



## IMIMOBILE PLC

("IMI" or "the Company" or "the Group")

### Preliminary Results for the year ended 31 March 2017

IMImobile PLC, a cloud communications software and solutions provider today announces its Preliminary Results for the year ended 31 March 2017. These Preliminary Results are an abridged statement of the full annual report including the audited financial statements approved by the directors on 27 June 2017.

#### Key financial highlights of the Group

- Revenue up 24% to £76.1m (2016: £61.6m) of which 15% is organic<sup>1</sup> growth
- Gross profit up 19% to £43.4m (2016: £36.5m) of which 14% is organic<sup>1</sup> growth
- Operating profit up 19% to £4.9m (2016: £4.1m)
- Adjusted EBITDA<sup>2</sup> up 7% to £11.5m (2016: £10.7m)
- Adjusted profit after tax<sup>2</sup> up 10% to £7.5m (2016: £6.8m)
- Profit after tax on a statutory basis of £4.1m (2016: £2.2m)
- Maintained momentum since IPO with 3 year revenue CAGR of 21%, 3 year gross profit CAGR of 16% and 3 year adjusted EBITDA<sup>2</sup> CAGR of 17%
- Good contribution from both the Europe and Americas and the India and SEA regions with gross profit growth of 15% and 31% respectively
- Cash generated from operations of £11.9m (2016: £10.6m) with strong cash conversion<sup>3</sup> of 104% (2016: 99%)
- Cash and cash equivalents at 31 March 2017 of £14.7m (2016: £15.0m) after completion of the Infracast acquisition which utilised net cash of £5.5m

#### Operational highlights of the Group

- Organic growth across all regions and business units
- New major blue chip client wins in all regions including multi-territory mobile operator Group, Telenor
- Renewal of all major contracts falling due in the period, including the Group's largest customer, MTN
- Good progress with Textlocal and Archer acquisitions
- Early successes from investment in partnership programme including multi-year contract with BT
- Acquisition of Infracast, giving the enlarged group a market leading position in the UK retail banking sector
- The Company has started the process to effect a capital reorganisation to enable share buybacks and / or dividends in the future.

<sup>1</sup> Excluding the Infracast and Archer results.

<sup>2</sup> See note 6 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results.

<sup>3</sup> Cash conversion is defined as cash generated from operations (see note 13) as a percentage of adjusted EBITDA.

## Outlook

The 2018 financial year has started well with trading in line with expectations. We have good earnings visibility thanks to our long-standing client relationships, pipeline of new deployments and high mix of recurring, repeating and transactional revenues.

We believe that, as managing mobile and digital touchpoints become critical for all organisations, we can continue to grow our client base across all regions and increase the size of each relationship. We intend to accelerate growth through our partnership strategy, including seeking out international partners, and are increasingly confident after the early wins we have had this year.

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

“There continues to be an overwhelming need for companies such as banks, mobile operators, retailers, utilities and major brands to invest in improving customer experience, predominantly through digital channels. Our strategy is to be at the heart of these digital interactions for our clients, and we believe that the agile and evolving nature of our product portfolio aligns well with the market’s needs.

This demand for our services has allowed us to significantly increase our recurring revenue base and continue to both invest in product development and deliver profitable, cash generative growth. We will continue to invest further in marketing and product development to establish a leading position in this growth market.”

An analyst meeting will be held at 9.30am today at the offices of Redleaf Communications. To attend please contact Redleaf Communications.

## 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 IMI’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.

IMI 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.

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**About IMImobile PLC**

IMI 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.

IMI is headquartered in London with offices in Hyderabad, Atlanta, Dubai and Johannesburg and has over 900 employees worldwide. IMImobile PLC is quoted on the London Stock Exchange's AIM market with the TIDM code IMO.

## Chairman's Statement

It is my pleasure to introduce our preliminary results, following another strong year of performance. Since our IPO in 2014 the Group has performed consistently well. During this period we have delivered a 3 year revenue CAGR of 21%, 3 year gross profit CAGR of 16% and a 3 year adjusted EBITDA CAGR of 17%. During the same period we have generated more than £30m of cash from operations, converting over 100% of adjusted EBITDA to cash.

During the year we have increased investment in our market-leading software and solutions offering, as well as our sales and marketing capability. We expect this investment to underpin performance in future periods. Our commitment to our channel strategy is starting to deliver returns with a growing pipeline of opportunities and new contract wins achieved during the year. We have enhanced our position in the UK financial services sector with the completion of the Infracast acquisition in March 2017.

Our earlier acquisitions of Textlocal and Archer Digital are also performing well. Textlocal has grown strongly in the core UK business and in the Indian market, and has now been deployed into Myanmar. The gross profit from monthly recurring revenues generated by the Textlocal platform has grown by approximately 65% since it was acquired in October 2014. Archer Digital has had a good year with progress made in cross-selling of the Group's software into the South African enterprise market.

The Board remains confident that the executive management team have the requisite skills and track record to identify, quickly evaluate and execute acquisitions as they arise.

After the completion of the Infracast acquisition, which was funded from existing cash resources, the Group's cash position remains strong. This is thanks to another period of good cash conversion. The Board continues to review uses of cash to ensure that there is an appropriate balance between retaining flexibility for future M&A in a fragmented market, investment in the business and enhancing shareholder returns through potential on-market share buybacks and / or dividends.

In January, we were pleased to announce that two founding shareholders had exercised their right to exchange their shareholdings in IMI Mobile Private Limited for ordinary shares in the Company. To facilitate the payment of tax and other costs arising as a result of the transaction the Company acquired 30% of their shareholdings in IMI Mobile Private Limited using funds raised from a placing of 3.4m ordinary shares. In so doing we were able to welcome a number of new shareholders onto our register. Importantly, the exchange of shares has simplified our capital structure enabling greater transparency and shareholder understanding. Following this exchange, the Company has now taken steps to begin the process to effect a capital reorganisation to enable the Company to buy back shares and / or pay dividends in the future.

I would like to congratulate and thank the entire IMI team for another year of loyalty, hard work, dedication and success. We remain committed to executing against our strategy of creating and delivering software to clients across the globe and have the right team in place to continue winning in the competitive markets that we operate in.

We head confidently into the new financial year with a host of promising opportunities in all regions, our product and solutions offering has never been better or more relevant and we remain well positioned for future growth.

## Chief Executive's Report

I am pleased to report that we have recorded another year of financial, operational and strategic progress across all business units of the Group. We have grown our recurring revenue base and extended our record of profitable cash generative growth. We have continued to invest in technology development, new commercial partnerships as well as in our marketing content and systems.

Our acquisition of Infracast in March 2017 consolidates our position in the UK financial services market and provides additional technical and product capabilities.

## Market overview

A recent CEO survey conducted by PWC suggested that the speed of technological change is one of the key concerns of 2017 along with changes in consumer behaviour. We believe that we continue to be well placed to work with our customers to meet and embrace these challenges through the use of the latest mobile and digital technologies.

