21 November 2017

# IMIMOBILE PLC

("IMImobile", "the Group" or "the Company")

## Unaudited interim results for the six months ended 30 September 2017

***"Continued growth and strategic progress."***

IMImobile PLC, a cloud communications software and solutions provider, today announces its consolidated interim results for the six months ended 30 September 2017.

The Company is pleased to report it has continued to maintain its upward momentum since IPO in 2014. IMImobile has now achieved a three-year gross profit CAGR of 22%, and 10% organic[1] gross profit growth during the period.

### Key financial highlights

| **Six months ended 30 September** | **2017 £m** | **2016 £m** | **Growth/ decline** |
|---|---|---|---|
| Revenue | 53.1 | 36.0 | 48% |
| Gross profit | 24.7 | 20.2 | 22% |
| *Gross margin* | *46.4%* | *56.1%* | |
| Gross profit contribution for Europe and Americas | 13.8 | 10.6 | 30% |
| Gross profit contribution for Middle East and Africa | 5.6 | 6.7 | (17%) |
| Gross profit contribution for India and South East Asia | 5.3 | 2.9 | 84% |
| EBITDA[2] | 5.7 | 5.3 | 8% |
| *EBITDA margin (EBITDA / gross profit)* | *23.1%* | *26.0%* | |
| Profit after tax | 1.0 | 1.0 | 3% |
| Adjusted profit after tax[2] | 3.3 | 3.3 | 3% |
| Diluted EPS | 1.6p | 2.1p | (27%) |
| Diluted adjusted EPS[2] | 4.8p | 4.8p | 1% |
| Cash at period end | 15.4 | 17.9 | |

- Revenue up 48% to £53.1m (2016: £36.0m) (12% organic[1])
- Gross profit up 22% to £24.7m (2016: £20.2m) (10% organic[1])
- EBITDA up 8% to £5.7m (2016: £5.3m)
- Adjusted profit after tax up 3% to £3.3m (2016: £3.3m)
- Profit after tax on a statutory basis up 3% to £1.0m (2016: £1.0m)
- Diluted adjusted EPS up 1% to 4.8p (2016: 4.8p)
- Cash generated from operating activities of £5.7m representing operating cash conversion[3] of 100% (2016: 122%)
- Cash and cash equivalents at 30 September 2017 of £15.4m (31 March 2017: £14.7m)

[1] Excluding the impact of the Infracast acquisition in March 2017
[2] See note 5 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results.
[3] Cash conversion is defined as cash generated from operations (see note 6) as a percentage of adjusted EBITDA.

**Operational highlights**

- **Continued organic growth:** 10% organic gross profit growth; the Group has reported organic growth in every reporting period since IPO in 2014
- **Acceleration of partnership activities:** new commercial and technical partnerships being established to broaden distribution of our intellectual property
- **Consolidated position in the UK market:** established market leader in digital and mobile notifications in key consumer verticals – financial services, utilities, logistics and telecoms
- **Strong growth in South East Asia:** deployments under new relationship with Telenor group progressing well
- **Synergies from acquisitions starting to progress:** cross-selling of core IMImobile products to clients of Textlocal, Archer and Infracast
- **US investment:** first enterprise contract with one of the largest US distribution and logistics services companies and, post period end, acquired Sumotext Corporation to target the US enterprise market

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

"The Group has continued to perform well, both financially and operationally, and delivered another period of profitable, cash generative growth. We have consolidated our leading position in the UK, achieved very strong organic gross profit growth in India and South East Asia, and despite known headwinds in Middle East and Africa, achieved 12% organic revenue growth across all regions. Post period, IMImobile also completed the acquisition of Sumotext, providing a platform to launch IMImobile's product offering to the enterprise market in the US.

This growth has been driven by the continued global demand for cloud-based solutions that can help deliver digital transformation, automation and cost-cutting. IMImobile has created a market leading product suite that focuses on real time, interactive customer communications and service automation and we are excited about the benefits that new emerging technologies can deliver.

We remain confident about the Group's prospects for the remainder of the year. We expect revenue and gross profit to be in line with market expectations that were recently upgraded following the trading update given on 1 November and underlying EBITDA to be in line with expectations."

An analyst meeting will be held at 9.30am today at the offices of Redleaf Communications, 1st Floor, 4 London Wall Buildings, Blomfield Street, EC2M 5NT. To attend please contact Redleaf Communications.

