

We performed the following procedures to assess the risk on going concern:

- We obtained management's cash flow forecasts up to September 2021, which covered a period of twelve months and beyond, from the date of approval of the financial statements and confirmed that the forecast indicated that the Group and Company would have sufficient cash to continue in operation for that period.
- We have reviewed the minutes of recent Board meetings to confirm the current trading plans and the performance in Q1 to 30 June 2020 based on the latest management accounts.
- We performed sensitivity analysis over the significant assumptions, including those related to COVID-19, both individually and collectively to ascertain the extent of change that would be required for the Group and Company to have insufficient cash flows to meet its ongoing liabilities as they fall due. We also considered the likelihood of such a movement arising. Our testing identified that the combination of circumstances necessary to lead to the Group and Company having insufficient cash to meet their ongoing liabilities as they fall due appears unlikely to occur in the foreseeable future.
- We tested the receipt of cash received from the equity placing in April 2020.
- The loan covenants associated with the £30m term loan and £20m revolving credit facility are adjusted leverage (total net debt/ Adjusted EBITDA) and cash flow cover (Operating cashflow/ debt service costs). Based on management forecasts EBITDA would need to decrease significantly for the covenants to be breached.

Overall, we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, this is

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not a guarantee as to the Group's or Company's ability to continue as a going concern.

In relation to the impairment assessment of acquired intangible assets, we challenged and considered the impact of COVID-19 to the forecast growth rates of the acquired businesses. We have reduced the forecast growth rates for the year ending 31 March 2021 to reflect the impact of COVID-19 and there remains significant headroom before an impairment is required.

- We also compared the carrying value of goodwill and intangible assets to the market capitalisation of the Group and this did not indicate any impairment.

Therefore, in conclusion, we accept management's assessment that there is no impairment in the acquired Intangible assets as a result of COVID-19.

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#### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

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):

- IMImobile PLC (UK) - Full Scope Audit
- IMImobile Europe Limited (UK) - Full Scope Audit
- Txtlocal Limited (UK) - Full Scope Audit
- IMImobile Intelligent Networks Limited (UK) - Full Scope Audit
- IMI Mobile Private Limited (India) - PwC India
- IMI Mobile VAS Limited FZE (United Arab Emirates) - PwC India
- IMImobile Limited FZE (United Arab Emirates) - PwC India
- Healthcare Communications UK Limited (UK)
- IMImobile Canada Inc. (Canada)
- 3Cinteractive Corporation (US)
- IMImobile North America Inc. (US)

The first four components are subject to a full scope audits and the remaining seven were subject to specified audit procedures.

All component audits were performed by PwC member firms with all UK and US located components audited by the Group engagement team.

At the Group level we also 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.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	<i>Group financial statements</i>	<i>Parent company financial statements</i>
<b>Overall materiality</b>	£523,000.	£370,000
<b>How we determined it</b>	2.5% of Adjusted EBITDA, adjusted for acquisition related share-based payment charges of £1.2 million and acquisition related costs of £3.8 million.	1% of total assets capped by overall Group materiality.
<b>Rationale for benchmark applied</b>	We have used adjusted EBITDA 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 on acquisition 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.	We believe that total assets are the primary measure used by the shareholders in assessing the performance of the entity and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £25,000 and £485,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £27,000 (Group audit) and £27,000 (Parent company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Going concern

In accordance with ISAs (UK) we report as follows:

<i>Reporting obligation</i>	<i>Outcome</i>
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to.  However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06) and ISAs (UK) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

#### *The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group*

As a result of the directors' reporting on how they have applied the UK Corporate Governance Code (the "Code"), we are required to report to you if we have anything material to add or draw attention to regarding:

- The directors' confirmation on pages 21 - 23 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on pages 26 & 27 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report in respect of this responsibility.

#### *Other Code Provisions*

As a result of the directors' reporting on how they have applied the Code, we are required to report to you if, in our opinion:

- The statement given by the directors, on page 28, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company obtained in the course of performing our audit.
- The section of the Annual Report on page 33 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have nothing to report in respect of this responsibility.

#### **Responsibilities for the financial statements and the audit**

##### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

##### **Auditors' 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 auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### **Use of this report**

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

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

certain disclosures of directors' remuneration specified by law are not made; or

the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Gareth Murfitt (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
27 July 2020

**Consolidated Income Statement**  
For the year ended 31 March 2020

	Notes	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
<b>Revenue</b>	2, 5	171,187	142,731
Cost of sales		(92,080)	(80,158)
<b>Gross profit</b>	5	79,107	62,573
<b>Operating costs:</b>			
Other operating costs		(57,510)	(44,558)
Depreciation and amortisation		(10,977)	(7,085)
Share-based payment charge	25	(2,172)	(8,899)
Acquisition costs	4	(3,838)	(1,036)
<b>Operating profit</b>	4	4,610	995
Finance income	7	145	295
Finance cost	7	(1,625)	(580)
<b>Profit before tax</b>		3,130	710
Tax	8	(1,102)	(2,022)
<b>Profit/(loss) for the year</b>		2,028	(1,312)
<b>Profit/(loss) for the year attributable to:</b>			
Equity holders of the parent company		1,972	(1,255)
Non-controlling interest		56	(57)
<b>Profit/(loss) for the year</b>		2,028	(1,312)
	Notes	Year ended 31 March 2020	Year ended 31 March 2019
Basic earnings/(loss) per share	9	2.7p	(1.9p)
Diluted earnings/(loss) per share	9	2.5p	(1.9p)
	Notes	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Adjusted EBITDA <sup>1</sup>	10	21,597	19,069 <sup>2</sup>
	Notes	Year ended 31 March 2020	Year ended 31 March 2019
Adjusted basic earnings per share <sup>1</sup>	9	17.0p	16.7p
Adjusted diluted earnings per share <sup>1</sup>	9	15.5p	15.1p

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

<sup>1</sup> Adjusted for costs which management do not consider reflect underlying business performance - see note 10 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results.

<sup>2</sup> Restated prior year adjusted performance measure had IFRS 16 been adopted from 1 April 2018

**Consolidated Statement of Comprehensive Income**  
For the year ended 31 March 2020

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
<b>Profit/(loss) for the year</b>	2,028	(1,312)
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations		
Equity holders of the parent company	(1,609)	(284)
Non-controlling interest	140	69
Net actuarial losses recognised on defined gratuity plan		
Equity holders of the parent company	(145)	(9)
Non-controlling interest	-	-
<b>Other comprehensive loss for the year</b>	(1,614)	(224)
<b>Total comprehensive income/(loss) for the year</b>	414	(1,536)
<b>Total comprehensive income/(loss) for the year attributable to:</b>		
Equity holders of the parent company	218	(1,548)
Non-controlling interest	196	12
<b>Total comprehensive income/(loss) for the year</b>	414	(1,536)

The figures included above are stated net of corporate taxation.

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

**Consolidated Statement of Financial Position**  
As at 31 March 2020

	Notes	As at 31 March 2020 £000	As at 31 March 2019 £000
<b>Non-current assets</b>			
Goodwill	11	70,028	43,637
Other intangible assets	12	53,398	29,607
Property, plant, equipment and right-of-use assets	13	6,517	4,347
Deferred tax assets	23	724	550
<b>Total non-current assets</b>		<b>130,667</b>	<b>78,141</b>
<b>Current assets</b>			
Cash and cash equivalents	14	25,089	13,247
Trade receivables and contract assets	15	40,238	44,518
Tax receivable		2,717	1,304
Withholding tax debtor		1,172	877
Other receivables	16	5,482	3,916
<b>Total current assets</b>		<b>74,698</b>	<b>63,862</b>
<b>Current liabilities</b>			
Trade and other payables	18	(49,773)	(45,748)
Contract liabilities		(10,437)	(8,637)
Lease liabilities	19	(1,602)	-
Provision for contingent consideration	20	(3,500)	(1,806)
Bank borrowings	21	(4,006)	(1,611)
<b>Total current liabilities</b>		<b>(69,318)</b>	<b>(57,802)</b>
<b>Net current assets</b>		<b>5,380</b>	<b>6,060</b>
<b>Non-current liabilities</b>			
Lease liabilities	19	(1,231)	-
Provision for contingent consideration	20	(4,924)	(57)
Bank borrowings	21	(42,741)	(19,120)
Provision for defined benefit gratuity plan	22	(1,299)	(1,032)
Deferred tax liabilities	23	(7,121)	(3,872)
<b>Total non-current liabilities</b>		<b>(57,316)</b>	<b>(24,081)</b>
<b>Net assets</b>		<b>78,731</b>	<b>60,120</b>
<b>Equity attributable to the owners of the parent company</b>			
Share capital	24	7,479	6,671
Share premium	24	27,555	6,666
Translation reserve	24	(134)	1,475
Share-based payment reserve	24	8,660	12,540
Capital restructuring reserve	24	(29,040)	(29,040)
Retained earnings	24	64,207	62,000
<b>Equity attributable to the owners of the parent company</b>		<b>78,727</b>	<b>60,312</b>
Non-controlling interest		4	(192)
<b>Total equity</b>		<b>78,731</b>	<b>60,120</b>

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 27 July 2020.