The technological and digital revolution has altered the way in which we live, think and interact with one another and with businesses. There continues to be an overwhelming need for companies such as banks, mobile operators, retailers, utilities and major brands to invest in improving customer experience, predominantly through digital channels. A key part of delivering a better customer experience is for more relevant, contextual and personalised communications and this is what we help our clients achieve. Our strategy is to be at the heart of these digital interactions for our clients.

It is the usage of digital devices, as opposed to their penetration, that is now the most significant development within the market. It is estimated that consumer spend 90% of the time on mobile phones using email and messaging platforms, such as SMS, Facebook Messenger, and WhatsApp and a recent survey by Deloitte ('UK Global Mobile Consumer Survey 2016') highlighted that 31% of smartphone users make no traditional voice calls in a given week, in contrast with a quarter in 2015, and just 4% in 2012. During this 'second-wave' of digital engagement, enterprises now need to cater for numerous new smartphone based channels through which customers can and often prefer to engage. Enterprises that embrace the changes in customer behaviour and new technologies can both improve customer experience whilst cutting operational costs.

Our addressable market remains fragmented, highly competitive and rapidly changing, with IT and communication vendors of all sizes looking to offer services to accelerate mobile and digital transformation. A report published by MarketsAndMarkets estimates that the digital transformation global market size is set to grow from \$148bn in 2015 to \$392bn by 2021. We believe that the agile and evolving nature of our product portfolio aligns well with these addressable markets.

## Software and solutions offering

Last year we clarified and simplified our product offering and during the past year we have focussed on executing our go-to-market strategy for some of our key products and have recorded many successes. We have also added additional product capability through the development of an artificial intelligence and automation product. Our core platform is IMIconnect and it remains the area of greatest investment.

### *IMIconnect*

IMIconnect is a cloud based software platform that helps time and resource constrained IT teams to quickly and easily automate customer interactions across communications channels such as SMS, Voice, Facebook and other messaging applications, and link those interactions with backend business systems. The platform has a visual 'drag and drop' tool so users can build workflows with ease, reducing the time, risk and complexities inherent in a traditional programming-intensive approach.

Over the last year we have introduced support for new communication channels such as Skype for Business, email, web push and push notifications and this has generated significant opportunities and secured important new customers. We have also invested further in scalability and usability and believe we have the market-leading product for large enterprises.

The platform is currently powering live services for clients such as, Vodafone, O2, Centrica, the AA and number of financial institutions. In addition through our partnership with BT, the Royal Mail Group will deploy IMIconnect to manage the delivery of high volume interactive SMS and email notifications. The deployment will form a critical part of Royal Mail's parcels systems strategy to better enable the development of new services for parcels customers and improve the customer experience.

IMIconnect is a key enabler for customer experience transformation and a key foundation for future growth.

### *IMIchat*

IMIchat is a cloud application that enables contact centres to improve their customer interactions whilst optimising their operational costs and efficiency. This product allows for real-time agent interactions for either customer support or sales across multiple message channels. The application can be fully integrated into other contact centre applications and is currently being utilised by customers to have conversations on fraud issues, payment reminders, scheduling appointments and complaint handling.

This year we added over 150 new features and enhancements and we introduced four new communications channels: email, Facebook, Twitter and webchat. Clients that currently use IMIchat include Centrica, Sky, Saga, CarillionAmey, BT, Cirrus and retail banks.

The commercial model for IMIchat is based primarily on the number of users. There has been a tenfold increase in the number of agents using the product in the last year and we anticipate that this will grow significantly in the years to come.

### *IMIcampaign*

IMIcampaign is a cloud campaign management software application designed for multi-channel marketing communication. It allows marketing departments to create, manage, deploy, monitor and adapt marketing campaigns targeted at a customer's mobile device. Channels supported include SMS, MMS, email, social media, mobile internet, push notifications and USSD.

During the year IMIcampaign delivered over 1.5 billion marketing messages on behalf of over 25 clients. The product also gained recognition from Gartner in their Market Guide for Mobile Marketing Platforms. The product is used by mobile operators, retailers and gaming companies such as EE, O2, Dreams, Vodafone and Betway.

### *IMIdigital*

IMIdigital helps organisations to offer mobile content and rich media services such as video streaming to mobile devices across multiple touchpoints. IMIdigital is used in several multi-country deployments, providing a consistent brand and user experience, and it also helps manage content licensing and reporting.

Over the past year, we have introduced various new product capabilities to IMIdigital including the addition of social channels such as Facebook Messenger, push notifications and our chatbot solution, to enhance and automate the mobile content service discovery experience for consumers. We have continued to power content subscription services and billing transactions across multiple international territories. The platform is utilised by trusted and recognised brands such as Universal Music Group, MTN, Aircel, Airtel and Orange.

In March this year we were selected by Telenor Group, one of the leading global mobile operator groups, with 214 million customers in 13 markets to provide a cloud-based Digital Service Delivery Platform solution using IMIdigital across four of its territories. This will further establish IMIdigital as the market leading cloud product for delivering digital services.

### *IMlbot*

IMlbot is a product built for the creation of chatbots for enterprises and to help automate customer interactions. The solution brings together the best global libraries of artificial intelligence, proprietary domain insights and tools to equip businesses with the ability to create menu or NLP (Natural Language Processing) driven chatbots. These bots can engage customers across multiple messaging channels and automate significant aspects of the customer service experience.

IMlbot is delivered through our cloud infrastructure and offers a highly efficient and quick way for businesses to implement an automation solution which easily integrates with existing systems, processes and services. The product is integrated with our IMlchat product and thereby provides our clients with both an automated approach and seamless fall back to agents when required.

### *IMlsocial*

IMlsocial is a cloud application that centrally collates high volumes of inbound customer or audience messages from multiple social channels such as Facebook, Twitter, SMS, YouTube and Instagram, allowing broadcasters to use audience generated content in their programming. This facilitates real-time audience interaction as well as premium rate services such as competitions and voting, therefore transforming audience engagement into improved ratings and revenues.

The product gives editors, producers and presenters' real-time feedback on audience reactions, comments and sentiment in one accessible, easy-to use dashboard with an auto filter on content preferences. IMlsocial is used by the BBC and other major media houses to power their audience engagement programmes and the platform has been used for major events including the London Marathon, Sports Personality of the Year and Children in Need.

### *Textlocal*

Textlocal is a cloud-based, self-serve platform that allows SMEs to have instant, affordable access to SMS messaging and mobile marketing tools. The platform is easy to sign-up for and begin deploying mobile messaging campaigns and services without the need for advance training.

Customers can benefit from increased customer engagement and marketing ROI through SMS marketing. Textlocal was acquired in October 2014 and since then we have invested in the product, adding several features and capabilities enabling it to be launched in India in 2015 and Myanmar during 2016.

All the key products support multi-tenancy and are hosted and managed within the IMlcloud which provides a highly available, highly scalable data centre and network infrastructure. In the last year, we have started using Amazon Web Services to provide additional cloud capability. The IMlcloud supports our integrations and connectivity with mobile operators, device environments (for example, Apple and Google), payment gateways and other third party service providers.