**For further information please contact:**


| | |
|---|---|
| **IMImobile PLC** | c/o Redleaf Communications |
| Jay Patel, Chief Executive Officer | Tel: +44 (0)20 7382 4769 |
| Mike Jefferies, Chief Financial Officer | |
| | |
| **Redleaf Communications – PR Adviser** | Tel: +44 (0)20 7382 4769 |
| Charlie Geller | imimobile@redleafpr.com |
| Alina Haritonova | |
| | |
| **Investec Bank - Nominated Adviser and Broker** | Tel: +44 (0)207 597 5970 |
| Andrew Pinder | |
| Henry Reast | |
| Robert Baker | |
| | |
| **Whitman Howard – Broker** | Tel: +44 (0) 207 659 1234 |
| Ranald McGregor-Smith | |
| Francis North | |


**About IMImobile PLC**

IMImobile is a cloud communications software and solutions provider that enables companies to use mobile and digital technologies to communicate and engage with their customers.

Organisations that trust us to deliver smarter digital customer engagement solutions include Vodafone, Telefonica, Aircel, Capita, BT, BSNL, Ooredoo, MTN, France Telecom, Centrica, Pizza Hut, Tata, the AA, the BBC, EE, Multichoice, Betfair and several major financial institutions.

IMImobile is headquartered in London with offices in Hyderabad, Atlanta, Dubai and Johannesburg, and has over 950 employees worldwide. IMImobile PLC is quoted on the London Stock Exchange's AIM market with the TIDM code IMO.

**Cautionary statement**

This announcement contains forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could, is confident, or other words of similar meaning. Undue reliance should not be placed on any such statements because they speak only as at the date of this document and, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and IMImobile's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are a number of factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are; increased competition, the loss of or damage to one or more key customer relationships, the outcome of business or industry restructuring, changes in economic conditions, currency fluctuations, changes in laws, regulations or regulatory policies, developments in legal or public policy doctrines, technological developments, the failure to retain key management, or the key timing and success of future acquisition opportunities or major investment projects.

IMImobile undertakes no obligation to revise or update any forward-looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

**Chief Executive's Report**

We have consolidated our position in the UK market, experienced strong growth in India and South East Asia, made strategic progress in the US and established new partnerships. We had another excellent period of cash generation, funded another acquisition from our operating cash flow, and invested in new product development and geographic expansion.

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

**Regional Review**

*Europe and Americas*

Europe and Americas contributed 56% of Group gross profit in the six months to 30 September 2017, representing year on year gross profit growth of 30%.

The year on year growth in the region reflects the acquisition of Infracast in March 2017 and a further 7% organic growth. The acquisition of Infracast consolidated the position of the Group within the UK financial services sector and we now process the majority of digital notifications for three of the top four UK retail banking groups. At the time of acquisition, we identified many revenue synergies and have initiated projects to combine technologies and deliver additional capabilities to our banking clients. We expect these projects to crystallise over the coming year.

We have deepened our relationships with our mobile operator clients which now include more real-time customer marketing, as well as providing capabilities around managing customer service and fulfilment journeys, such as ordering of SIMs and new handsets. The additional services provide further penetration of existing accounts across both client systems and activities.

We have had a good period of winning new clients, particularly in the utilities, logistics and retail sectors. We signed several deals for a combination of our cloud products (IMIconnect, IMIchat and IMIcampaign) with additional capabilities for automation of customer interactions being delivered through our recently introduced IMIbot.ai product. The deployments of these projects will begin in the second half.

Textlocal has grown strongly year on year and continues to attract significant new clients in the leisure, gaming, insurance and public sectors. The unit has experienced a number of record months for messages sent, individual users on the platform and new sales. Progress has also been made with partners including dotdigital and BT to launch combined offerings. Further technical investment in the core platform has maintained Textlocal's position as the leading product of its type with rich, market-leading functionality in the UK SMB sector and a Trustpilot rating of 9.5 from over 1,500 reviews.

The consistent organic growth in the UK over the last eight years and two selective acquisitions have made the Group the leading provider of communications software and services for digital interactions in the UK. We have significant market share in the key vertical markets where mobile interactions are increasingly important including financial services, mobile operators, utilities and logistics.

In the US, despite the loss of one material client due to consolidation of systems within their broader group, the Group made good progress with another client by signing a two-year agreement for specific marketing activities. We also started targeting the enterprise segment and signed our first enterprise client in partnership with one of the largest US carriers, for the use of IMIchat and IMIconnect products. We have several ongoing discussions with operator and contact centre partners to bring the broader IMImobile product suite to market in the US and the initial market reaction has been positive.