Signed on behalf of the Board



Mike Jefferies  
Director

**Consolidated Statement of Changes in Equity**  
For the year ended 31 March 2020

	Share capital £000	Share premium £000	Translation reserve £000	Share-based payment reserve £000	Capital restructuring reserve £000	Retained earnings £000	Total equity attributable to shareholders of the parent company £000	Non-controlling interest £000	Total equity £000
<b>Balance at 31 March 2018</b>	<b>6,204</b>	<b>1,246</b>	<b>1,759</b>	<b>10,782</b>	<b>(29,040)</b>	<b>63,104</b>	<b>54,055</b>	<b>107</b>	<b>54,162</b>
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 (note 25)	-	-	-	6,419	-	-	6,419	-	6,419
Proceeds from share issue, including share options exercised (note 24)	343	2,190	-	(727)	-	-	1,806	-	1,806
Debit to share based payment reserve (note 25)	-	-	-	(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 24)	124	3,230	-	-	-	-	3,354	-	3,354
Subscription in non-controlling interest's shares of IMmobile South Africa Pty Ltd	-	-	-	-	-	-	-	(311)	(311)
<b>Balance at 31 March 2019</b>	<b>6,671</b>	<b>6,666</b>	<b>1,475</b>	<b>12,540</b>	<b>(29,040)</b>	<b>62,000</b>	<b>60,312</b>	<b>(192)</b>	<b>60,120</b>
Profit for the year	-	-	-	-	-	1,972	1,972	56	2,028
Foreign exchange differences	-	-	(1,609)	-	-	-	(1,609)	140	(1,469)
Net actuarial losses recognised on defined gratuity plan	-	-	-	-	-	(145)	(145)	-	(145)
Credit to equity for share-based payments (note 25)	-	-	-	2,319	-	-	2,319	-	2,319
Proceeds from share issue, including share options exercised, net of expenses (note 24)	792	20,391	-	(738)	-	-	20,445	-	20,445
Debit to share based payment reserve (note 25)	-	-	-	(5,461)	-	-	(5,461)	-	(5,461)
Deferred tax on share-based payments	-	-	-	-	-	45	45	-	45
Tax relief on exercised share-based payments	-	-	-	-	-	335	335	-	335
Issue of shares as part of acquisition (note 24)	16	498	-	-	-	-	514	-	514
<b>Balance at 31 March 2020</b>	<b>7,479</b>	<b>27,555</b>	<b>(134)</b>	<b>8,660</b>	<b>(29,040)</b>	<b>64,207</b>	<b>78,727</b>	<b>4</b>	<b>78,731</b>

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

**Consolidated Cash Flow Statement**  
For the year ended 31 March 2020

	Notes	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
<b>Cash generated from operations</b>	26	20,875	15,903
Tax paid		(2,587)	(1,260)
<b>Net cash from operating activities</b>		<u>18,288</u>	<u>14,643</u>
<b>Investing activities</b>			
Interest received		33	295
Purchase of intangible assets		(6,248)	(6,568)
Purchase of property, plant & equipment		(657)	(1,183)
Acquisition of subsidiary net of cash acquired	31	(35,673)	(16,575)
Contingent consideration as part of Infracast acquisition	25	(4,947)	(2,387)
Contingent consideration as part of Sumotext acquisition		-	(1,143)
Contingent consideration as part of Healthcare acquisition	20	(1,750)	-
<b>Net cash used in investing activities</b>		<u>(49,242)</u>	<u>(27,561)</u>
<b>Financing activities</b>			
Principal element of lease payments	19	(1,429)	-
Bank loan received	21	51,276	10,000
Repayment of bank loans	21	(24,537)	(688)
Bank borrowing costs	21	(649)	-
Loan to related party	17	(889)	-
Interest paid		(1,386)	(524)
Proceeds from issuance of Ordinary shares	24	20,445	1,806
<b>Net cash generated by financing activities</b>		<u>42,831</u>	<u>10,594</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>11,877</u>	<u>(2,324)</u>
<b>Cash and cash equivalents at beginning of the year</b>		13,247	15,743
Effect of foreign exchange rate changes		(35)	(172)
<b>Cash and cash equivalents at end of the year</b>	14	<u>25,089</u>	<u>13,247</u>

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

## Notes to the consolidated financial statements

For the year ended 31 March 2020

### 1. Basis of preparation

The consolidated financial statements for the years ended 31 March 2019 and 2020 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 2019 and 2020 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 IMI Mobile 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

IMI Mobile 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.

#### 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 2020 the Group had net assets of £78.7 million including £25.1 million of cash and cash equivalents (31 March 2019: net assets of £60.1 million including £13.2 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 COVID-19 pandemic has had wide ranging impacts on the Global economy and the potential impact on the Group’s customers, suppliers, employees and operations is considered in the Strategic Report on pages 22 to 23.

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, which includes gross proceeds of £22.2m raised from the share placing in April 2020, the Directors consider it appropriate to prepare the Company’s financial statements on the going concern basis.

#### *Adoption of new and revised International Financial Reporting Standards (“IFRSs”)*

#### **New and amended standards adopted by the Group**

The Group has applied IFRS 16 *Leases* for the first time for the period commencing 1 April 2019. This has resulted in the Group recognising right-of-use assets and lease liabilities. For leases previously classified as operating leases, under previous accounting requirements the Group did not recognise related assets or liabilities, and instead spread the lease payments on a straight-line basis over the lease term. The Group has applied the modified retrospective approach and has only recognised leases on the statement of financial position as at 1 April 2019. Comparative amounts for the year prior to the first adoption have not been restated.

The lease liability on 1 April 2019 has been measured at the present value of the remaining lease payments discounted using the incremental borrowing rate at that date. The weighted average incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.8%. The Group has decided to measure opening right-of-use assets equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised immediately before the date of initial application.

Where exercise of a renewal option is considered to be reasonably certain, this has been included in the lease term, when calculating the lease liability.

The Group utilised the recognition exemptions for both short-term leases that have a lease term of 12 months or less and for leases of low value assets (underlying asset value less than £4,000). The lease payments associated with those leases continue to be recognised as an expense on a straight-line basis over the lease term.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- (a) applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- (b) relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019,
- (c) accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases, and
- (d) using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Application resulted in the recognition of total lease liabilities and right-of-use assets on 1 April 2019 of £1.4 million. Right-of-use assets are presented in Property, plant and equipment on the Group statement of financial position. Lease liabilities are included in current and non-current lease liabilities.

A reconciliation of the operating lease commitment at 31 March 2019 to the opening IFRS 16 lease liability is shown below:

	£000
Operating lease commitments at 31 March 2019	1,774
Contracts not in the scope of IFRS 16 <sup>1</sup>	(19)
Effect of discounting <sup>2</sup>	(47)
Short term leases	(54)
Lease extension options <sup>3</sup>	389
Other <sup>4</sup>	(624)
<b>IFRS 16 lease liabilities at 1 April 2019</b>	<b>1,419</b>

1) These lease commitments do not fall within the scope of IFRS 16 as they are in relation to low value items.

2) The previously disclosed lease commitments were undiscounted, whilst the IFRS 16 obligations have been discounted based on the Group's relevant incremental borrowing rates.

3) Previously, lease commitments only included non-cancellable periods in the lease agreements. Under IFRS 16, the lease term includes periods covered by options to extend the lease where the Group is reasonably certain that such options will be exercised.

4) This balance relates to a lease signed in March 2019 for the period 1 July 2019 to 30 June 2021, so it was included as an operating lease commitment at 31 March 2019 but doesn't form a lease liability at 1 April 2019 under IFRS 16.

#### **New standards and interpretations not yet adopted**

There are no 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:

#### **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.

#### **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 2019 and 2020:

Name of entity	Functional currency	Principal activities	% of share class held by the Group as at 31 March: 2020 2019		Share / Stock class
<b>United Kingdom</b> (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	76%*	78%	Ordinary
IMImobile South Africa 2 Limited	ZAR	Non-trading	100%	100%	Ordinary
IMImobile Intelligent Networks Limited	GBP	(1)	100%	100%	Ordinary
					& Deferred
Rostrvm Solutions Limited (acquired during the year)	GBP	(1)	100%	-	Ordinary
Rostrum Solutions Limited (acquired during the year)	GBP	Dormant	100%	-	Ordinary
<b>USA</b> (750 Park of Commerce Blvd., Ste. 400 Boca Raton, FL 33487, USA)					
3Cinteractive Corp. (acquired during the year)	USD	(1)	100%	-	Common
<b>USA</b> (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	USD	(1)	100%	100%	Common
<b>USA</b> (201 E Markham St, Little Rock, AR 72201, USA)					
IMImobile North America, Inc.	USD	(1)	100%	89%	Common
<b>Canada</b> (Suite 400, 60 Adelaide St. East, Toronto, ON, M5C 3E4, Canada)					
IMImobile Canada Inc	CAD	(1)	100%	100%	Common
<b>Panama</b> (Av. Miguel Brostella, P.H. Camino de Cruces, Local No. 35, Panama City)					
IMI Mobile VAS Latin America S.A. (dissolved during the year)	USD	Dormant	-	100%	Ordinary
<b>UAE</b> (P.O. Box 293593, Office # 624, Building 5EA, 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
<b>South Africa</b> (Clearwater Office Park, Building no. 3, Corner Christiaan De Wet and Millennium Boulevard, Strubensvalley, Roodepoort, South Africa)					
IMImobile South Africa Pty Limited	ZAR	(1)	70%*	71%	Ordinary
Ukhozi Digital Pty Limited	ZAR	Non-trading	40%	40%	Ordinary
<b>Nigeria</b> (2nd Floor, No 32, Shiro Street, Fadeyi - Yaba, Lagos State, Nigeria)					
IMI Mobile VAS Nigeria Limited	NGN	(2)	100%	100%	Ordinary
<b>Nigeria</b> (32 Adegbola Street, PO BOX 6920, Ikeja, Lagos, Anifowose, Lagos, Nigeria)					
Skinkers Nigeria Private Limited	NGN	Non-trading	100%	100%	Ordinary
<b>Tunisia</b> (Regus, Tunis Berges du Lac Business Center, Immeuble "Slim", 2eme Etage, Rue de l'Euro, Les Berges du Lac 2, 1053 - Tunis, Tunisia)					
IMImobile VAS Tunisia Limited	TND	(1) & (2)	100%	100%	Ordinary
<b>Ghana</b> (H No F486, Nyaniba Estate, Accra, Greater Accra, PO Box 14310, Accra, Ghana)					
IMImobile Ghana Limited	GHC	Non-trading	77%	77%	Ordinary
<b>British Virgin Islands</b> (Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands)					
Lenco International Limited	ZAR	Non-trading	81%*	82%	Ordinary
Lenco Technology Group Limited	ZAR	(1)	81%*	82%	Ordinary
<b>India</b> (Plot No. 770, Road No. 44, Jubilee Hills, Hyderabad - 500 033, India)					
IMI Mobile Private Limited	INR	(1) & (2)	100%	100%	Ordinary
<b>Bangladesh</b> (House No: 13, A-5 (5th floor), Road No: 113/A, Gulshan, Dhaka, Bangladesh)					
IMI Mobile VAS Limited	BDT	(1) & (2)	100%	100%	Ordinary
<b>Sri Lanka</b> (No: 94/1, Dharmapala Mawatha, Colombo 07, Sri Lanka)					
IMI Mobile VAS Private Limited	LKR	(2)	100%	100%	Ordinary
<b>Nepal</b> (124, Lal Colony Marg, Lal Durbar, Kathmandu, Nepal)					
IMI Mobile Nepal Private Limited	NPR	(1) & (2)	100%	100%	Ordinary
<b>Myanmar</b> (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 £10,000.

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 2020:

Name of entity	Registered number	Name of entity	Registered number
IMImobile Europe Limited	04833052	IMImobile Intelligent Networks Limited	04163740
Tap2Bill Limited	03212199	Healthcare Communications UK Limited	04084131
Txtlocal Limited	05578161	IMImobile African Holdings Limited	09632399
Chilli Digital Europe Limited	08123133	IMImobile South Africa 1 Limited	09634021
IMImobile Software Limited	04120457	IMImobile South Africa 2 Limited	09633868
IMImobile International Limited	05175576	Rostrvm Solutions Limited	04246427

### 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.

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.

### Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, 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.

During the current year the CODM started to consider results principally by operating division split between services sold on cloud communication products and operator VAS and mobile payment services, which are further split by geographical region. This forms the Group's operating and reporting segments. This is a change from prior years when the results were principally considered by geographical region only. Geographically, the operating segments are defined as Europe, Americas, Asia-Pacific (APAC) and Middle East and Africa (MEA).

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 operating costs are shared across regions, results from gross profit to adjusted EBITDA are assessed between services sold on cloud communication products, operator VAS and mobile payment services, and central adjusted operating costs. Results from adjusted EBITDA to profit after tax are assessed on a consolidated basis only in the current year. As prior year results were only reviewed geographically it is not possible to allocate operating costs by operating division, so prior year 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.

### Revenue recognition

Revenue is recognised in accordance with the requirements of IFRS 15 *Revenue from Contracts with Customers*. The Group recognises revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

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. Amounts incurred but not yet billed are classified as contract assets. Revenues are typically billed up to 60 days after month end and classified as contract assets until this point.

#### Monthly recurring revenue

Revenues from hosting and for access to the Group's cloud-based communications and CPaaS software, including the use of shortcodes to run the service, form a single performance obligation and is recognised over the period of the contract as the customer simultaneously receives and consumes 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 content sale or message delivery is generated.

Revenue generated from the provision of professional services to manage software applications for customers are recognised pro-rata over the period the services are provided.

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 acts as principal and controls the right to perform the service and successfully deliver the messages at a point in time.

The Group acts as agent when providing carrier billing or payments made via mobile devices services so revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned. Revenue recognised within turnover relate only to the commission earned on hosting each service and are recognised at the point the message or content is delivered to the end user. 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 set the price charged to the end user.

#### *Non-recurring 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 customer is able to use the service for its intended purpose. The Group assesses whether ongoing contractual obligations, such as annual maintenance charges, represent a performance obligation that is distinct from the license. 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.

Non-recurring professional service revenues relate to one-time configuration, setup and change requests and are recognised at the point the customer is able to use the service for its intended purpose, or upon completion of designated milestones where the Group has an enforceable right to payment.

#### **Interest income**

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount can be reliably measured. Interest income is accrued on a time basis by reference to the principal outstanding.

#### **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.

Goodwill acquired in a business combination is allocated to each cash generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs 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.

#### **Other intangible assets**

##### **(a) Assets acquired as part of a business combination**

Trade names, customer relationships and software acquired as part of acquisitions are capitalised separately from goodwill as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group. These costs are amortised over their estimated useful lives of 5 to 7 years.

##### **(b) Capitalised development costs**

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. Interest costs are not capitalised.

Software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 7 years.

##### **(c) Other intangible assets**

#### *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 up to 10 years.

#### *Software licenses*

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.

#### **Impairment of assets**

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill for each CGU 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.

Other 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. Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 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.

As a result of the adoption of IFRS 16 property, plant and equipment now contains the right-of-use assets for leases previously classified as operating leases.

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. The estimated useful lives by class of asset are as follows:

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
Right-of-use assets	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.

#### **Financial instruments**

Financial assets and financial liabilities are recognised on the Group's statement of financial position 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*

Cash and cash equivalents, trade receivables and contract assets, tax receivables, other receivables (excluding prepayments) and withholding tax debtors are initially recognised at fair value and subsequently at amortised cost using the effective interest method less any allowance for expected credit losses.

##### *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.

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 trade receivables and contract assets. It is the Group's policy to minimise its credit risk

exposure. This includes undertaking careful due diligence of new customers and getting full or part payment in advance of providing services where credit risk is considered higher. The Group regularly reviews existing customers on an individual basis for changes in the credit quality of trade receivables and contract assets from the date the receivable was created to the date the balance is settled.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets and amounts due from related parties. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

To measure the expected credit losses, trade receivables and contract assets have been grouped together based on shared credit risk characteristics and the days past due. The group has deemed that the contract assets balance has substantially the same risk characteristics as trade receivables and has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The ECL is calculated through assessing the probability of the non-payment of the customer, this probability is then multiplied by the amount of the expected loss arising from default to determine the expected credit loss for the trade receivables and contract assets. If a balance is confirmed as not be collectable, the gross carrying value of the asset is written off against the associated provision.

#### *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.

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*

Provisions for contingent consideration and defined benefit gratuity plan are measured at fair value through profit and loss (FVTPL). A financial liability is classified at FVTPL if it is classified as held for trading, such as a derivative instrument, or if it has been designated as such upon initial recognition, with net gains and losses, including interest expenses, recognised in profit or loss.

Trade and other payables, lease liabilities and bank borrowings are measured subsequently at amortised cost using the effective interest method. Bank borrowing costs are capitalised as incurred and amortised over the period of the loan.

Interest expenses and exchange rate gains and losses are recognised in profit or loss. Gains or losses in connection with derecognition are also recognised in profit or loss.

#### **Employee benefits**

##### *Defined benefit gratuity plan*

The Group has a post-employment unfunded gratuity plan in place for all IMI Mobile Private Limited employees ("defined benefit gratuity plan"). An employee who has completed five years of service is entitled to a cash bonus 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.

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 in the income statement with a corresponding increase in

equity. The total amount to be expensed is measured at the grant date by reference to the fair value of the options granted measured using the Black-Scholes option valuation model:

- 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 and the employees become unconditionally entitled to the options.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on expected leavers and estimated achievement for 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 included in the share-based payment charge except where they are payable by the employee.

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.

Accounting policies adopted in relation to the valuation of specific acquisition related contingent consideration and put/call options are provided in note 25.

#### **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.

#### **Taxation**

The Group's tax charge is the sum of total current and deferred tax charges.

##### *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.

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 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.

The carrying amount is reviewed at each balance sheet date. 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 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.

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.

### 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:

#### 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 £23,828,000 (2019: £30,311,000) 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 would need to decrease as follows before impairment would be required:

	Cash flow growth rate:	
	Used in impairment review	At which impairment would be required
Europe large enterprise	24%	(7%)
Textlocal	20%	(45%)
Healthcare	16%	(30%)
South Africa	34%	(17%)
North America	14%	(16%)

##### *Taxation including deferred taxation*

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 £2,781,000 (2019: £2,314,000) have not been recognised (see note 23).

Of this balance, management consider there to be particular uncertainty over the range of £nil to £783,000 (2019: £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 £724,000 (2019: £550,000) and the carrying amount of deferred tax liabilities was £7,121,000 (2019: £3,872,000).

The accounting policies in relation to these items are disclosed in notes 1 and 2.

#### 4. Operating profit

Operating profit for the year is stated after charging:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Depreciation of property, plant and equipment	3,380	2,069
Amortisation of intangible assets	2,257	1,991
Amortisation of intangible assets added on acquisition	5,340	3,025
Operating lease rentals	267	1,482
Staff costs (note 6 - including share-based payment charge)	35,449	26,551
Acquisition costs	3,838	1,036
Loss on disposal of PPE and intangible assets	17	12
Impairment of trade receivables	2,606	430
Foreign exchange (gains)/losses	(797)	164

#### Auditor's remuneration

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

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Fees payable to the Group's auditor and their associates for the audit of the group's annual report and financial statements:		
- Group	318	212
- Company	27	5
Total audit fees	345	217
India Annual Performance Report and Transfer Pricing Compliance	-	9
Total fees	345	226

## 5. Operating segments

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

	Europe £000	Americas £000	APAC £000	MEA £000	Total £000
<b>Year ended 31 March 2020</b>					
Revenue					
Cloud communication products	107,001	25,787	8,844	9,250	150,882
Operator VAS and mobile payments	4,535	1,281	9,163	5,326	20,305
Total revenue	111,536	27,068	18,007	14,576	171,187
Gross profit					
Cloud communication products	37,760	18,364	4,012	4,386	64,522
Operator VAS and mobile payments	2,600	1,069	6,012	4,904	14,585
Total gross profit	40,360	19,433	10,024	9,290	79,107
Adjusted operating costs (note 10)					
Cloud communication products					(41,767)
Operator VAS and mobile payments					(13,499)
Central					(2,244)
Total adjusted operating costs					(57,510)
Adjusted EBITDA (note 10)					
Cloud communication products					22,755
Operator VAS and mobile payments					1,086
Central					(2,244)
Total adjusted EBITDA					21,597
Depreciation and amortisation					(10,977)
Share-based payment charge					(2,172)
Acquisition costs					(3,838)
Operating profit					4,610
Finance income					145
Finance cost					(1,625)
Profit before tax					3,130
Tax					(1,102)
Profit after tax					2,028

	Europe £000	Americas £000	APAC £000	MEA £000	Total £000
<b>Year ended 31 March 2019</b>					
Revenue					
Cloud communication products	94,400	10,498	7,216	7,897	120,011
Operator VAS and mobile payments	6,207	89	9,160	7,264	22,720
<b>Total revenue</b>	<b>100,607</b>	<b>10,587</b>	<b>16,376</b>	<b>15,161</b>	<b>142,731</b>
Gross profit					
Cloud communication products	33,296	7,276	2,774	3,389	46,735
Operator VAS and mobile payments	4,013	62	6,051	5,712	15,838
<b>Total gross profit</b>	<b>37,309</b>	<b>7,338</b>	<b>8,825</b>	<b>9,101</b>	<b>62,573</b>
Adjusted operating costs (note 10) <sup>1</sup>					(43,504)
Adjusted EBITDA (note 10) <sup>1</sup>					19,069
IFRS 16 restatement of adjusted EBITDA					(1,028)
Adjusted EBITDA (as previously reported)					18,041
Depreciation and amortisation					(7,085)
Share-based payment charge					(8,899)
Acquisition costs					(1,036)
Exchange losses on the Nigerian Naira					(26)
<b>Operating profit</b>					<b>995</b>
Finance income					295
Finance cost					(580)
<b>Profit before tax</b>					<b>710</b>
Tax					(2,022)
<b>Profit after tax</b>					<b>(1,312)</b>

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 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 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
<b>Year ended 31 March 2020</b>				
Customer A	28,656	17%	5,150	7%
Customer B	3,879	2%	3,516	4%
Customer C	5,238	3%	2,944	4%
Customer D	7,925	5%	2,807	4%
Customer E	2,907	2%	2,687	3%
<b>Year ended 31 March 2019</b>				
Customer A	26,495	19%	4,898	8%
Customer B	-	-	-	-
Customer C	4,792	3%	2,787	4%
Customer D	5,646	4%	1,707	3%
Customer E	2,110	1%	1,841	3%

<sup>1</sup> Restated prior year adjusted performance measure had IFRS 16 been adopted from 1 April 2018

## Revenue

The Group derives its revenue from contracts with customers for the transfer of 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 2020 £000	Year ended 31 March 2019 £000
<b>Disaggregation of revenue:</b>			
<b>MRR</b>			
- monthly hosting, access and shortcode fees	Over time	25,158	18,461
- revenue share and usage	Point in time	135,272	115,776
- professional services	Point in time	1,787	1,380
<b>NRR</b>			
- perpetual licenses	Point in time	1,318	1,511
- professional services	Point in time	7,652	5,603
		<u>171,187</u>	<u>142,731</u>

During the year the Group recognised revenue of £8,355,000 (2019: £6,095,000) related to contract liabilities carried-forward from the prior year. No revenue was recognised in the either year from performance obligations satisfied (or partially satisfied) in prior years. All remaining performance obligations are comprised of contract liabilities of £10,437,000 at 31 March 2020 (2019: £8,637,000).