We also operate a private cloud co-located in multiple data centres across the UK, US and India and our platform modules have been deployed with geo-redundancy to offer very high service availability.

The infrastructure, platform and software applications are all supported by our Virtual Network Operations Centre ("VNOC") operating 24/7 across support centres in the UK and India. We are ISO 9001 and 27001 accredited and operate several services within a PCI DSS compliant environment.

Our cloud infrastructure and applications today process 27 billion SMS messages per year, 15 billion voice flows, 42 billion commerce transactions and 240 million emails.

## **Regional performance**

The Group is managed commercially and strategically on a regional basis with centralised resources for software development, finance and general management. A key operating metric for each region is gross profit as there are considerable differences in gross margins across regions, vertical sectors, product lines and revenue models. Gross profit additionally measures most directly the value of the software and

associated services delivered by the Group which excludes the impact of network infrastructure, third party hardware and content costs.

### **Europe and Americas**

*Gross profit £22.9m (2016: £19.9m)*

Gross profits in this region have risen by 15%. This growth was driven by a number of significant contract wins across multiple sectors including mobile operator, banking, utilities, retail, estate agent and gambling and gaming. We have also renewed our IMIcampaign contract with O2 this year, providing a two year extension into 2019.

We continued to invest in our partnership strategy and are pleased that a significant contract win has originated through our partnership with BT for the provision of IMIconnect for the Royal Mail Group. We have seen a growing pipeline of opportunities through this and other partnerships.

Our two largest client sectors in the region continue to be mobile operators and financial services. Our position as a leading digital customer interaction software provider in these verticals has been enhanced through our acquisition in March of Infracast. The enlarged Group processes the majority of digital notifications for four of the top five tier one UK retail banking groups. The acquisition also means that we are the leading reseller partner for mobile operators in the UK for digital communications solutions.

Infracast's complementary customer and product portfolio provides significant cross-sell and upsell opportunities and is expected to enhance Group earnings during the coming year.

Textlocal continues to perform strongly, with year on year gross profit growth of 18%. We continue to see strong interest in the broader product set from small and mid-sized businesses. During the last year, we have successfully launched a Textlocal bureau service in the UK to deliver a service that promotes SMS usage and improves customer retention rates. Two of our deployments were also recognised at the 2016 Mobile Marketing Awards for 'Most Effective Sales Promotion Campaign' as well as 'Most Effective Automotive Campaign'.

Following the decision for the UK to leave the EU on 23 June 2016, we have assessed the potential impact on our business in the region and our initial view is that 'Brexit' is unlikely to have any immediate effect.

We continue to invest in establishing our operations in the Americas and have significantly grown gross profit in the region through working with tier one mobile operator Sprint. We will continue to invest in the region, as it is the single largest addressable market for our product portfolio.

### **Middle East and Africa**

*Gross profit £13.5m (2016: £11.3m)*

Gross profits in this region have risen by 20%, of which 2% was organic<sup>1</sup> growth. The major contributor of gross profit continues to be the long-term contracts that we have established with mobile operator groups which are largely made up of deployments of IMIdigital and IMIcampaign across multiple countries.

We were pleased that we renewed the multi-year contract with MTN, the leading mobile telecommunications company in Africa, to support its digital lifestyle services. Under the agreement, we provide our digital customer engagement software suite to help MTN take advantage of new digital technology trends, to optimise the customer experience for rich digital content services.

A significant proportion of our African business originates from Nigeria, where we work with all the leading mobile operator groups in the region. However, as has been widely reported, there have been a number of economic and liquidity issues in Nigeria. The resultant decision to unpeg the Naira from the US Dollar subsequently devalued the currency and has created challenges in exchanging Naira into other currencies. We continue to explore various alternatives for the uses and exchanges of this cash.

The integration of Archer Digital into the Group is progressing well and we continue to explore cross-selling opportunities. We were pleased to have sold IMIconnect into one of Archer's largest banking clients and the Archer team has also supported various rich media and video initiatives across the Group, providing early encouraging signs of our ability to deliver synergies through this acquisition. Although the current political

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<sup>1</sup> Excluding the Archer results.



uncertainty in South Africa does create a challenging economic and trading environment we have an experienced regional team and long standing client relationships that will provide foundations for growth.

### **India and SE Asia**

*Gross profit £7.0m (2016: £5.3m)*

There has been strong growth in the region, with gross profits rising by 31%. The India operator business has established stable recurring revenues with significant growth in the mobile operator sector coming from deployments in other areas of South East Asia such as Myanmar, Nepal and Sri Lanka. Additional strong growth has come from our brands and agencies business where we have established a track record and now are delivering campaigns for our customers with greater regularity.

During the year we also won a number of contracts which will contribute to growth in future periods. As mentioned above, a major win in this region was the Telenor Group where we are in the process of deploying our VAS Virtualization platform in various territories including Bangladesh, Malaysia and Thailand. Additionally, we have won a new contract with the Government of Telangana in India.

We are pleased with the success from our introduction of the Textlocal platform to the region, as it now has over 9,000 customers in India and we also have early success with it being launched in Myanmar in partnership with a mobile operator group.

### **Growth strategy and outlook**

Our growth strategy has remained consistent over a number of years and our primary aim is to be at the heart of digital interactions for our customers. This overarching strategic objective requires different strategies depending on region, sector and our existing position and integrations.

As mentioned above, the pace of technological innovation is unwavering and the fast-moving landscape in which we operate will continue to create significant opportunities for our business. Consumers have become increasingly digital and the imperative for digital transformation is clear and established in most sectors. Our product strategy is to provide businesses with a digital agility that allows them to integrate customer touchpoints to existing business systems and to orchestrate and deliver a better customer experience.

We remain confident that we can continue to grow organically on the basis of strong relationships with existing customers, built over a number of years, and continual product innovations. We currently have 27 customers that generate annual revenues of over £0.5m p.a. compared with 18 in the year to 31 March 2016. We recognise that, as mobile and digital touchpoints become business critical for all organisations, we can continue to grow our number of clients across all regions and increase the size of these clients. We intend to accelerate growth through our partnership strategy and are increasingly confident after the early wins we have had this year.

We continue to review acquisition opportunities that will accelerate our sales into major blue chip clients and have maintained a strong financial position in order to pursue these opportunities. However, these need to meet specific acquisition criteria and we recognise the importance of waiting for the right opportunities in a fragmented fast-changing market. To date, we are pleased with the acquisitions the Group has made since its foundation (WIN plc, Textlocal, Archer Digital and Infracast) and will apply similar strategic and financial criteria for further acquisitions.

The current financial year has started well, we have strong pipelines in all regions and our product suite remains hugely relevant in large growing addressable markets.