The acquisition of Sumotext in November 2017 reflects our confidence that our product suite is highly competitive in the US market. Sumotext is an established and leading provider of messaging solutions in the US, based in Little Rock, Arkansas. The experienced team at Sumotext will provide valuable expertise as well as an established customer base made up of a government agency, travel companies, retailers, healthcare companies and other leading brands, agencies and non-profit organisations.

Following this acquisition, we are accelerating investment in the US market with new sales and marketing employees and additional marketing expenditure. Overall, we expect the acquisition to be earnings enhancing during the year to 31 March 2019.

*Middle East and Africa ("MEA")*

MEA contributes 23% of Group gross profit. The 17% decline in gross profit in the region compared with the same period last year was largely expected due to the revised commercial terms of the MTN contract, currency devaluations and the market conditions in both Nigeria and South Africa.

The relationship with MTN group stretches back to 2009 and over that period we have successfully helped MTN create and manage content and data services with our IMIdigital platform across 20 countries. The commercial terms are reviewed periodically, and the contract was last renewed in 2016, resulting in a significant reduction in transaction-based fees. Over the last six months we have successfully introduced new innovative services including a short format video streaming service which has had very good traction.

We also signed a long term, multi-territory agreement for the IMIdigital platform with another major operator group in the region, under which we will deploy content services. The first deployments will take place in the second half of the year.

The market conditions in Nigeria were also a large factor in the year-on-year decline in gross profits in the region following a significant devaluation of the Nigerian Naira by 18% and new regulatory requirements for mobile operators. Despite these circumstances, we remain positive about our operations and economic prospects in the medium term. The risks from further volatility impacting on Group results have been reduced as ongoing Nigerian trading activities now represent approximately 2% of Group gross profit compared with 6% in the previous year.

The enterprise business in the region is Archer Digital, and integration of this acquisition is progressing well. As more momentum has been generated for cross selling IMImobile's core products, we have re-branded the business as IMImobile South Africa and we expect good progress in the second half by deploying IMIconnect and IMIcampaign into a new banking client. The business is trading satisfactorily in a difficult economic and political environment in South Africa, and we secured a new three-year contract for data management with the leading PayTV operator in the country. We also signed a partnership agreement with Blue Label Mobile, part of Blue Label Telecom, South Africa's leading telecom distributor to bring IMImobile's products and solutions to market.

*India and South East Asia*

The India and SEA region, which accounts for 21% of the Group gross profit, grew by 84% in the six months to 30 September 2017 compared with the same period in the prior year.

The very strong performance in the region was driven by deployments under the contract signed with the Telenor Group earlier this year to provide a series of cloud-based modules from IMIdigital to replace legacy on-premise solutions for value added telecom services.

In addition, we have experienced growth from further deployments in the public sector, notably for the Government of Telangana. We have also continued to grow our India business by working with brands and agencies as they utilise mobile channels for customer communications and brand building. Our telecom clients in India continue to be under pressure due to intense market competition and, subsequently we have seen consolidation and restructuring within the industry as well as limited investment in new initiatives. Our business in Myanmar is progressing, and we see further opportunities for growth both in the telecom and enterprise market.

Textlocal India has grown significantly and now has over 13,500 paying customers, and we continue to invest in customer acquisition through digital marketing. The payback for this investment will be seen in future periods.

**Market, Technology and Products**

As we have outlined before, the markets we operate in are characterised by rapid change and driven by fundamental advances in network and hardware technologies, as well as the strategies of the infrastructure vendors and the global internet companies. Over the last year, there has been an acceleration of the digital transformation and automation agenda and as a Group we are well positioned to take advantage of this movement.

In our core platform, IMIconnect, we have introduced the ability to quickly set up integrations with enterprise systems which can be used to automate multiple customer journeys, allowing us to deploy new clients faster. We have also developed additional channel capabilities and are a launch partner for Google's RCS (Rich Communication Services) Business Messaging programme which will bring rich media messaging to Android devices.

We introduced a Consent Management solution, powered by IMIconnect, to help clients comply with the new General Data Protection Regulation (GDPR), particularly for obtaining, managing and renewing customer consent for storing and processing their data. The first implementation of this solution is already underway.

The investment we started last year in building AI and automation capability is also beginning to gain market traction with several implementations in progress for the IMIbot.ai product. These will automate customer service interactions for furniture retailers, utilities, parcel delivery and transport clients. The capabilities of the product were recently shortlisted for the Virtual Customer Assistant category of the UK National Innovation Awards 2017.