## Additional voluntary disclosures

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 reviewing operating division and geographical performance, the Chief Operating Decision Maker also considers the performance of the Group in line with its revenue model, as disclosed in note 2.

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

	MRR £000	NRR £000	Total £000
<b>Year ended 31 March 2020</b>			
Revenue			
Cloud communication products	144,347	6,535	150,882
Operator VAS and mobile payments	17,870	2,435	20,305
Total revenue	<u>162,217</u>	<u>8,970</u>	<u>171,187</u>
Gross profit			
Cloud communication products	58,131	6,391	64,522
Operator VAS and mobile payments	12,717	1,868	14,585
Total gross profit	<u>70,848</u>	<u>8,259</u>	<u>79,107</u>
<b>Year ended 31 March 2019</b>			
Revenue			
Cloud communication products	115,762	4,247	120,009
Operator VAS and mobile payments	19,855	2,867	22,722
Total revenue	<u>135,617</u>	<u>7,114</u>	<u>142,731</u>
Gross profit			
Cloud communication products	42,611	4,124	46,735
Operator VAS and mobile payments	13,728	2,110	15,838
Total gross profit	<u>56,339</u>	<u>6,234</u>	<u>62,573</u>

6. Employee benefits

Staff costs for the Group during the year:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Gross wages and salaries	36,437	28,343
Less capitalised development costs (note 12)	(5,530)	(5,319)
Social security and taxes	2,558	2,273
Share-based payment charge on options granted to Directors and employees (note 25)	1,284	780
Pension costs – Defined benefit gratuity plan (note 22)	105	115
Pension costs – Defined contribution plan	595	359
	<u>35,449</u>	<u>26,551</u>

Average monthly number of people employed:

	Year ended 31 March 2020 Number	Year ended 31 March 2019 Number
Sales and Managed solutions	196	186
Development and Product Management	401	363
Operations and Technical Support	383	316
Common Functions	134	190
	<u>1,114</u>	<u>1,055</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. Details of transactions with key management are included in note 17.

7. Finance income and finance cost

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Interest income on cash and cash equivalents	33	295
Interest income on loans to related party (note 17)	112	-
	<u>145</u>	<u>295</u>
Interest on defined gratuity plan (note 22)	(63)	(56)
Bank loan interest expense	(1,277)	(524)
Amortisation of capitalised bank borrowings costs (note 21)	(185)	-
Interest in relation to lease liabilities (note 19)	(100)	-
	<u>(1,625)</u>	<u>(580)</u>

## 8. Tax

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
<b>Current tax</b>		
UK tax expense	394	1,081
India tax expense	-	265
Other foreign tax expense	1,044	566
Withholding tax expense	753	318
Adjustments in respect of prior periods	(199)	(191)
	<u>1,992</u>	<u>2,039</u>
<b>Deferred tax (note 23)</b>		
Current year	(553)	70
Adjustments in respect of prior periods	(337)	(87)
	<u>(890)</u>	<u>(17)</u>
<b>Total tax charge</b>	<u><u>1,102</u></u>	<u><u>2,022</u></u>

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

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Profit before tax	3,130	710
Tax at the UK corporation tax rate of 19% (2019: 19%)	595	135
Effect of overseas tax rates	258	608
Share based payment charge not deductible for tax purposes (Income not taxable) / other expenses not deductible	413 (222)	1,691 348
Temporary differences on which deferred tax not recognised	583	(254)
Effect of change in UK tax rate	11	82
Tax adjustments in respect of previous years	(536)	(278)
Enhanced tax relief on research and development expenditure	-	(310)
<b>Total tax charged in the income statement</b>	<u><u>1,102</u></u>	<u><u>2,022</u></u>

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 main rate of UK corporation tax in the period was 19%. In March 2020, the Chancellor announced that the planned reduction in the corporation tax rate to 17% from 1 April 2020 would no longer take place, and the rate would remain at 19% going forwards. Following a Budget resolution on 17 March 2020, the 19% rate was substantively enacted. Accordingly, UK deferred balances have been recognised at 19% in the period.

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

	Year ended 31 March 2020 pence	Year ended 31 March 2019 pence
Basic EPS	2.7p	(1.9p)
Adjusted basic EPS	17.0p	16.7p
Diluted EPS	2.5p	(1.9p)
Adjusted diluted EPS	15.5p	15.1p
	<b>Year ended 31 March 2020 Million</b>	<b>Year ended 31 March 2019 Million</b>
Weighted average number of ordinary shares for the purpose of basic EPS	72.1	64.9
Effect of dilutive potential ordinary shares: share options	7.1	6.8
<b>Weighted average number of ordinary shares for the purpose of diluted EPS</b>	<u><u>79.2</u></u>	<u><u>71.7</u></u>

See note 10 for a reconciliation of statutory results to adjusted results. The adjusted profit after tax earnings measure is used for the purpose of calculating adjusted earnings per share.

## 10. 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.

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.

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.

Summarised below is a reconciliation from statutory results to adjusted results.

	Statutory results	A	B	C	D	E	F	Adjusted results
	£000	£000	£000	£000	£000	£000	£000	£000
Year ended:								
31 March 2020								
Revenue	171,187	-	-	-	-	-	-	171,187
Gross profit	79,107	-	-	-	-	-	-	79,107
Operating costs	(74,497)	2,172	3,838	5,340	-	-	-	(63,147)
Operating profit	4,610	2,172	3,838	5,340	-	-	-	15,960
Profit before tax	3,130	2,172	3,943	5,340	-	-	-	14,585
Tax	(1,102)	290	(634)	(867)	-	-	-	(2,313)
Profit after tax	2,028	2,462	3,309	4,473	-	-	-	12,272
EBITDA <sup>1</sup>	15,587	2,172	3,838	-	-	-	-	21,597
Cash generated from operations	20,875	-	3,096	-	-	-	-	23,971
Basic EPS (pence)	2.7	3.4	4.6	6.2	-	-	0.1	17.0
Diluted EPS (pence)	2.5	3.1	4.2	5.6	-	-	0.1	15.5
	Statutory results	A	B	C	D	E	F	Adjusted Results
	£000	£000	£000	£000	£000	£000	£000	£000
31 March 2019								
Revenue	142,731	-	-	-	-	-	-	142,731
Gross profit	62,573	-	-	-	-	-	-	62,573
Operating costs	(61,578)	8,899	1,036	3,025	97	26	-	(48,495)
Operating profit	995	8,899	1,036	3,025	97	26	-	14,078
Profit before tax	710	8,899	1,036	3,025	(49)	26	-	13,647
Tax	(2,022)	(143)	(113)	(613)	-	-	-	(2,891)
(Loss)/profit after tax	(1,312)	8,756	923	2,412	(49)	26	-	10,756
EBITDA <sup>1</sup>	8,080	8,899	1,036	-	1,028	26	-	19,069
Cash generated from operations	15,903	-	1,036	-	1,028	-	-	17,967
Basic EPS (pence)	(1.9)	13.5	1.4	3.7	0.0	0.0	0.0	16.7
Diluted EPS (pence)	(1.9)	12.2	1.3	3.4	0.0	0.0	0.1	15.1

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

### A Share-based payment charge net of tax

- £1,035,000 (2019: £5,639,000) relates to contingent consideration arising from acquisition activities
- £147,000 credit (2019: £2,480,000 charge) relates to put options on acquisitions
- £223,000 (2019: £4,000) relates to employee share schemes granted as part of the Group's listing in June 2014
- £183,000 (2019: £111,000) relates to employee share schemes granted as a means of retention for key employees joining the Group as a result of an acquisition
- £1,168,000 (2019: £522,000) relates to on-going employee incentive share schemes

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.

### B Costs directly relating to acquisitions including retention bonuses payable to key management personnel of the acquired entity agreed at the time of acquisition.

<sup>1</sup> Unadjusted EBITDA is operating profit plus depreciation and amortisation.

- 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 Restatement of prior year adjusted performance measures had IFRS 16 been adopted from 1 April 2018.
- E Exchange losses incurred on the Nigerian Naira following its unpegging against the US Dollar on 20 June 2016. As this is no longer a material amount it is not being included as an adjusting item from 1 April 2019.
- 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.

## 11. Goodwill

Goodwill is monitored by management at the CGU level by region and delivery model. The group restructured its CGUs following the final contingent consideration payment relating to the Infracast acquisition, combining Infracast with Europe<sup>1</sup> and adding Rostrvm during the year to form a single CGU. The acquisition of 3C during the year also resulted in a restructuring of operations in the North America region, combining the existing CGUs with the acquisition. The following is a summary of goodwill allocation for each CGU, all of which relate to the cloud communication products operating division:

	Opening £000	Combination of CGUs £000	Additions £000	Foreign exchange movement £000	Closing £000
<b>31 March 2020</b>					
Europe large enterprise	7,861	4,880	2,272	-	15,013
Textlocal	10,073	-	-	-	10,073
Infracast	4,880	(4,880)	-	-	-
Healthcare	6,382	-	-	-	6,382
South Africa (previously Archer)	2,242	-	-	(310)	1,932
North America	-	12,199	24,800	(371)	36,628
Sumotext	1,851	(1,851)	-	-	-
Impact Mobile	10,145	(10,145)	-	-	-
ExpressPigeon	203	(203)	-	-	-
<b>Total</b>	<b>43,637</b>	<b>-</b>	<b>27,072</b>	<b>(681)</b>	<b>70,028</b>
	Opening £000	Additions £000	Hindsight adjustment £000	Foreign exchange movement £000	Closing £000
<b>31 March 2019</b>					
Europe <sup>1</sup>	7,861	-	-	-	7,861
Textlocal	10,073	-	-	-	10,073
Infracast	4,880	-	-	-	4,880
Healthcare	6,198	-	184	-	6,382
Archer	2,532	-	-	(290)	2,242
Sumotext	1,721	-	-	130	1,851
Impact Mobile	-	10,205	-	(60)	10,145
ExpressPigeon	-	215	-	(12)	203
<b>Total</b>	<b>33,265</b>	<b>10,420</b>	<b>184</b>	<b>(232)</b>	<b>43,637</b>

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.