## Financial Review

### Group performance at a glance

Year ended 31 March	2017 £m	2016 £m	Growth / (decline)
Revenue	76.1	61.6	24%
Gross Profit	43.4	36.5	19%
<i>Gross Margin</i>	<i>57.0%</i>	<i>59.3%</i>	
Adjusted EBITDA <sup>1</sup>	11.5	10.7	7%
<i>Adjusted EBITDA Margin</i>	<i>15.1%</i>	<i>17.3%</i>	
Adjusted operating profit <sup>1</sup>	8.8	8.4	5%
Profit before tax	5.1	4.2	22%
Adjusted profit before tax <sup>1</sup>	9.0	8.5	6%
Profit after tax	4.1	2.2	82%
Adjusted profit after tax <sup>1</sup>	7.5	6.8	10%
Diluted EPS	9.0p	5.2p	73%
Adjusted diluted EPS <sup>1</sup>	11.0p	10.4p	6%
Cash at period end	14.7	15.0	(3%)

### Key performance indicators (KPIs)

This section sets out the KPIs for the Group during the year ended 31 March 2017.

#### Group revenue and gross profit

For the year to 31 March 2017 total revenue increased by 24% to £76.1m (2016: £61.6m) and gross profit increased by 19% to £43.4m (2016: £36.5m). The Board considers that gross profit is the key operational measure of performance in the business.

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

#### Revenue

Year ended 31 March	2017 £m	2016 £m	Growth
Europe and Americas	41.1	34.5	19%
Middle East & Africa	23.2	17.0	37%
India & South East Asia	11.8	10.1	16%
<b>Total</b>	<b>76.1</b>	<b>61.6</b>	<b>24%</b>

#### Gross profit and margin

Year ended 31 March	2017 £m	2017 %	2016 £m	2016 %	Growth
Europe and Americas	22.9	55.6%	19.9	57.6%	15%
Middle East & Africa	13.5	58.3%	11.3	66.6%	20%
India & South East Asia	7.0	59.2%	5.3	52.5%	31%
<b>Total</b>	<b>43.4</b>	<b>57.0%</b>	<b>36.5</b>	<b>59.3%</b>	<b>19%</b>

The Europe and Americas region gross profit grew by 15% in the year. Gross margin in Europe and Americas in the year was 55.6%, down slightly from 57.6% in 2016, mainly due to the increase in mix of lower margin enterprise and Textlocal customers, who typically have a lower gross margin because of the cost of third party mobile infrastructure.

Excluding the Archer results, gross profit in the Middle East & Africa (MEA) region grew by 2% to £10.0m (2016: £9.8m). Gross profit from recurring revenue contracts in MEA increased by 6% year on year. This growth was partially offset by a decline in non-repeating license fee income recognised in the prior year which was lower this year. When including the post-acquisition gross profit generated by Archer, the regional gross profit grew by 20% to £13.5m (2016: £11.3m). Gross margin in MEA reduced to 58.3% from 66.6%, reflecting the decreased proportion of license fees recognised during the period and the inclusion of a full year of the lower margin Archer business.

The India and SEA region gross profit increased in the year by 31% to £7.0m (2016: £5.3m). Gross margin increased to 59.2% compared with 52.5% from the previous year, mainly as a result of improving margins to non-operator customers.

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

Adjusted operating costs<sup>1</sup> in the year were £34.6m (2016: £28.1m). This reflects the full year inclusion of Archer and the post-acquisition costs of Infracast as well as additional investment in product development, partnerships and sales and marketing across the Group.

#### Adjusted EBITDA<sup>2</sup> and adjusted operating profit<sup>1</sup>

<sup>1</sup> See note 6 for definitions of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results.

<sup>2</sup> See note 6 for definitions of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results.

Adjusted EBITDA<sup>1</sup> for the year to 31 March 2017 was £11.5m (2016: £10.7m) representing an increase of 7% against the prior year and adjusted operating profit<sup>1</sup> was £8.8m (2016: £8.4m).

#### *Group cash flow and working capital*

After utilising £5.5m towards the Infracast acquisition, net of cash acquired, and £1.2m for the final deferred consideration payment for Textlocal, year end cash and cash equivalents were £14.7m (2016: £15.0m). Bank borrowings at 31 March 2017 were £0.8m (2016: £nil). Cash generated from operations was £11.9m (2016: £10.6m) and represents an operating cash flow conversion of 104% of adjusted EBITDA<sup>1</sup> (2016: 99%).

Group working capital is made up as follows:

<b>As at 31 March</b>	<b>2017</b>	<b>2016</b>
	£m	£m
Cash and cash equivalents	14.7	15.0
Trade and other receivables	30.5	24.3
Trade and other payables (excluding deferred income)	(31.1)	(22.6)
Net working capital	14.1	16.7

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 2017 is £5.2m (2016: £3.1m) and £6.6m (2016: £6.3m) in trade and other payables.

Trade and other receivables have increased during the year as a result of the inclusion of Infracast. The value of trade and other receivables included from Infracast at 31 March 2017 is £3.1m, the additional increase is mainly attributable to the £2.1m increase in pass through transactions referred to above, and monthly recurring revenues compared to the previous year.

Trade and other payables have increased during the year as a result of the inclusion of Infracast. The value of trade and other payables included from Infracast at 31 March 2017 is £6.3m. An increase of pass through transactions of £0.3m referred to above as well as an increase in cost of sales as a result of higher revenues compared to the previous year have also contributed to the overall increase.

#### *Profit after tax*

Profit after tax was £4.1m (2016: £2.2m) after the net of tax impact of acquisition and restructuring related costs of £0.3m (2016: £0.3m), exchange losses on the Nigerian Naira of £0.2m (2016: £nil), impairment charges of £0.2m (2016: £0.2m), acquisition-related share-based payment charges of £0.7m (2016: £1.3m) share-based payment charges of £1.9m (2016: £2.5m), amortisation of acquired intangibles of £0.4m (2016: £0.3m) and the re-recognition of deferred tax assets of £0.2m (2016: £nil). Adjusted profit after tax<sup>1</sup> was £7.5m (2016: £6.8m) representing an increase of 10% against the prior year.

#### *Earnings per share*

Diluted earnings per share was 9.0p (2016: 5.2p). Diluted adjusted EPS grew by 6% to 11.0p (2016: 10.4p).

#### **Other financial information**

##### *Group taxation*

The tax charge for the year was £1.0m (2016: £1.9m). The adjusted effective rate of tax<sup>1</sup> for the year was 17.0% (2016: 19.9%).

##### *Non-controlling interest*

The non-controlling interest shown on the face of the Income Statement relates predominantly to the shareholding of the founding shareholders in IMI Mobile Private Limited. This element of the non-controlling interest was eliminated in January 2017, following the exchange of 70% of the founding shareholder shares in IMI Mobile Private Limited into ordinary shares of the Company, and the placing of ordinary shares of the Company and subsequent purchase of the remaining 30% of the founding shareholders shares in IMI Mobile Private Limited.

##### *Other intangible assets*

During the year to 31 March 2017 the Group capitalised £1.5m of development costs (2016: £1.0m) and acquired £4.3m of intangible assets as a result of the acquisition of Infracast. In addition to this, expenditure during the year on software and trademarks and licenses was £0.7m (2016: £0.6m).

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

Capital expenditure on property, plant and equipment during the year was £2.1m (2016: £2.0m) and the Group acquired £0.6m of property, plant and equipment as a result of the acquisition of Infracast.