We continue to invest in our cloud delivery infrastructure and over the last six months have started delivering more of the products through Amazon Web Services which provides a globally scalable and high availability system. The initial set up in the UK was implemented last year, and we now have a similar set up in the US for the IMIconnect and IMIchat products.

**Growth Initiatives**

We are delivering on our objective of being the trusted technology vendor of customer communication software for our clients. Our strategy has been to invest ahead of market demand in new technologies and intellectual property that leverages new emerging communication channels, and this is what has helped us win new clients and broaden our relationship within existing ones.

Our plans to extend distribution of our intellectual property through partners began last year, and we now have active commercial agreements with BT for enterprise interactive digital messaging, contact centre vendors such as NICE InContact and KCOM, air transport industry leaders, like SITA, and operator groups, such as Telefonica. We are also technically integrating into solutions by Netcracker, Cisco and Genesys amongst others. First projects under some of these partnerships have been completed, and we are actively working on educating the go-to-market teams in these organisations. We would expect to see revenue progress accelerating in the coming year.

We see significant opportunities for growth in the US market. The Group’s intellectual property is both competitive and relevant to US corporates, and during the six months to 30 September 2017 we won our first significant enterprise contract in the region in partnership with a large US carrier. During the period we have also continued to make progress with other partnership opportunities in the territory. Post period end we completed the acquisition of Sumotext. This strategic acquisition provides a platform to launch our product offering to the enterprise market in the US. As a result we expect to invest a further £0.5m during the second half of the current financial year to fund team and marketing expenses, from which we expect to see a return in the year to 31 March 2019.

Acquisition opportunities to accelerate our sales into major blue-chip clients are regularly reviewed, and the Group has maintained a strong balance sheet to pursue these. We remain confident in the Group’s ability to identify and complete successful earnings enhancing acquisitions, should the right opportunities become available.

The Board remains fully focused on delivering shareholder value and will continue to review the use of cash to ensure there is an appropriate balance between retaining flexibility to grow, investing in the business and enhancing shareholder returns through capital returns.

**Outlook**

We remain confident about the Group’s prospects for the remainder of the year. We expect revenue and gross profit to be in line with market expectations that were recently upgraded following the trading update given on 1 November and underlying EBITDA to be in line with expectations.

Jay Patel

CEO

## IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Unaudited Consolidated Income Statement

for the six months ended 30 September 2017

| | Notes | Six months ended 30 September 2017 £000 | Six months ended 30 September 2016 £000 |
|---|---|---|---|
| **Revenue** | 4 | 53,149 | 36,024 |
| Cost of sales | | (28,490) | (15,797) |
| **Gross profit** | 4 | **24,659** | **20,227** |
| **Operating costs:** | | | |
| Other operating costs | | (18,957) | (14,963) |
| Depreciation and amortisation | | (2,113) | (1,480) |
| Share-based payment expense | | (1,416) | (1,748) |
| Acquisition and restructuring related costs | | (39) | (190) |
| Exchange losses on the Nigerian Naira[1] | | (357) | (166) |
| **Operating profit** | | **1,777** | **1,680** |
| Finance income | | - | 3 |
| Finance cost | | (63) | - |
| **Profit before tax** | | **1,714** | **1,683** |
| Tax | | (681) | (676) |
| **Profit for the period** | | **1,033** | **1,007** |
| **Profit for the period attributable to:** | | | |
| Equity holders of the company | | 1,073 | 1,443 |
| Non-controlling interest | | (40) | (436) |
| **Profit for the period** | | **1,033** | **1,007** |
| **EBITDA[1]** | | **5,702** | **5,264** |
| Basic earnings per share | 5 | 1.8p | 2.9p |
| Adjusted basic earnings per share | 5 | 5.5p | 6.6p |
| Diluted earnings per share | 5 | 1.6p | 2.1p |
| Adjusted diluted earnings per share | 5 | 4.8p | 4.8p |

The accompanying notes are an integral part of the consolidated interim Financial Statements and are all attributable to continuing operations.

[1] See note 5 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results.

## IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Unaudited Consolidated Statement of Comprehensive Income

for the six months ended 30 September 2017

| | Six months ended 30 September 2017 £000 | Six months ended 30 September 2016 £000 |
|---|---|---|
| **Profit for the period** | **1,033** | **1,007** |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Exchange differences on translation of foreign operations | | |
| Equity holders of the parent | (2,240) | 283 |
| Non-controlling interest | (8) | 67 |
| **Other comprehensive income / (expense) for the period** | **(2,248)** | **350** |
| **Total comprehensive income for the period** | **(1,215)** | **1,357** |
| **Total comprehensive income / (expense) for the period attributable to:** | | |
| Equity holders of the parent | (1,167) | 1,726 |
| Non-controlling interest | (48) | (369) |
| **Other comprehensive income for the period** | **(1,215)** | **1,357** |

The accompanying notes are an integral part of the consolidated interim Financial Statements.

## IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Unaudited Consolidated Statement of Changes in Equity

for the six months ended 30 September 2017

| | Share capital £000 | Share premium £000 | Translation reserve £000 | Share-based payment reserve £000 | Capital restructuring reserve £000 | Retained earnings/ (deficit) £000 | Total equity attributable to shareholders of parent £000 | Non-controlling interest £000 | Total equity £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2016** | **4,918** | **52,384** | **3,165** | **6,661** | **(29,040)** | **(2,913)** | **35,175** | **8,374** | **43,549** |
| Profit / (loss) for the period | - | - | - | - | - | 1,443 | 1,443 | (436) | 1,007 |
| Foreign exchange differences | - | - | 283 | - | - | - | 283 | 67 | 350 |
| Credit to equity for share-based payments | - | - | - | 1,748 | - | - | 1,748 | - | 1,748 |
| Deferred tax on share-based payments | - | - | - | - | - | 100 | 100 | - | 100 |
| Proceeds from share issue | 14 | 72 | - | - | - | - | 86 | - | 86 |
| **Balance at 30 September 2016** | **4,932** | **52,456** | **3,448** | **8,409** | **(29,040)** | **(1,370)** | **38,835** | **8,005** | **46,840** |
| Share swap | 791 | 11,785 | - | - | - | (4,239) | 8,337 | (8,337) | - |
| Profit / (loss) for the period | - | - | - | - | - | 3,122 | 3,122 | (52) | 3,070 |
| Foreign exchange differences | - | - | 926 | - | - | - | 926 | 376 | 1,302 |
| Credit to equity for share-based payments | - | - | - | 454 | - | - | 454 | - | 454 |
| Share-based payments reclassified to Other creditors | - | - | - | (208) | - | - | (208) | - | (208) |
| Proceeds from share issue | 352 | 5,061 | - | - | - | (5,390) | 23 | - | 23 |
| Deferred consideration as part of acquisition | - | - | - | (1,150) | - | - | (1,150) | - | (1,150) |
| Deferred tax on share-based payments | - | - | - | - | - | (37) | (37) | - | (37) |
| Tax relief on exercised share-based payments | - | - | - | - | - | 13 | 13 | - | 13 |
| Issue of shares as part of acquisition | 27 | 452 | - | - | - | - | 479 | - | 479 |
| **Balance at 31 March 2017** | **6,102** | **69,754** | **4,374** | **7,505** | **(29,040)** | **(7,901)** | **50,794** | **(8)** | **50,786** |
| Profit / (loss) for the period | - | - | - | - | - | 1,073 | 1,073 | (40) | 1,033 |
| Foreign exchange differences | - | - | (2,240) | - | - | - | (2,240) | (8) | (2,248) |
| Credit to equity for share-based payments | - | - | - | 1,262 | - | - | 1,262 | - | 1,262 |
| Deferred tax on share-based payments | - | - | - | - | - | 80 | 80 | - | 80 |
| Proceeds from share issue | 29 | 80 | - | (14) | - | - | 95 | - | 95 |
| **Balance at 30 September 2017** | **6,131** | **69,834** | **2,134** | **8,753** | **(29,040)** | **(6,748)** | **51,064** | **(56)** | **51,008** |

The accompanying notes are an integral part of the consolidated interim Financial Statements.

## IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Unaudited Consolidated Statement of Financial Position

as at 30 September 2017

| | Notes | As at 30 September 2017 £000 | As at 31 March 2017 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | | 25,133 | 25,314 |
| Other intangible assets | | 11,027 | 9,933 |
| Property, plant and equipment | | 5,449 | 6,005 |
| Deferred tax assets | | 279 | 301 |
| **Total non-current assets** | | **41,888** | **41,553** |
| **Current assets** | | | |
| Cash and cash equivalents | | 15,395 | 14,662 |
| Trade and other receivables | | 35,073 | 30,554 |
| Available-for-sale financial assets | | - | 28 |
| **Total current assets** | | **50,468** | **45,244** |
| **Current liabilities** | | | |
| Trade and other payables | | (39,542) | (33,906) |
| Bank borrowings | | (191) | (196) |
| **Total current liabilities** | | **(39,733)** | **(34,102)** |
| **Net current assets** | | **10,735** | **11,142** |
| **Non-current liabilities** | | | |
| Bank borrowings | | (496) | (644) |
| Provision for defined benefit gratuity | | (631) | (634) |
| Deferred tax liabilities | | (488) | (631) |
| **Total non-current liabilities** | | **(1,615)** | **(1,909)** |
| **Net assets** | | **51,008** | **50,786** |
| **Equity attributable to the owners of the parent** | | | |
| Share capital | | 6,131 | 6,102 |
| Share premium | | 69,834 | 69,754 |
| Translation reserve | | 2,134 | 4,374 |
| Share-based payment reserve | | 8,753 | 7,505 |
| Capital restructuring reserve | | (29,040) | (29,040) |
| Retained earnings / (deficit) | | (6,748) | (7,901) |
| **Equity attributable to shareholders of the parent** | | **51,064** | **50,794** |
| Non-controlling interest | | (56) | (8) |
| **Total equity** | | **51,008** | **50,786** |

The accompanying notes are an integral part of the consolidated interim Financial Statements.

## IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Unaudited Consolidated Cash Flow Statement

for the six months ended 30 September 2017

| | Notes | Six months ended 30 September 2017 £000 | Six months ended 30 September 2016 £000 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash from operating activities | 6 | 5,714 | 6,404 |
| Tax paid | | (237) | (588) |
| **Net cash from operating activities** | | **5,477** | **5,816** |
| **Investing activities** | | | |
| Interest (paid) / received | | (63) | 3 |
| Purchases of intangible assets | | (2,195) | (904) |
| Purchases of property, plant & equipment | | (773) | (1,086) |
| Sale / (acquisition) of available-for-sale financial assets | | 28 | (65) |
| Acquisition and restructuring related costs | | (39) | (190) |
| **Net cash used in investing activities** | | **(3,042)** | **(2,242)** |
| **Financing activities** | | | |
| Bank loan repayments | | (153) | - |
| Proceeds from issuance of Ordinary shares | | 95 | 86 |
| **Net cash used in financing activities** | | **(58)** | **86** |
| **Net increase in cash and cash equivalents** | | 2,377 | 3,660 |
| **Cash and cash equivalents at beginning of the period** | | 14,662 | 15,039 |
| Effect of foreign exchange rate changes | | (1,644) | (766) |
| **Cash and cash equivalents at end of the period** | | **15,395** | **17,933** |

The accompanying notes are an integral part of the consolidated interim Financial Statements.

## Notes to the unaudited consolidated interim Financial Statements

for the six months ended 30 September 2017

### 1. Basis of preparation

The condensed consolidated interim Financial Statements for the six month period ended 30 September 2017 have been prepared under the measurement principles of IFRS, using accounting policies and methods of computation consistent with those set out in the Company's 31 March 2017 Financial Statements. As permitted by AIM rules the Group has not applied IAS 34 'Interim reporting' in preparing interim reports.

IMImobile PLC (the "Company") is a company domiciled in the UK. The consolidated interim Financial Statements of the Company for the six month period ended 30 September 2017 comprise of the Company and its subsidiaries (together referred to as "the Group").

The consolidated interim Financial Statements are prepared under the historical cost convention. A presentational currency of UK Pound Sterling has been used and accounts have been translated from other functional currencies into UK Pound Sterling.

The preparation of the consolidated interim 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.

The preparation of the consolidated interim Financial Statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated interim Financial Statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

### 2. Basis of consolidation

The Group interim financial statements incorporate the interim financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 September each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to 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 period are included in the consolidated interim 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.

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 re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the Income Statement.

### 3. Accounting policies

The principal accounting policies adopted are consistent with those of the consolidated financial statements of IMImobile PLC for the year ended 31 March 2017.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated interim Financial Statements.

### 4. Business and geographical segments

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

The Chief Operating Decision Maker considers results principally by geographical region, which forms the Group's operating and reporting segments. Geographically, the operating segments are defined as Europe and Americas, India and South East Asia (SEA) and Middle East and Africa (MEA), which also represent the Group's reportable segments.