<sup>1</sup> Excluding Textlocal, Infracast and Healthcare in the prior year.

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	Discount rate
<b>At 31 March 2020</b>		
Europe large enterprise	24%	4.1%
Textlocal	20%	4.1%
Healthcare	16%	4.1%
South Africa	34%	12.1%
North America	14%	4.6%
<b>At 31 March 2019</b>		
Europe <sup>1</sup>	11%	10.1%
Textlocal	16%	10.1%
InfraCast	32%	10.1%
Healthcare	31%	10.1%
Archer	27%	16.4%
Sumotext	42%	11.3%

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.

#### *Cash flow growth rate*

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.

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.

#### *Discount rate*

The 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.

#### **Sensitivity analysis**

The principal variables used across the cash-generating units would need to change to the following levels before impairment would be required:

	Cash flow growth rate	Discount rate
<b>At 31 March 2020</b>		
Europe large enterprise	(7%)	26%
Textlocal	(45%)	30%
Healthcare	(30%)	15%
South Africa	(17%)	30%
North America	(16%)	10%

12. Other intangible assets

Cost	Trade name £000	Customer relationships £000	Capitalised development costs £000	Software £000	Trademarks and licenses £000	Total £000
<b>At 1 April 2018</b>	<b>952</b>	<b>10,589</b>	<b>7,817</b>	<b>4,620</b>	<b>1,739</b>	<b>25,717</b>
Additions	-	-	1,008	217	24	1,249
Internally generated	-	-	5,319	-	-	5,319
On acquisition	364	6,365	-	755	12	7,496
Exchange differences	6	125	-	22	56	209
<b>At 31 March 2019</b>	<b>1,322</b>	<b>17,079</b>	<b>14,144</b>	<b>5,614</b>	<b>1,831</b>	<b>39,990</b>
Additions	-	-	434	244	40	718
Internally generated	-	-	5,530	-	-	5,530
On acquisition (see note 31)	1,557	16,466	-	7,235	99	25,357
Disposals	-	-	-	-	(414)	(414)
Exchange differences	(14)	(137)	6	(46)	37	(154)
<b>At 31 March 2020</b>	<b>2,865</b>	<b>33,408</b>	<b>20,114</b>	<b>13,047</b>	<b>1,593</b>	<b>71,027</b>
<b>Accumulated amortisation and impairment</b>	<b>Trade name £000</b>	<b>Customer relationships £000</b>	<b>Capitalised development costs £000</b>	<b>Software £000</b>	<b>Trademarks and licenses £000</b>	<b>Total £000</b>
<b>At 1 April 2018</b>	<b>83</b>	<b>1,542</b>	<b>1,056</b>	<b>1,498</b>	<b>1,118</b>	<b>5,297</b>
Amortisation charge	179	2,272	1,523	798	244	5,016
Exchange differences	51	33	-	5	(19)	70
<b>At 31 March 2019</b>	<b>313</b>	<b>3,847</b>	<b>2,579</b>	<b>2,301</b>	<b>1,343</b>	<b>10,383</b>
Amortisation charge	316	3,935	1,730	1,345	271	7,597
Disposals	-	-	-	-	(414)	(414)
Exchange differences	(47)	29	1	8	72	63
<b>At 31 March 2020</b>	<b>582</b>	<b>7,811</b>	<b>4,310</b>	<b>3,654</b>	<b>1,272</b>	<b>17,629</b>
<b>Carrying value:</b>						
<b>At 31 March 2019</b>	<b>1,009</b>	<b>13,232</b>	<b>11,565</b>	<b>3,313</b>	<b>488</b>	<b>29,607</b>
<b>At 31 March 2020</b>	<b>2,283</b>	<b>25,597</b>	<b>15,804</b>	<b>9,393</b>	<b>321</b>	<b>53,398</b>

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

### 13. Property, plant, equipment and right-of-use assets

	Right-of-use Assets £000	Leasehold Improvements £000	Furniture & Fixtures £000	Office Equipment £000	Vehicles £000	Computers & Servers £000	Total £000
<b>Cost or valuation:</b>							
<b>At 1 April 2018</b>	-	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)
<b>At 31 March 2019</b>	-	2,565	700	536	232	16,565	20,598
Opening right-of-use assets	1,419	-	-	-	-	-	1,419
Re-measurement of existing lease liabilities	183	(183)	-	-	-	-	-
Additions	2,560	9	79	16	-	553	3,217
On acquisition	-	-	-	120	-	714	834
Disposal	-	-	(6)	(2)	-	(358)	(366)
Exchange differences	-	(76)	(18)	(17)	(10)	73	(48)
<b>At 31 March 2020</b>	<b>4,162</b>	<b>2,315</b>	<b>755</b>	<b>653</b>	<b>222</b>	<b>17,547</b>	<b>25,654</b>
	Right-of-use Assets £000	Leasehold Improvements £000	Furniture & Fixtures £000	Office Equipment £000	Vehicles £000	Computers & Servers £000	Total £000
<b>Accumulated depreciation:</b>							
<b>At 1 April 2018</b>	-	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)
<b>At 31 March 2019</b>	-	1,995	529	508	74	13,145	16,251
Charge for the year	1,384	178	71	48	3	1,696	3,380
Disposal	-	-	(5)	(5)	-	(339)	(349)
Exchange differences	-	(63)	(16)	2	(2)	(66)	(145)
<b>At 31 March 2020</b>	<b>1,384</b>	<b>2,110</b>	<b>579</b>	<b>553</b>	<b>75</b>	<b>14,436</b>	<b>19,137</b>
<b>Net book value:</b>							
<b>At 31 March 2019</b>	-	570	171	28	158	3,420	4,347
<b>At 31 March 2020</b>	<b>2,778</b>	<b>205</b>	<b>176</b>	<b>100</b>	<b>147</b>	<b>3,111</b>	<b>6,517</b>

### 14. Cash and cash equivalents

	As at 31 March 2020 £000	As at 31 March 2019 £000
<b>Unrestricted</b>		
Cash on hand and at bank	24,883	13,151
<b>Restricted</b>		
Short-term bank deposits	206	96
<b>Cash and cash equivalents</b>	<b>25,089</b>	<b>13,247</b>

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.

15. Trade receivables and contract assets

	As at 31 March 2020 £000	As at 31 March 2019 £000
Trade receivables		
– revenue to be collected on behalf of the Group	23,748	27,879
– pass through revenues to be collected on behalf of third parties	22	512
– expected credit loss allowance	(829)	(507)
Contract assets		
– revenue to be collected on behalf of the Group	15,685	14,253
– pass through revenues to be collected on behalf of third parties	2,028	2,767
– expected credit loss allowance	(416)	(386)
<b>Trade receivables and contract assets – net</b>	<b>40,238</b>	<b>44,518</b>

Credit quality of customers is assessed by taking into account the current financial position of the customer, past experience and forward looking factors, including economic outlook. 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 £11,958,000 (2019: £9,917,000) 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, £4,833,000 (2019: £4,756,000) is past due by fewer than 30 days. The average age of trade receivables and contract assets, excluding pass through revenues, is 81 days (2019: 108 days).

The increase in contract assets is consistent with the increase in revenue.

Movements in the allowance for expected credit losses are as follows:

	As at 31 March 2020 £000	As at 31 March 2019 £000
As at 1 April	893	701
On acquisition	105	17
Charged to the income statement	2,844	431
Credited to the income statement	(238)	(1)
Debts written off	(2,375)	(268)
Foreign exchange	16	13
<b>As at 31 March</b>	<b>1,245</b>	<b>893</b>

The amount charged to the income statement includes £2,075,000 related to a mobile operator value added services customer based in the Middle East, which the Group determined was not recoverable. As a result an accrual of £986,000 for third party costs incurred in supporting this client were reversed and credited to the income statement as payment of these costs is contingent on receipt from the customer.

The movement in the expected credit loss allowance has been included in operating costs in the consolidated income statement.

The Group at the year-end held trade receivables and contract assets as follows:

	As at 31 March 2020 £000	As at 31 March 2019 £000
UK Pounds Sterling	21,017	27,884
US Dollar	8,289	4,207
Indian Rupee	4,135	5,587
Euro	1,883	1,843
South African Rand	1,895	1,775
Canadian Dollar	1,593	1,693
Bangladeshi Taka	48	302
Nepalese Rupee	201	154
Myanmar Kyat	1,013	853
Other	164	220
	<u>40,238</u>	<u>44,518</u>

**16. Other receivables**

	As at 31 March 2020 £000	As at 31 March 2019 £000
Prepayments	3,325	3,283
Refundable deposits	207	125
Due from related parties (note 17)	1,032	31
Employee advances	526	255
Other receivables	392	222
	<u>5,482</u>	<u>3,916</u>

Employee advances primarily relate to short term loans for payment by the Group of personal tax arising where the employee has elected to retain the shares on the exercise of share options. No advances relate to Directors of the Group in the current or prior years.

**17. 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 Board. Significant related party transactions and balances are as follows:

**Balances included in the consolidated Statement of Financial Position**

	Notes	As at 31 March 2020 £000	As at 31 March 2019 £000
Due from related parties	a)	<u>1,032</u>	<u>31</u>

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 2020 £000	As at 31 March 2019 £000
Amounts paid to key management personnel	b)	<u>839</u>	<u>806</u>

- 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 2020 and 31 March 2019.

During the year the Group loaned \$1,100,000 (£889,000) to the management of IMImobile North America Inc, secured against the shares issued in November 2018 as consideration when the Group exercised its call option to acquire the remaining 20% share of IMImobile North America Inc. The loan has accrued interest of \$139,000 (£112,000) in the year.