##### *Goodwill*

Goodwill held at 31 March 2017 was £25.3m (2016: £19.8m) which increased following the acquisition of Infracast and the foreign exchange movement on the carrying value of goodwill in Archer which is denominated in South African Rand.

##### *Deferred tax*

Deferred tax assets at 31 March 2017 were £0.3m (2016: £0.5m) and deferred tax liabilities at 31 March 2017 were £0.6m (2016: £0.4m) including the amount recognised on identifiable intangible assets acquired in Infracast.

<sup>1</sup> Adjusted tax as a proportion of adjusted profit before tax, as reconciled in note 6.

*Available-for-sale financial assets*

During the year the Group impaired its holding in the available-for-sale financial asset held at the start of the year by £0.2m to the amount expected to be recovered in the next financial year.

*Non-current liabilities*

As well as the deferred tax liabilities above, the provision for defined benefit gratuity increased to £0.6m (2016: £0.5m) and a bank loan was taken in South Africa with a current liability of £0.2m and a non-current liability of £0.6m at 31 March 2017.

	Notes	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
<b>Revenue</b>	2, 4	76,116	61,630
Cost of sales		(32,746)	(25,108)
<b>Gross profit</b>	4	43,370	36,522
<b>Operating costs:</b>			
Other operating costs		(31,904)	(25,833)
Depreciation and amortisation		(3,213)	(2,692)
Share-based payment charge	12	(2,572)	(3,362)
Acquisition and restructuring related costs		(362)	(376)
Exchange losses on the Nigerian Naira <sup>1</sup>		(213)	-
Impairment of available-for-sale financial assets		(238)	(176)
<b>Operating profit</b>		4,868	4,083
Finance income		272	81
Finance cost		(67)	-
<b>Profit before tax</b>		5,073	4,164
Tax	5	(996)	(1,923)
<b>Profit for the year</b>		4,077	2,241
<b>Profit for the year attributable to:</b>			
Equity holders of the parent company		4,565	3,410
Non-controlling interest		(488)	(1,169)
<b>Profit for the year</b>		4,077	2,241
<b>Adjusted EBITDA<sup>1</sup></b>	6	11,466	10,689
Basic earnings per share	6	11.8p	7.1p
Adjusted basic earnings per share	6	14.5p	14.1p
Diluted earnings per share	6	9.0p	5.2p
Adjusted diluted earnings per share	6	11.0p	10.4p

<sup>1</sup> See note 6 for definitions of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results.

**Consolidated Statement of Comprehensive Income**  
For the year ended 31 March 2017

	<b>Year ended 31 March 2017 £000</b>	<b>Year ended 31 March 2016 £000</b>
<b>Profit for the year</b>	4,077	2,241
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	1,209	(79)
Equity holders of the parent company	443	33
Non-controlling interest	<u>          </u>	<u>          </u>
<b>Other comprehensive income for the year</b>	<u>1,652</u>	<u>(46)</u>
<b>Total comprehensive income for the year</b>	<u>5,729</u>	<u>2,195</u>
<b>Total comprehensive income for the year attributable to:</b>		
Equity holders of the parent company	5,774	3,331
Non-controlling interest	(45)	(1,136)
<b>Total comprehensive income for the year</b>	<u>5,729</u>	<u>2,195</u>

**Statement of Changes in Equity**  
For the year ended 31 March 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 the parent company £000	Non-controlling interest £000	Total equity £000
<b>Balance at 31 March 2015</b>	<b>4,805</b>	<b>50,896</b>	<b>3,244</b>	<b>5,869</b>	<b>(29,040)</b>	<b>(6,345)</b>	<b>29,429</b>	<b>9,510</b>	<b>38,939</b>
Profit / (loss) for the year	-	-	-	-	-	3,410	3,410	(1,169)	2,241
Foreign exchange differences	-	-	(79)	-	-	-	(79)	33	(46)
Credit to equity for share-based payments	-	-	-	3,362	-	-	3,362	-	3,362
Proceeds from share issue	113	1,488	-	(1,570)	-	-	31	-	31
Deferred consideration as part of acquisition	-	-	-	(1,000)	-	-	(1,000)	-	(1,000)
Deferred tax on share-based payments	-	-	-	-	-	22	22	-	22
<b>Balance at 31 March 2016</b>	<b>4,918</b>	<b>52,384</b>	<b>3,165</b>	<b>6,661</b>	<b>(29,040)</b>	<b>(2,913)</b>	<b>35,175</b>	<b>8,374</b>	<b>43,549</b>
Share swap (see note 11)	791	11,785	-	-	-	(4,239)	8,337	(8,337)	-
Profit / (loss) for the year	-	-	-	-	-	4,565	4,565	(488)	4,077
Foreign exchange differences	-	-	1,209	-	-	-	1,209	443	1,652
Credit to equity for share-based payments	-	-	-	2,202	-	-	2,202	-	2,202
Share-based payments reclassified to Other creditors	-	-	-	(208)	-	-	(208)	-	(208)
Proceeds from share issue	367	5,133	-	-	-	(5,390)	110	-	110
Deferred consideration as part of acquisition	-	-	-	(1,150)	-	-	(1,150)	-	(1,150)
Deferred tax on share-based payments	-	-	-	-	-	63	63	-	63
Tax relief on exercised share-based payments	-	-	-	-	-	13	13	-	13
Issue of shares as part of acquisition	27	452	-	-	-	-	479	-	479
<b>Balance at 31 March 2017</b>	<b>6,103</b>	<b>69,754</b>	<b>4,374</b>	<b>7,505</b>	<b>(29,040)</b>	<b>(7,901)</b>	<b>50,794</b>	<b>(8)</b>	<b>50,786</b>

**Consolidated Statement of Financial Position**  
As at ended 31 March 2017

	Notes	As at 31 March 2017 £000	As at 31 March 2016 £000
<b>Non-current assets</b>			
Goodwill	7	25,314	19,770
Other intangible assets		9,933	4,355
Property, plant and equipment		6,005	4,658
Deferred tax assets		301	499
		<hr/>	<hr/>
Total non-current assets		41,553	29,282
<b>Current assets</b>			
Cash and cash equivalents	8	14,662	15,039
Trade and other receivables	9	30,554	24,336
Available-for-sale financial assets		28	202
		<hr/>	<hr/>
Total current assets		45,244	39,577
<b>Current liabilities</b>			
Trade and other payables	10	(33,906)	(24,476)
Bank borrowings		(196)	-
		<hr/>	<hr/>
Total current liabilities		(34,102)	(24,476)
<b>Net current assets</b>			
		<hr/>	<hr/>
		11,142	15,101
<b>Non-current liabilities</b>			
Bank borrowings	19	(643)	-
Provision for defined benefit gratuity	20	(634)	(463)
Deferred tax liabilities	21	(631)	(371)
		<hr/>	<hr/>
Total non-current liabilities		(1,909)	(834)
<b>Net assets</b>			
		<hr/>	<hr/>
		50,786	43,549
<b>Equity attributable to the owners of the parent company</b>			
Share capital	11	6,103	4,918
Share premium	11	69,754	52,384
Translation reserve	11	4,374	3,165
Share-based payment reserve	11	7,505	6,661
Capital restructuring reserve	11	(29,040)	(29,040)
Retained earnings	11	(7,901)	(2,913)
		<hr/>	<hr/>
Equity attributable to shareholders of the parent company		50,794	35,175
Non-controlling interest		(8)	8,374
		<hr/>	<hr/>
Total equity		50,786	43,549
		<hr/> <hr/>	<hr/> <hr/>