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

*Geographical revenue and results*

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

| | Europe and Americas £000 | India and SEA £000 | MEA £000 | Total £000 |
|---|---|---|---|---|
| **Six months ended 30 September 2017** | | | | |
| Revenue | 35,185 | 8,819 | 9,145 | **53,149** |
| Gross profit | 13,740 | 5,304 | 5,615 | **24,659** |
| Other operating costs | | | | **(18,957)** |
| Depreciation and amortisation | | | | **(2,113)** |
| Share-based payment charge | | | | **(1,416)** |
| Acquisition and restructuring related costs | | | | **(39)** |
| Exchange losses on the Nigerian Naira | | | | **(357)** |
| Operating profit | | | | **1,777** |
| Finance cost | | | | **(63)** |
| Profit before tax | | | | **1,714** |
| Tax | | | | **(681)** |
| Profit after tax | | | | **1,033** |
| Non-current assets | 26,813 | 6,330 | 8,745 | **41,888** |
| **Six months ended 30 September 2016** | | | | |
| Revenue | 19,224 | 5,213 | 11,587 | **36,024** |
| Gross profit | 10,604 | 2,881 | 6,742 | **20,227** |
| Other operating costs | | | | **(14,963)** |
| Depreciation and amortisation | | | | **(1,480)** |
| Share-based payment expense | | | | **(1,748)** |
| Acquisition and restructuring related costs | | | | **(190)** |
| Exchange losses on the Nigerian Naira | | | | **(166)** |
| Operating profit | | | | **1,680** |
| Investment income | | | | **3** |
| Profit before tax | | | | **1,683** |
| Tax | | | | **(676)** |
| Profit after tax | | | | **1,007** |
| Non-current assets | 22,543 | 3,177 | 5,401 | **31,121** |

During the period revenues from Customer "A", Customer "B" and Customer "C" accounted for 11% (2016: 13%), 7% (2016: 16%) and 5% (2016: nil) of the Group's revenue.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3 for each period. The revenue from external parties reported is measured in a manner consistent with that in the consolidated interim Income Statement. Revenues are attributed to countries on the basis of the customer's location. The Group measures segment profit and loss as gross profit as reported. The Group does not allocate general administration, marketing and sales expenses to segments.

***Additional voluntary disclosures***

*Alternative revenue model and results*

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

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

These alternative revenue models arise in all geographical segments. The following is an analysis of the Group's revenue and result by delivery model:

| | **Monthly recurring revenue £000** | **Licence, one-off and professional services £000** | **Total £000** |
|---|---|---|---|
| **Six months ended 30 September 2017** | | | |
| Revenue | 47,718 | 5,431 | **53,149** |
| Gross profit | 20,171 | 4,488 | **24,659** |
| **Six months ended 30 September 2016** | | | |
| Revenue | 34,769 | 1,255 | **36,024** |
| Gross profit | 19,065 | 1,162 | **20,227** |

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

| | **Six months ended 30 September 2017 pence** | **Six months ended 30 September 2016 pence** |
|---|---|---|
| Basic EPS | 1.8 | 2.9 |
| Adjusted basic EPS | 5.5 | 6.6 |
| Diluted EPS | 1.6 | 2.1 |
| Adjusted diluted EPS | 4.8 | 4.8 |

| | **Six months ended 30 September 2017 million** | **Six months ended 30 September 2016 million** |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic EPS | 61.1 | 49.2 |
| Effect of exchange of Ordinary B Shares | - | 11.3 |
| Effect of dilutive potential ordinary shares: share options | 7.8 | 7.1 |
| **Weighted average number of ordinary shares for the purpose of diluted EPS** | **68.9** | **67.6** |

A number of non-GAAP adjusted profit measures are used in these consolidated interim Financial Statements. Adjusting items are excluded from our headline performance measures by virtue of their size and nature, in order to reflect management's view of the performance of the Group. Summarised below is a reconciliation between statutory results to adjusted results. The adjusted profit after tax earnings measure is also used for the purpose of calculating adjusted earnings per share.

## Notes to the unaudited consolidated interim Financial Statements

for the six months ended 30 September 2017

| | Statutory results £000 | A £000 | B £000 | C £000 | D £000 | E £000 | Adjusted results £000 |
|---|---|---|---|---|---|---|---|
| **Six months ended 30 September 2017** | | | | | | | |
| Revenue | 53,149 | - | - | - | - | - | 53,149 |
| Gross profit | 24,659 | - | - | - | - | - | 24,659 |
| Operating costs | (22,882) | 1,416 | 39 | 357 | 561 | - | (20,509) |
| Operating profit | 1,777 | 1,416 | 39 | 357 | 561 | - | 4,150 |
| Profit before tax | 1,714 | 1,416 | 39 | 357 | 561 | - | 4,087 |
| Tax | (681) | 80 | (5) | - | (143) | - | (749) |
| Profit after tax | 1,033 | 1,496 | 34 | 357 | 418 | - | 3,338 |
| EBITDA | 3,890 | 1,416 | 39 | 357 | - | - | 5,702 |
| Basic EPS (pence) | 1.8 | 2.4 | 0.1 | 0.6 | 0.7 | (0.1) | 5.5 |
| Diluted EPS (pence) | 1.6 | 2.2 | 0.1 | 0.5 | 0.5 | (0.1) | 4.8 |