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

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Short-term employee benefits	815	789
Post-employment benefits	24	17
	<u>839</u>	<u>806</u>

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

**18. Trade and other payables**

	As at 31 March 2020 £000	As at 31 March 2019 £000
Trade payables		
- cost of sales to be paid on behalf of the Group	21,119	17,416
- pass through revenues to be paid to third parties	3,141	2,591
Accrued expenses		
- cost of sales to be paid on behalf of the Group	16,952	16,694
- pass through revenues to be paid to third parties	1,275	2,530
Put option on acquisitions (note 25)	866	1,013
VAT payable	2,969	3,075
RDEC deferred income	1,460	1,070
Other payables	1,991	1,359
	<u>49,773</u>	<u>45,748</u>

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

**19. Lease liabilities**

	Buildings £000	IT equipment £000	Total £000
At 1 April 2019	-	-	-
Transition on adoption of IFRS 16	1,419	-	1,419
Re-measurement of existing lease liabilities	-	183	183
Additions	2,560	-	2,560
Principal repayments	(1,336)	(93)	(1,429)
Interest	94	6	100
At 31 March 2020	<u>2,737</u>	<u>96</u>	<u>2,833</u>
At 31 March 2020			
Current	1,536	66	1,602
Non-current	1,201	30	1,231
	<u>2,737</u>	<u>96</u>	<u>2,833</u>

**20. Provision for contingent consideration**

	As at 31 March 2020 £000	As at 31 March 2019 £000
Deferred consideration arising on acquisition of 3C (note 31)	2,593	-
Contingent consideration arising on acquisition of Rostrvm (note 31)	851	-
Contingent consideration arising on acquisition of Healthcare Communications	-	1,750
Other contingent consideration	56	56
Provision for contingent consideration due in less than one year	<u>3,500</u>	<u>1,806</u>
Deferred consideration arising on acquisition of 3C (note 31)	4,914	-
Other contingent consideration	10	57
Provision for contingent consideration due in more than one year	<u>4,924</u>	<u>57</u>

The provision for the contingent consideration arising on acquisition of Healthcare Communications Limited was settled in cash during the year.

The contingent consideration on the acquisition of Rostrvm Solutions Limited is also recorded in the Company only balance sheet as the acquisition was made by IMImobile PLC.

**21. Bank borrowings**

	As at 31 March 2020 £000	As at 31 March 2019 £000
UK bank loans due in less than one year	4,000	1,473
Bank borrowing costs	(130)	(81)
South African bank loans due in less than one year	3,870	1,392
	136	219
Bank loans due in less than one year	<u>4,006</u>	<u>1,611</u>
UK bank loans due in more than one year	43,192	18,934
Bank borrowing costs	(451)	(36)
South African bank loans due in more than one year	42,741	18,898
	-	222
Bank loans due in more than one year	<u>42,741</u>	<u>19,120</u>

The Company agreed new UK bank loan facilities in August 2019 and amended in December 2019. The existing facilities were repaid in full at the time the new facilities were agreed. The new facility includes a £30,000,000 5-year term loan with annual interest of between 1.65% and 2.35% plus LIBOR based on the level of adjusted leverage, and a £20,000,000 revolving loan facility repayable over 5 years and bearing interest at an annual rate of between 1.65% and 2.35% plus LIBOR based on the level of adjusted leverage.

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

The movements in bank borrowings over the year were as follows:

	Old UK bank loan £000	New UK bank loan £000	South Africa bank loan £000	Subtotal £000	Borrowing costs £000	Total £000
<b>At 1 April 2019</b>	<b>20,407</b>	<b>-</b>	<b>441</b>	<b>20,848</b>	<b>(117)</b>	<b>20,731</b>
Loan drawdowns	1,239	50,037	-	51,276	-	51,276
Principal repayments	(21,642)	(2,675)	(220)	(24,537)	-	(24,537)
Capitalised bank borrowing costs	-	-	-	-	(649)	(649)
Borrowing costs written off on refinancing	-	-	-	-	105	105
Amortisation of borrowing costs	-	-	-	-	80	80
Exchange differences	(4)	(170)	(85)	(259)	-	(259)
<b>At 31 March 2020</b>	<b>-</b>	<b>47,192</b>	<b>136</b>	<b>47,328</b>	<b>(581)</b>	<b>46,747</b>

## 22. Defined benefit gratuity plan

### Net benefit expenses

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Current service cost	105	115
Interest cost on obligation	63	56
Net actuarial losses recognised	145	9
<b>Total</b>	<b>313</b>	<b>180</b>

The movements in the defined benefit gratuity obligation over the year were as follows:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Opening obligation	1,032	912
Interest cost	63	56
Current service cost	105	115
Benefits paid	(74)	(79)
Net actuarial loss recognised in the year	145	9
Exchange differences	28	19
<b>Closing obligation</b>	<b>1,299</b>	<b>1,032</b>

The significant actuarial assumptions were as follows:

	Year ended 31 March 2020	Year ended 31 March 2019
Discount rate	6.8%	7.7%
Salary growth rate	1 <sup>st</sup> Year – 10% Thereafter – 6%	1 <sup>st</sup> Year – 10% Thereafter – 6%
Mortality tables	IALM (2012-14)	IALM (2006-08)

Sensitivity analysis on the actuarial assumptions is as follows:

	Sensitivity applied	Change to present value of obligation
Discount rate	+1%	±£97,000
Salary growth rate	+1%	±£105,000
Attrition rate	+50%	±£17,000
Mortality tables	+10%	±£1,000

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.

23. Deferred tax

	Gross £000	Offset £000	As reported £000
<b>31 March 2020</b>			
Deferred tax assets	4,118	(3,394)	724
Deferred tax liabilities	(10,515)	3,394	(7,121)
<b>Total</b>	<b>(6,397)</b>	<b>-</b>	<b>(6,397)</b>
<b>31 March 2019</b>			
Deferred tax assets	1,559	(1,009)	550
Deferred tax liabilities	(4,881)	1,009	(3,872)
<b>Total</b>	<b>(3,322)</b>	<b>-</b>	<b>(3,322)</b>

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

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
At 1 April	(3,322)	(1,279)
Income statement credit	890	17
On acquisition	(3,990)	(1,870)
Share-based payment recognised in equity	45	(187)
Exchange differences	(20)	(3)
<b>At 31 March</b>	<b>(6,397)</b>	<b>(3,322)</b>

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

Deferred tax assets:	Property, Plant and Equipment £000	Share-based payments £000	Intangible assets £000	Losses £000	Other short-term temporary differences £000	Total £000
<b>At 1 April 2019</b>	355	714	-	64	426	1,559
(Charge) / credit to the income statement	(119)	137	99	510	371	998
On acquisition	(177)	-	965	609	119	1,516
Share-based payments recognised in equity	-	45	-	-	-	45
<b>At 31 March 2020</b>	<b>59</b>	<b>896</b>	<b>1,064</b>	<b>1,183</b>	<b>916</b>	<b>4,118</b>
<b>Deferred tax liabilities:</b>	<b>Property, Plant and Equipment £000</b>	<b>Share- based payments £000</b>	<b>Intangible assets £000</b>	<b>Losses</b>	<b>Other short-term temporary differences £000</b>	<b>Total £000</b>
<b>At 1 April 2019</b>	(279)	-	(4,602)	-	-	(4,881)
Charge to the income statement	(2,000)	-	1,892	-	-	(108)
On acquisition	(25)	-	(5,481)	-	-	(5,506)
Exchange differences	(11)	-	(9)	-	-	(20)
<b>At 31 March 2020</b>	<b>(2,315)</b>	<b>-</b>	<b>(8,200)</b>	<b>-</b>	<b>-</b>	<b>(10,515)</b>

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 2020 the balance related to temporary differences in relation to long-term employee benefits including retirement benefits, and the provision of bad debts in India to the extent they are offset by deferred tax on property, plant and equipment in India.

At the balance sheet date, the Group has losses of £11,381,000 on which there are unrecognised deferred tax assets of £2,781,000 (2019: £2,314,000). 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, £1,998,000 (2019: £1,881,000) may be carried forward indefinitely and £783,000 (2019: £433,000), relating to the estimation of forecast future taxable income in IMI Mobile Private Limited, expires after eight years.

No deferred tax liability is recognised on gross temporary differences of £20,881,000 (2019: £19,506,000) 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 2020 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.

## 24. Share capital, share premium and reserves

	Share Capital £000	Share Premium £000	Total £000
Allotted, called up and fully paid			
At 1 April 2019	6,671	6,666	13,337
Share placing	653	18,938	19,591
Share options exercised	139	1,453	1,592
Issued as part of Infracast contingent consideration (note 25)	16	498	514
At 31 March 2020	7,479	27,555	35,034

	Number of Ordinary shares
At 1 April 2019	66,709,211
Share placing	6,533,422
Share options exercised (note 25)	1,391,490
Issued as part of Infracast contingent consideration (note 25)	159,606
At 31 March 2020	74,793,729

During the year 1,028,994 share options were exercised for consideration of £854,000. The exercise of 219,996 flowering share options and 142,500 unapproved options for nil consideration has been accounted for as a reduction of £738,000 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.

## 25. Share-based payments

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

	31 March 2020 £000	31 March 2019 £000
Employee share schemes granted as part of the Group's listing in June 2014	4	76
Employee share schemes granted to retain key staff as part of an acquisition	159	122
On-going employee incentive share schemes	1,121	582
Total share-based payment charge on options granted to Directors and employees	1,284	780
Infracast contingent consideration	1,035	4,426
Healthcare Communications contingent consideration	-	1,213
Credit to equity for share-based payments	2,319	6,419
Archer put option	(147)	73
Sumotext put option	-	2,407
Movement in put options on acquisitions	(147)	2,480
Share-based payment charge	2,172	8,899

### Employee shares schemes

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 2020		As at 31 March 2019	
	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)	Number of share options
At 1 April	0.03	1,232,499	0.03	1,470,939
Exercised	0.03	(219,996)	0.03	(238,440)
At 31 March	0.03	1,012,503	0.03	1,232,499
Vested	0.03	1,012,503	0.03	1,128,437
Unvested	-	-	0.03	104,062
At 31 March	0.03	1,012,503	0.03	1,232,499

The share-based payment charge on this plan during the year is £nil (2019: £31,000).

The options outstanding at 31 March 2020 have a weighted average remaining contractual life of 4.1 years (2019: 5.1 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 2020		As at 31 March 2019	
	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)	Number of share options
At 1 April	1.26	8,172,106	0.81	9,144,398
Granted	2.72	1,159,705	2.32	1,926,709
Exercised	0.54	(849,857)	0.53	(2,818,517)
Forfeited	2.83	(107,728)	1.62	(80,484)
<b>At 31 March</b>	<b>1.51</b>	<b>8,374,226</b>	<b>1.26</b>	<b>8,172,106</b>
Vested	0.81	4,521,413	0.52	3,890,721
Unvested	2.33	3,852,813	1.93	4,281,385
<b>At 31 March</b>	<b>1.51</b>	<b>8,374,226</b>	<b>1.26</b>	<b>8,172,106</b>

The share-based payment charge on this plan during the year is £1,199,000 (2019: £639,000).