**Consolidated Cash Flow Statement**  
For the year ended 31 March 2017

	Notes	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
<b>Cash generated from operations</b>	13	11,916	10,633
Tax paid		(1,523)	(1,867)
<b>Net cash from operating activities</b>		<u>10,393</u>	<u>8,766</u>
<b>Investing activities</b>			
Interest received		205	81
Purchase of intangible assets		(2,250)	(1,533)
Purchase of property, plant & equipment		(2,124)	(2,006)
Disposal of property, plant & equipment		7	28
Purchase of shares in available-for-sale investment		(65)	(99)
Acquisition of subsidiary net of cash acquired	11, 14	(10,853)	(3,612)
Deferred consideration as part of acquisition		(1,150)	(1,000)
Acquisition and restructuring related costs		(362)	(376)
<b>Net cash used in investing activities</b>		<u>(16,592)</u>	<u>(8,517)</u>
<b>Financing activities</b>			
Bank loan received		839	-
Proceeds from issuance of Ordinary shares		5,500	31
<b>Net cash generated by financing activities</b>		<u>6,339</u>	<u>31</u>
<b>Net increase in cash and cash equivalents</b>		140	280
<b>Cash and cash equivalents at beginning of the year</b>		15,039	14,617
Effect of foreign exchange rate changes		(517)	142
<b>Cash and cash equivalents at end of the year</b>	8	<u><u>14,662</u></u>	<u><u>15,039</u></u>

## 1. Basis of preparation

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards as adopted for use by the EU ("IFRS"), this announcement does not itself contain sufficient information to comply with IFRS. The financial information is an abridged statement of the full annual report which was approved by the Board of Directors on 27 June 2017. The consolidated financial statements within the full annual report are prepared in accordance with IFRS, the Companies Act 2006 and Article 4 of the EU IAS Regulations.

The auditor has reported on those accounts; the auditor's report was unqualified, did not draw attention to any matters by way of emphasis without qualifying its report and did not contain statements under s498(2) or (3) of the Companies Act 2006. The Company expects to publish its full financial statements in due course.

The financial information set out above does not constitute the Company's statutory accounts for the period ended 31 March 2017 within the meaning of section 434(3) of the Companies Act 2006. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the company's annual general meeting.

## 2. Basis of consolidation and accounting policies

The principal accounting policies set out below have been applied consistently by the Group entities from which the information contained in this preliminary announcement has been extracted:

### 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.

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.

### Goodwill

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

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

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

### Employee benefits

#### *Employee share-based payments*

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

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

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

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

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

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

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

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

### **Company share capital**

Ordinary shares are classified as equity.

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

### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

#### *Monthly recurring revenue*

Revenues from monthly recurring revenue contracts are recognised proportionally over the period during which the services are rendered. Revenue from content related sales is recognised on delivery of the content, when all significant contractual obligations have been satisfied, the significant risks and rewards of ownership have been transferred and no effective ownership control is retained. Revenues are typically billed up to 60 days after month end and classified as amounts billable not yet invoiced until this point.

Billing revenues recognised within turnover relate only to the commission earned on hosting each service and are recognised at the point of delivery to the customer. Pass through revenues collected on behalf of the customers are not recognised within revenue.

#### *License, one-off and professional service revenue*

License revenues are derived from the sale of perpetual end user licenses and recognised at fair value on customer acceptance following installation at the customer's locations as per contracted terms. One-off and professional service revenues relate to configuration, setup and change requests largely generated on a time and materials basis, and are recognised at the point of acceptance by the customer, or upon completion of designated milestones and at the point that the contractual risks and rewards of ownership have been transferred.

### **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 and estimates 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 estimates and assumptions, including expectations about future cash flows, discount rates and the lives of assets following purchase.

#### *Cash generating units*

Judgement is also required in identifying the cash generating units to which goodwill is associated for the purpose of goodwill impairment testing. Identification of cash generating units involves an assessment of whether assets or groups of assets generate cash flows that are largely independent. Goodwill is then allocated to each identified cash generating unit that is expected to benefit from the synergies of the business combinations from which goodwill has arisen.

#### **Key sources of estimation uncertainty**

##### *Revenue recognition*

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires judgement. Where revenues are verified by third parties, revenues are accrued based on platform data. Differences are adjusted for upon receipt of third party reports.

Where contracts include more than one deliverable element, each element and deliverables are assigned to one, or more, separate units of accounting based on management's judgement of their fair value. Revenue is recognised on a milestone basis, based on the judgement of management, as each deliverable is met.

##### *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 including management's expectations of:

- growth in adjusted EBITDA;
- timing and quantum of future capital expenditure;
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

##### *Debtor recoverability*

The Group's trade receivables are stated after allowances for bad and doubtful debts based on management's judgement of recoverability on an individual customer basis. The credit worthiness of individual customers is assessed based on their financial strength using available information, communication with the customer and the historic trading relationship.

##### *Capitalised development costs*

IAS 38 requires the Group to capitalise and subsequently amortise development costs when the requirements of an internally generated intangible have been met and costs can be measured reliably. The determination of whether costs incurred in the development of software have met the criteria per IAS 38 requires judgement. Following a review of the criteria the Directors have concluded that expenditure on development on the key products described in the Strategic Report meet the criteria for capitalisation. Other development expenditure on customer specific projects has not been capitalised as management has judged that probable future economic benefit cannot be adequately demonstrated.

##### *Taxation including deferred taxation*

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

Management must also assess the probability that the deferred tax assets will be recovered from future taxable income.

##### *Share-based payments*

The fair value is determined at grant date and expensed over the vesting period based on the estimate of the proportion of the shares which will vest. The schemes include performance conditions, including achieving targets for the Group's EPS. The probability of whether these performance targets will be met based on the latest Group forecasts is re-assessed on a six monthly basis.

The Archer put option, which enables the Archer management team to sell their share in Archer Digital Limited to the Group, is revalued each year and accounted for as a cash-settled share-based payment. This requires management to estimate the earnings multiple that will be applied to the valuation when the put option is exercised.

Management must also estimate the fair value of the deferred consideration arising from the acquisition of Infracast, which is included as a share-based payment as there is an option to settle in shares in the Company as well as in cash.