| | Statutory results £000 | A £000 | B £000 | C £000 | D £000 | E £000 | Adjusted results £000 |
|---|---|---|---|---|---|---|---|
| **Six months ended 30 September 2016** | | | | | | | |
| Revenue | 36,024 | - | - | - | - | - | 36,024 |
| Gross profit | 20,227 | - | - | - | - | - | 20,227 |
| Operating costs | (18,547) | 1,748 | 190 | 166 | 276 | - | (16,167) |
| Operating profit | 1,680 | 1,748 | 190 | 166 | 276 | - | 4,060 |
| Profit before tax | 1,683 | 1,748 | 190 | 166 | 276 | - | 4,063 |
| Tax | (676) | (61) | (20) | - | (55) | - | (812) |
| Profit after tax | 1,007 | 1,687 | 170 | 166 | 221 | - | 3,251 |
| EBITDA | 3,160 | 1,748 | 190 | 166 | - | - | 5,264 |
| Basic EPS (pence) | 2.9 | 3.4 | 0.4 | 0.3 | 0.5 | (0.9) | 6.6 |
| Diluted EPS (pence) | 2.1 | 2.5 | 0.3 | 0.2 | 0.3 | (0.6) | 4.8 |

| | |
|---|---|
| Adjustment A | Share-based payment charge. |
| Adjustment B | Acquisition related costs, including restructuring costs following acquisitions. |
| Adjustment C | Exchange losses incurred on the Nigerian Naira following its unpegging against the US Dollar on 20 June 2016 and until such time as the currency can be freely traded on the exchange market due to the lifting of restrictions imposed by the Central Bank of Nigeria. |
| Adjustment D | Amortisation of acquired intangibles. |
| Adjustment E | 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. |

### 6. Notes to the Consolidated Cash Flow Statement

| | Six months ended 30 September 2017 £000 | Six months ended 30 September 2016 £000 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Profit before taxation | 1,714 | 1,683 |
| Adjustments: | | |
| Interest (cost) / income | 63 | (3) |
| Share-based payments | 1,416 | 1,748 |
| Depreciation of property, plant and equipment | 1,080 | 900 |
| Amortisation of intangible assets | 1,033 | 580 |
| Acquisition and restructuring related costs | 39 | 190 |
| Exchange losses on the Nigerian Naira | 357 | 166 |
| **Operating cash flows before movements in working capital:** | **5,702** | **5,264** |
| (Increase) / decrease in receivables | (6,097) | (4,063) |
| Increase / (decrease) in payables | 6,159 | 5,839 |
| Increase / (decrease) in provision for defined benefit gratuity plan | 44 | 32 |
| Foreign exchange loss / (gain) on working capital | (94) | (668) |
| **Cash generated from operations** | **5,714** | **6,404** |

### 7. Post balance sheet events

**Cancellation of share premium account**

In January 2017 the founding shareholders of the Company exercised their right to exchange their shareholding in IMI Mobile Private Limited for ordinary shares in the Company. This exchange resulted in the impairment of the investment in IMI Mobile Private Limited held by Company. As a consequence the Company did not have distributable reserves.

For most purposes under the Companies Act 2006, a share premium account is undistributable. However, with the approval of shareholders by special resolution and with the subsequent confirmation of the High Court, it is possible to reduce or cancel a share premium account. It was proposed that the entire reserve at the date of the hearing of the High Court be cancelled, being £69,759,230.

Following approval of the cancellation of the Company's share premium account by special resolution at the general meeting of the Company held on 16 August 2017 the High Court of Justice Chancery Division confirmed the cancellation effective on 5 October 2017. As a result of the High Court approval the Company now has distributable reserves.

**Acquisition of the trade and assets of Sumotext Corporation**

On 1 November 2017 the Company announced it had acquired the trade and assets of Sumotext Corporation, an established US-based communications platform provider. The total consideration will be between $4,500,000 and $6,000,000 depending on EBITDA performance of the acquired business during the first 12 months following the acquisition.