The aggregate fair value of options granted in the year is £1,015,000 (2019: £2,055,000). The options outstanding at 31 March 2020 have a weighted average remaining contractual life of 6.8 years (2019: 7.2 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 0.42% 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 2020		As at 31 March 2019	
	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)	Number of share options
At 1 April	1.73	1,105,094	1.63	1,242,919
Granted	3.06	239,295	2.36	108,191
Exercised	1.51	(248,637)	1.36	(197,966)
Forfeited	2.32	(81,681)	2.20	(48,050)
<b>At 31 March</b>	<b>2.05</b>	<b>1,014,071</b>	<b>1.73</b>	<b>1,105,094</b>
Vested	1.61	603,615	1.43	679,761
Unvested	2.69	410,456	2.21	425,333
<b>At 31 March</b>	<b>2.05</b>	<b>1,014,071</b>	<b>1.73</b>	<b>1,105,094</b>

The share-based payment charge on this plan during the year is £85,000 (2019: £110,000).

The aggregate fair value of options granted in the year is £157,000 (2019: £64,000). The options outstanding at 31 March 2020 have a weighted average remaining contractual life of 6.8 years (2019: 7.0 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 2020		As at 31 March 2019	
	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)	Number of share options
At 1 April	0.30	320,500	0.30	493,500
Exercised	0.30	(73,000)	0.30	(173,000)
<b>At 31 March</b>	<b>0.30</b>	<b>247,500</b>	<b>0.30</b>	<b>320,500</b>
Vested	0.30	247,500	0.30	320,500
Unvested	-	-	-	-
<b>At 31 March</b>	<b>0.30</b>	<b>247,500</b>	<b>0.30</b>	<b>320,500</b>

The share-based payment charge on this plan during the year is £nil (2019: £nil).

The options outstanding at 31 March 2020 have a weighted average remaining contractual life of 4.2 years (2019: 5.2 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.

#### *Total of Employee Share Schemes*

	As at 31 March 2020		As at 31 March 2019	
	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)	Number of share options
At 1 April	1.14	10,830,199	0.78	12,351,756
Granted	2.78	1,399,000	2.32	2,034,900
Exercised	0.62	(1,391,490)	0.53	(3,427,923)
Forfeited	2.61	(189,409)	1.83	(128,534)
<b>At 31 March</b>	<b>1.40</b>	<b>10,648,300</b>	<b>1.14</b>	<b>10,830,199</b>
Vested	0.74	6,385,031	0.52	6,019,419
Unvested	2.37	4,263,269	1.91	4,810,780
<b>At 31 March</b>	<b>1.40</b>	<b>10,648,300</b>	<b>1.14</b>	<b>10,830,199</b>

The aggregate fair value of options granted in the year is £1,172,000 (2019: £2,119,000). The options outstanding at 31 March 2020 have a weighted average remaining contractual life of 6.5 years (2019: 6.9 years).

#### *IMImobile South Africa (formerly 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 credit of £147,000 recorded in the year ended 31 March 2020 (2019: charge of £73,000).

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.

During the year the Group recorded total expense of £1,035,000 in the year (2019: £4,426,000) and settled the contingent consideration arising in the current and prior years in £4,947,000 of cash and the issue of 159,606 shares, resulting in a reduction to the share-based payment reserve.

There will be no further charges in relation to the Infracast contingent consideration.

26. Notes to the Consolidated Cash Flow Statement

Cash generated from operations

	Notes	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
<b>Cash flows from operating activities:</b>			
Profit before taxation		3,130	710
Adjustments:			
Net finance costs	7	1,480	285
Share-based payments	25	2,172	8,899
Exchange losses on the Nigerian Naira		-	26
Depreciation of property, plant and equipment	14	3,380	2,069
Amortisation of intangible assets	12	7,597	5,016
Operating cash flow before movements in working capital:		17,759	17,005
Increase in receivables		4,144	(9,666)
Increase in payables		(1,096)	8,426
Increase in provision for defined benefit gratuity plan		68	138
<b>Cash generated from operations</b>		<b>20,875</b>	<b>15,903</b>

Net debt

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Cash and cash equivalents	25,089	13,247
Bank borrowings – current and non-current	(46,747)	(20,731)
Lease liability recognised on transition to IFRS 16	(2,833)	-
	<b>(24,491)</b>	<b>(7,484)</b>

	Cash and cash equivalents £000	Total bank borrowings £000	Lease liabilities £000	Total £000
At 1 April 2019	13,247	(20,731)	-	(7,484)
Cash flows	11,842	(26,016)	1,429	(12,745)
Lease liability recognised on transition to IFRS 16	-	-	(1,419)	(1,419)
New lease agreements	-	-	(2,560)	(2,560)
Re-measurement of existing lease liabilities	-	-	(183)	(183)
Interest charge on lease liabilities	-	-	(100)	(100)
<b>At 31 March 2020</b>	<b>25,089</b>	<b>(46,747)</b>	<b>(2,833)</b>	<b>(24,491)</b>

27. Dividends per share

No dividends were paid in the year ended 31 March 2020 or 31 March 2019.

28. Contingent liabilities

Effective November 2019, a retention and incentive programme was agreed with a number of key individuals whereby a one time cash bonus will be paid in the event of a change in control of the Group (meaning a change in greater than 50% of the voting capital stock), providing the employee remains in employment at the date of change in control. The cash bonus is determined based on the share price at the date of change of control. The range of amounts payable are £nil to £8,755,000 depending on the share price. The Directors of the Company are not beneficiaries of this programme.

29. 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 as at 31 March:		Financial liabilities at FVTPL as at 31 March:		Financial liabilities at amortised cost as at 31 March:		Fair value hierarchy
		2020	2019	2020	2019	2020	2019	
		£000	£000	£000	£000	£000	£000	
Cash and cash equivalents	14	25,089	13,247	-	-	-	-	Level 1
Trade receivables and contract assets	15	40,238	44,518	-	-	-	-	Level 1
Tax receivable		2,717	1,304	-	-	-	-	Level 1
Withholding tax debtor		1,172	877	-	-	-	-	Level 1
Trade and other payables	18	-	-	-	-	(49,773)	(45,748)	Level 1
Lease liabilities								
- current	19	-	-	-	-	(1,602)	-	Level 2
- non-current	19	-	-	-	-	(1,231)	-	Level 2
Provision for contingent consideration								
- current	20	-	-	(3,500)	(1,806)	-	-	Level 3
- non-current	20	-	-	(4,924)	(57)	-	-	Level 3
Bank borrowings								
- current	21	-	-	-	-	(4,006)	(1,611)	Level 1
- non-current	21	-	-	-	-	(42,741)	(19,120)	Level 1

The provision for contingent consideration primarily relates to the acquisitions of 3C and Rostrvm and fair value is based on expected achievement against milestone targets, discounted to present value.

#### 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 18) 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 117 (2019: 128).

#### Currency risk

The Group's policy in relation to transactional currency risk 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.

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

	As at 31 March 2020 £000	As at 31 March 2019 £000
UK Pounds Sterling	17,694	4,765
US Dollar	2,936	1,963
Indian Rupee	1,049	2,266
Euro	1,046	1,124
South African Rand	797	804
Tunisian Dinar	480	295
Canadian Dollar	474	1,304
Bangladeshi Taka	236	99
United Arab Emirates Dirham	229	218
Nepalese Rupee	81	106
Nigerian Naira	27	66
Myanmar Kyat	20	221
Australian Dollar	17	-
Sri Lankan Rupee	3	16
	<u>25,089</u>	<u>13,247</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 2020 £000	As at 31 March 2019 £000
Currency impact of:		
South African Rand	(36)	(32)
US Dollar	(93)	373
Indian Rupee	307	144
Euro	(68)	39
Canadian Dollar	<u>(117)</u>	<u>(183)</u>

*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 21) to help fund the acquisition of 3C.

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 £237,000.

### Credit risk

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 note 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 2020 £000	As at 31 March 2019 £000
Customer A	4,551	8,726
Customer B	351	-
Customer C	1,088	1,513
Customer D	-	-
Customer E	1,442	1,111
Customer F	1,892	2,733
Customer G	2,579	3,810

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

### 30. 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 2020 £000	As at 31 March 2019 £000
Cash and cash equivalents	25,089	13,247
Bank borrowings	(46,747)	(20,731)
Lease liability recognised on transition to IFRS 16	(2,833)	-
Net debt	(24,491)	(7,484)
Equity	78,731	60,120

### 31. Acquisitions

#### Acquisition of 3Cinteractive Corp. ("3C")

On 26 August 2019 the Group acquired 100% of the share capital of 3C for a total consideration of \$53.8 million (£44.0 million) comprising:

- initial consideration of \$43.8 million (£35.8 million) settled in cash, funded through the drawdown of new debt facilities (see note 21) and the raising of £19.6 million from the placing of 6,533,422 new Ordinary shares in the Company net of the costs of share issue; and
- deferred payments of \$10.0 million (£8.2 million) to be partly settled in cash and partly through the issue of 1,937,146 new Ordinary shares in the Company deferred for up to two years. These payments have been discounted to their net present value of \$9.3 million (£7.6 million).

3C has direct relationships with US blue-chip enterprises and all major US carriers and provides a number of mobile engagement capabilities to enterprises, including mobile messaging, mobile coupons, mobile wallet, mobile web, and more across the United States. 3C is a pioneer in the Rich Communications Services (RCS) Business Messaging market in North America and the acquisition will see IMI mobile establish a leadership position in deploying RCS Business Messaging solutions for large consumer-facing brands and enterprises globally.

The acquisition builds on the Group's position in North America which is the largest addressable market for its cloud product set. 3C's entrenched relationships with their long-standing blue-chip enterprise clients provides a market position that would have been difficult to achieve organically, and the Group is confident this will provide a solid foundation for up-sell and cross-sell of IMI mobile's cloud platform capability. There is also a considerable opportunity to leverage 3C's direct connectivity with US mobile operators to attract new customers. Significant cost synergies have also been identified in technology development and central management.

3C has a highly experienced management team and the founders and existing management team will remain with the Group. Under IMI mobile employment they will be incentivised to receive a cash bonus of up to \$2m subject to continuous employment over a two-year period post completion of the Acquisition and up to a maximum of a further self-generating \$4m subject to a combination of stretching gross profit growth and EBITDA performance conditions over the same period.

The results of the acquired entity which have been consolidated in the income statement from 26 August 2019 contributed £15.4 million of revenue and a profit of £0.1 million attributable to equity shareholders of the Group during the period. Had 3C been

acquired at the start of the period the contribution would have been £26.4 million of revenue and a profit of £0.2 million after adjusting for acquisition related expenses.