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

#### **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 (Europe being substantially all to the UK where revenue during the year was £39,433,645 (2016: £33,474,277)), 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:

	<b>Europe and Americas £000</b>	<b>India and SEA £000</b>	<b>MEA £000</b>	<b>Eliminations £000</b>	<b>Total £000</b>
<b>Year ended 31 March 2017</b>					
Revenue to external customers	41,138	11,760	23,218	-	<b>76,116</b>
Inter-segment revenue	-	11	-	(11)	-
Total revenue	<u>41,138</u>	<u>11,771</u>	<u>23,218</u>	<u>(11)</u>	<u><b>76,116</b></u>
Gross profit	<u>22,868</u>	<u>6,963</u>	<u>13,539</u>	<u>-</u>	<u><b>43,370</b></u>
Other operating costs					<b>(31,904)</b>
Depreciation and amortisation					<b>(3,213)</b>
Share-based payment charge					<b>(2,572)</b>
Acquisition and restructuring related costs					<b>(362)</b>
Exchange losses on the Nigerian Naira					<b>(213)</b>
Impairment of AFS financial assets					<b>(238)</b>
Operating profit					<b>4,868</b>
Investment income					<b>205</b>
Profit before tax					<b>5,073</b>
Tax					<b>(996)</b>
Profit after tax					<u><b>4,077</b></u>
Non-current assets	<u>28,995</u>	<u>3,751</u>	<u>8,807</u>	<u>-</u>	<u><b>41,553</b></u>
<b>Year ended 31 March 2016</b>					
Revenue to external customers	34,525	10,123	16,982	-	<b>61,630</b>
Inter-segment revenue	-	79	-	(79)	-
Total revenue	<u>34,525</u>	<u>10,202</u>	<u>16,982</u>	<u>(79)</u>	<u><b>61,630</b></u>
Gross profit	<u>19,896</u>	<u>5,318</u>	<u>11,308</u>	<u>-</u>	<u><b>36,522</b></u>
Other operating costs					<b>(25,833)</b>
Depreciation and amortisation					<b>(2,692)</b>
Share-based payment charge					<b>(3,362)</b>
IPO and acquisition related costs					<b>(376)</b>
Impairment of AFS financial assets					<b>(176)</b>
Operating profit					<b>4,083</b>
Investment income					<b>81</b>
Profit before tax					<b>4,164</b>
Tax					<b>(1,923)</b>
Profit after tax					<u><b>2,241</b></u>
Non-current assets	<u>21,325</u>	<u>2,792</u>	<u>5,165</u>	<u>-</u>	<u><b>29,282</b></u>

During the year revenues from Customer A and Customer B accounted for 13% (2016: 12%) and 13% (2016: 16%) of the Group's revenue respectively.

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

#### **Additional voluntary disclosures**

##### *Alternative revenue model and results*

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

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

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

	<b>Monthly recurring revenue £000</b>	<b>License, one-off and professional services £000</b>	<b>Elimination £000</b>	<b>Total £000</b>
<b>Year ended 31 March 2017</b>				
Revenue to external customers	72,100	4,016	-	<b>76,116</b>
Inter-segment revenue	-	11	(11)	-
Total revenue	<u>72,100</u>	<u>4,027</u>	<u>(11)</u>	<u><b>76,116</b></u>
Gross profit	<u>39,591</u>	<u>3,779</u>	<u>-</u>	<u><b>43,370</b></u>
<b>Year ended 31 March 2016</b>				
Revenue to external customers	58,250	3,380	-	<b>61,630</b>
Inter-segment revenue	-	79	(79)	-
Total revenue	<u>58,250</u>	<u>3,459</u>	<u>(79)</u>	<u><b>61,630</b></u>
Gross profit	<u>33,420</u>	<u>3,102</u>	<u>-</u>	<u><b>36,522</b></u>

#### **5. Tax**

	<b>Year ended 31 March 2017 £000</b>	<b>Year ended 31 March 2016 £000</b>
<b>Current tax</b>		
India tax expense	8	13
UK tax expense	394	453
Other foreign tax expense	118	62
Withholding tax expense	897	969
Adjustments in respect of prior periods	(34)	33
	<u>1,383</u>	<u>1,530</u>
<b>Deferred tax</b>		
Current year	(430)	(39)
Adjustments in respect of prior periods	43	432
	<u>(387)</u>	<u>393</u>
Total tax charge	<u><u>996</u></u>	<u><u>1,923</u></u>

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

	<b>Year ended 31 March 2017 £000</b>	<b>Year ended 31 March 2016 £000</b>
Profit before tax	5,073	4,164
Tax at the UK corporation tax rate of 20% (2016: 20%)	1,015	833
Effect of overseas tax rates	92	66
Expenses not deductible for tax purposes	395	407
Tax losses on which deferred tax not recognised	(118)	83
Temporary differences on which deferred tax not recognised	80	108
Effect of change in UK tax rate	33	46
Utilisation of tax losses and other deductions	(22)	(15)
Tax adjustments in respect of previous years	9	465
Enhanced tax relief on research and development expenditure	(210)	(70)
Re-recognition of deferred tax assets	(278)	-
Total tax charged in the income statement	<u>996</u>	<u>1,923</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.

A reduction in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. UK deferred tax assets and liabilities have been recognised at the rate applying in the period they are expected to unwind. Where this cannot be forecast they are recognised at 17% (2016: 18%).

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

	<b>Year ended 31 March 2017 pence</b>	<b>Year ended 31 March 2016 pence</b>
Basic EPS	11.8p	7.1p
Adjusted basic EPS	14.5p	14.1p
Diluted EPS	9.0p	5.2p
Adjusted diluted EPS	11.0p	10.4p
	<b>Year ended 31 March 2017 Million</b>	<b>Year ended 31 March 2016 Million</b>
Weighted average number of ordinary shares for the purpose of basic EPS	51.7	48.1
Effect of exchange of Ordinary B Shares (see note 11)	8.9	11.3
Effect of dilutive potential ordinary shares: share options	7.2	6.0
Weighted average number of ordinary shares for the purpose of diluted EPS	<u>67.8</u>	<u>65.4</u>

A number of non-GAAP adjusted profit measures are used in this annual report and financial statements. Adjusting items are excluded from our headline performance measures by virtue of their size and nature, in order to reflect management's view of the performance of the Group. 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.