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

	Fair value £000
Net assets acquired:	
Identifiable intangible assets:	
Customer relationships	16,026
Technology	6,105
Trade name	1,447
Deferred tax recognised on identifiable intangible assets:	
Customer relationships	(3,185)
Technology	(1,571)
Trade name	(372)
Property, plant and equipment	714
Other intangible assets	99
Deferred tax asset	1,516
Trade and other receivables	2,393
Cash and cash equivalents	2,651
Trade and other payables	(7,228)
	<hr/>
Net identifiable assets acquired	18,595
Goodwill	24,800
	<hr/>
Total consideration	43,395
	<hr/>
Cash consideration during the period	35,804
Cash acquired	(2,651)
	<hr/>
Consideration during the period net of cash acquired	33,153
	<hr/>
Cash consideration during the period	35,804
Consideration due in less than one year	2,622
Consideration due in more than one year	4,969
	<hr/>
Total consideration	43,395
	<hr/>

#### **Acquisition of Rostrvm Solutions Limited ("Rostrvm")**

On 25 November 2019 the Group acquired 100% of the share capital of Rostrvm, a UK-based contact centre software provider, to provide the Group with additional voice channel and contact centre capabilities. The total consideration of £3.5 million (£4.5 million on a normalised working capital basis) will be satisfied in cash, with £3.0 million paid on completion and £1.5 million deferred for up to two years, contingent on successful integration of the Rostrvm voice capability with the Group's platforms and achievement of revenue and gross profit targets. £0.5 million of the deferred payments were paid in the year and the remaining payments have been discounted to their net present value of £1.4 million.

The results of the acquired entity which have been consolidated in the income statement from 25 November 2019 contributed £0.7 million of revenue and a nil profit or loss attributable to equity shareholders of the Group during the period. Had Rostrvm been acquired at the start of the period the contribution would have been £2.1 million of revenue and a profit of £0.1 million.

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

	Fair value £000
Net assets acquired:	
Identifiable intangible assets:	
Customer relationships	440
Technology	1,130
Trade name	110
Deferred tax recognised on identifiable intangible assets:	
Customer relationships	(138)
Technology	(190)
Trade name	(25)
Property, plant and equipment	120
Trade and other receivables	364
Cash and cash equivalents	1,026
Trade and other payables	(687)
Deferred tax liability	(25)
Net identifiable assets acquired	2,125
Goodwill	2,272
Total consideration	4,397
Cash consideration during the period	3,546
Cash acquired	(1,026)
Consideration during the period net of cash acquired	2,520
Cash consideration during the period	3,546
Consideration due in less than one year	851
Total consideration	4,397

#### **32. Post balance sheet events**

##### **Share placing**

On 9 April 2020 the Group announced the successful completion of a non-pre-emptive placing of ordinary shares in the capital of the Company. A total of 7,415,575 ordinary shares were placed at a price of 300p per share, raising gross proceeds of £22.2m. The ordinary shares are fully paid and will rank pari passu in all respects with each other and with the existing ordinary shares of the Company, including, without limitation, the right to receive all dividends and other distributions declared, made or paid after the date of issue.

# IMIMOBILE PLC COMPANY FINANCIAL STATEMENTS

## Company Balance Sheet

As at 31 March 2020

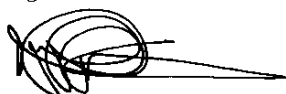
	Notes	As at 31 March 2020 £000	As at 31 March 2019 £000
<b>Non-current assets</b>			
Investments	35	166,176	126,734
<b>Total non-current assets</b>		<b>166,176</b>	<b>126,734</b>
<b>Current assets</b>			
Cash and cash equivalents		5,588	66
Trade and other receivables	36	33,448	21,624
<b>Total current assets</b>		<b>39,036</b>	<b>21,690</b>
<b>Current liabilities</b>			
Trade and other payables		(150)	(318)
Provision for contingent consideration	20	(851)	(1,750)
Bank borrowings	21	(3,870)	(1,392)
<b>Total current liabilities</b>		<b>(4,871)</b>	<b>(3,460)</b>
<b>Net current assets</b>		<b>34,165</b>	<b>18,230</b>
<b>Non-current liabilities</b>			
Trade and other payables	37	(64,287)	(51,211)
Bank borrowings	21	(42,741)	(18,898)
<b>Total non-current liabilities</b>		<b>(107,028)</b>	<b>(70,109)</b>
<b>Net assets</b>		<b>93,313</b>	<b>74,855</b>
<b>Equity attributable to the owners of the parent</b>			
Share capital	24	7,479	6,671
Share premium	24	27,555	6,666
Share-based payment reserve		25,365	23,036
Retained earnings	34	32,914	38,482
<b>Total equity</b>		<b>93,313</b>	<b>74,855</b>

The Company reported a loss for the financial year ended 31 March 2020 of £5,568,000 (2019: loss of £804,000) including dividend income of £nil (2019: £4,076,000) 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 27 July 2020.

Signed on behalf of the Board



Mike Jefferies  
Director

**Company Statement of Changes in Equity**  
For the year ended 31 March 2020

	Share capital £000	Share premium £000	Share-based payment reserve £000	Retained earnings/ (deficit) £000	Total equity £000
<b>Balance at 31 March 2018</b>	<b>6,204</b>	<b>1,246</b>	<b>16,615</b>	<b>39,286</b>	<b>63,351</b>
Loss for the year	-	-	-	(804)	(804)
Proceeds from share issue (note 24)	343	2,190	-	-	2,533
Issue of shares as part of acquisition (note 24)	124	3,230	-	-	3,354
Credit to equity for share-based payments	-	-	6,421	-	6,421
<b>Balance at 31 March 2019</b>	<b>6,671</b>	<b>6,666</b>	<b>23,036</b>	<b>38,482</b>	<b>74,855</b>
Loss for the year	-	-	-	(5,568)	(5,568)
Proceeds from share issue (note 24)	792	20,391	-	-	21,183
Issue of shares as part of acquisition (note 24)	16	498	-	-	514
Credit to equity for share-based payments	-	-	2,329	-	2,329
<b>Balance at 31 March 2020</b>	<b>7,479</b>	<b>27,555</b>	<b>25,365</b>	<b>32,914</b>	<b>93,313</b>

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

**33. Significant accounting policies and key sources of estimation uncertainty**

**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**

Investments in subsidiaries are held at cost less any accumulated impairment losses. Share-based payment charges are included as a capital contribution within the relevant investment in subsidiaries.

Impairment reviews of investments are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of each investment 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.

**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 and other receivables**

The majority of trade and other receivables are amounts due from subsidiaries, the Company has applied the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for Group receivables. Receivable balances are assessed based on each entity's ability to repay amounts owed.

**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.

**Key sources of estimation uncertainty**

*Impairment reviews*

Management undertake periodic tests for impairment of investments 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 investments 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 Company's material investments would need to decrease as follows before impairment would be required:

	Cash flow growth rate:	
	Used in impairment review	At which impairment would be required
IMImobile Europe Limited	24%	(6%)
Txtlocal Limited	20%	(40%)
IMImobile Intelligent Networks Limited	24%	(6%)
IMImobile African Holdings Limited	34%	2%
IMImobile North America Inc	2%	(19%)
Healthcare Communications UK Limited	16%	(27%)
IMImobile Software Limited	2%	(19%)

IMI Mobile Private Limited is held at fair value less cost of disposal, so the cash flow growth rate is not a key source of estimation uncertainty in its impairment review.

#### 34. 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.

#### 35. 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
<b>31 March 2020</b>						
IMI Mobile Private Limited	36,260	-	215	(2,769)	-	33,706
IMImobile Europe Limited	23,258	-	824	-	-	24,082
Txtlocal Limited	13,412	-	63	-	-	13,475
IMImobile Intelligent Networks Limited	15,087	-	1,050	-	-	16,137
IMImobile South Africa Pty Limited	98	-	12	-	-	110
IMImobile African Holdings Limited	3,667	-	-	-	(555)	3,112
IMImobile South Africa 1 Limited	225	-	-	-	-	225
IMImobile South Africa 2 Limited	56	-	-	-	-	56
IMImobile Limited FZE	2	-	-	-	-	2
IMImobile North America Inc	6,864	35,804	-	-	(141)	42,527
Healthcare Communications UK Limited	11,842	-	30	-	-	11,872
IMImobile Software Limited	15,963	-	-	-	377	16,340
Rostrvm Solutions Limited	-	4,397	-	-	-	4,397
IMImobile Canada Inc	-	-	6	-	-	6
3Cinteractive Corp	-	-	129	-	-	129
	<u>126,734</u>	<u>40,201</u>	<u>2,329</u>	<u>(2,769)</u>	<u>(319)</u>	<u>166,176</u>
	Opening £000	Additions £000	Share-based payments £000	Impairment £000	Foreign exchange movement £000	Closing £000
<b>31 March 2019</b>						
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>

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.

The investment in IMImobile North America Inc includes a long-term loan of USD 5,511,000 to and shares issued with a market value at the time of issue of £2,604,000 in relation the acquisition of the assets of Sumotext Corporation, and a long-term loan of USD 43,850,000 to be used in the acquisition of 3C, all of which are considered to be part of the net investment in the subsidiary.

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, 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.

**36. Trade and other receivables**

	As at 31 March 2020 £000	As at 31 March 2019 £000
Due from subsidiary - IMI Mobile Private Limited	2,600	2,600
Due from subsidiary - IMImobile South Africa 1 Limited	305	121
Due from subsidiary - Tap2Bill Limited	25,017	16,366
Due from subsidiary - IMImobile Limited FZE	1,124	1,853
Due from subsidiary - Lenco International Limited	137	161
Due from subsidiary - Healthcare Communications UK Limited	-	418
Due from subsidiary - IMImobile Intelligent Networks Limited	2,651	-
Due from subsidiary - IMImobile North America Inc	227	-
Due from subsidiary - 3Cinteractive Corp	1,216	-
Prepayments	171	-
Other receivables	-	105
	<u>33,448</u>	<u>21,624</u>

Amounts due from subsidiaries are non-interest bearing and are repayable on demand.

The Company has applied the IFRS 9 simplified approach to measuring expected credit losses, the above balances have been assessed based on each entity's ability to repay amounts owed and no expected credit loss has been recognised.

**37. Non-current trade and other payables**

	As at 31 March 2020 £000	As at 31 March 2019 £000
Due to subsidiary - IMI Mobile VAS Limited FZE	23,311	23,311
Due to subsidiary - IMImobile Europe Limited	20,196	13,784
Due to subsidiary - Lenco Technology Group Limited	156	184
Due to subsidiary - IMImobile African Holdings Limited	504	594
Due to subsidiary - IMImobile Inc	155	110
Due to subsidiary - Txtlocal Limited	16,001	9,262
Due to subsidiary - Healthcare Communications UK Limited	1,093	-
Due to subsidiary - Chilli Digital Europe Limited	67	67
Due to subsidiary - IMImobile Intelligent Networks Limited	-	3,813
Due to subsidiary - IMImobile Canada Inc	2,137	86
Due to subsidiary - Rostrvm Solutions Limited	667	-
	<u>64,287</u>	<u>51,211</u>

Amounts due to subsidiaries are non-interest bearing and are repayable on demand.