	Statutory results £000	A £000	B £000	C £000	D £000	E £000	F £000	G £000	Adjusted results £000
<b>Year ended 31 March 2017</b>									
Revenue	76,116	-	-	-	-	-	-	-	76,116
Gross profit	43,370	-	-	-	-	-	-	-	43,370
Operating costs	(38,502)	2,572	362	213	238	553	-	-	(34,564)
Operating profit	4,868	2,572	362	213	238	553	-	-	8,806
Profit before tax	5,073	2,572	362	213	238	553	-	-	9,011
Tax	(996)	(32)	(73)	-	-	(150)	(278)	-	(1,529)
Profit after tax	4,077	2,540	289	213	238	403	(278)	-	7,482
EBITDA	8,081	2,572	362	213	238	-	-	-	11,466
Basic EPS (pence)	11.8	4.9	0.5	0.4	0.5	0.8	(0.5)	(3.9)	14.5
Diluted EPS (pence)	9.0	3.7	0.4	0.3	0.4	0.6	(0.4)	(3.0)	11.0

	Statutory results £000	A £000	B £000	C £000	D £000	E £000	F £000	G £000	Adjusted results £000
<b>Year ended 31 March 2016</b>									
Revenue	61,630	-	-	-	-	-	-	-	61,630
Gross profit	36,522	-	-	-	-	-	-	-	36,522
Operating costs	(32,439)	3,362	376	-	176	416	-	-	(28,109)
Operating profit	4,083	3,362	376	-	176	416	-	-	8,413
Profit before tax	4,164	3,362	376	-	176	416	-	-	8,494
Tax	(1,923)	353	(40)	-	-	(83)	-	-	(1,693)
Profit after tax	2,241	3,715	336	-	176	333	-	-	6,801
EBITDA	6,775	3,362	376	-	176	-	-	-	10,689
Basic EPS (pence)	7.1	7.7	0.7	-	0.4	0.7	-	(2.5)	14.1
Diluted EPS (pence)	5.2	5.7	0.5	-	0.3	0.5	-	(1.8)	10.4

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. Based on the date the Nigerian Naira was unpegged against the US Dollar, this was not an adjusting item in the previous year.

Adjustment D Impairment of available-for-sale financial assets.

Adjustment E Amortisation of acquired intangibles.

Adjustment F Re-recognition of deferred tax assets

Adjustment G 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.

## 7. Goodwill

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

	Opening £000	Additions £000	Change in deferred tax rate applied £000	Foreign Exchange Movement £000	Closing £000
<b>31 March 2016</b>					
Europe (excluding Textlocal and Infracast)	7,861	-	-	-	7,861
Textlocal	10,073	-	-	-	10,073
Archer	-	1,900	-	(64)	1,836
<b>Total</b>	<b>17,934</b>	<b>1,900</b>	<b>-</b>	<b>(64)</b>	<b>19,770</b>
<b>31 March 2017</b>					
Europe (excluding Textlocal and Infracast)	7,861	-	-	-	7,861
Textlocal	10,073	-	-	-	10,073
Archer	1,836	-	165	499	2,500
Infracast	-	4,880	-	-	4,880
<b>Total</b>	<b>19,770</b>	<b>4,880</b>	<b>165</b>	<b>499</b>	<b>25,314</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.

Previously goodwill related to Europe (excluding Textlocal and Infracast) was split into two CGUs – Managed Solutions and Cloud based services / SaaS. During the current and prior year, cash flows relating to these CGUs have become increasingly interdependent of each other such that customer contracts now include cash flows across both of these categories.



Management now monitor the combined result of these two CGUs and therefore the goodwill has been combined and assessed as one.

The Archer acquisition accounting included deferred tax on identifiable intangibles assets at the UK deferred tax rate rather than the rate in South Africa, where Archer operates. The South African rate has been applied in the current year which has increased the goodwill held in Archer.

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

	<b>Europe (excluding Textlocal and Infracast)</b>	<b>Textlocal</b>	<b>Archer</b>	<b>Infracast</b>
Cash flow growth rate <sup>1</sup>	24%	12%	11%	9%
Long-term growth rate:	2%	2%	2%	3%
Discount rate:	10.5%	10.5%	16.5%	10.5%

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

*Long-term growth rate*

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

*Discount rate*

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

**8. Cash and cash equivalents**

	<b>As at 31 March 2017 £000</b>	<b>As at 31 March 2016 £000</b>
<b>Unrestricted</b>		
Cash on hand and at bank	14,554	14,980
<b>Restricted</b>		
Short-term bank deposits	108	59
Cash and cash equivalents	<u>14,662</u>	<u>15,039</u>

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.

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

	<b>As at 31 March 2017 £000</b>	<b>As at 31 March 2016 £000</b>
United Arab Emirates Dirham	188	120
Australian Dollar	1	-
Bangladeshi Taka	361	327
Euro	1,302	1,286
UK Pounds Sterling	3,124	6,919
Indian Rupee	1,464	478
Nigerian Naira	4,671	3,315
Sri-Lankan Rupee	8	50
US Dollar	2,452	2,326
South African Rand	1,091	218

<sup>1</sup> 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.

14,662	15,039
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**9. Trade and other receivables**

	<b>As at 31 March 2017 £000</b>	<b>As at 31 March 2016 £000</b>
Trade receivables		
– revenue to be collected on behalf of the Group	10,973	10,754
– pass through revenues to be collected on behalf of billing customers	2,492	678
Other receivables	83	160
Refundable deposits	93	456
Prepayments	2,286	1,196
Amounts billable not yet invoiced		
– revenue to be collected on behalf of the Group	9,627	6,072
– pass through revenues collected on behalf of billing customers	2,658	2,410
Withholding tax debtor	2,025	2,579
Due from related parties	31	31
Tax receivable	286	-
	<u>30,554</u>	<u>24,336</u>

The fair value of receivables approximate their carrying values as at 31 March 2017 and 31 March 2016.

**10. Trade and other payables**

	<b>As at 31 March 2017 £000</b>	<b>As at 31 March 2016 £000</b>
Trade payables		
– cost of sales to be paid on behalf of the Group	9,278	5,261
– pass through revenues to be paid to billing customers	4,012	3,700
Other payables	1,665	589
Accrued expenses		
– cost of sales to be paid on behalf of the Group	11,442	9,063
– pass through revenues to be paid to billing customers	2,565	2,611
Deferred income	2,984	1,856
VAT payable	1,960	1,256
Tax payable	-	140
	<u>33,906</u>	<u>24,476</u>

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

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

## 11. Share Capital and Share Premium

	Share Capital £000	Share Premium £000	Total £000
Allotted, called up and fully paid			
At 1 April 2016	4,918	52,384	57,302
Share options and warrants exercised	27	82	109
Share swap	791	11,785	12,576
Share placing	339	5,051	5,390
Issued as part of acquisition	27	452	479
	<hr/>	<hr/>	<hr/>
At 31 March 2017	6,102	69,754	75,856
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
		<b>As at 31 March 2017 Number</b>	
Ordinary shares as at 1 April 2016		49,166,332	
Share options and warrants exercised		276,681	
Share swap		7,909,719	
Share placing		3,389,881	
Issued as part of acquisition		273,614	
		<hr/>	
Ordinary shares as at 31 March 2017		61,016,227	
Ordinary B shares as at 1 April 2016 and 31 March 2017		2	
		<hr/>	
		61,016,229	
		<hr/> <hr/>	

During the year 276,681 share options were exercised for consideration of £109,000 and 273,614 shares were issued at £1.75 per share as part of the acquisition of Infracast.

The Group's capital consists of two classes of equity share.

### *Ordinary shares*

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.

### *Ordinary B shares*

At 1 April 2016, the founders of the Group, and current directors Vish Alluri and Shyam Bhat held their investment in the Company via Ordinary B Shares which gave them the right to exchange their holdings in IMI Mobile Private Limited, a subsidiary of the Company (which they have held since the Group was founded) for a direct holding in the Company. This structure was established on listing and was necessary because of tax and foreign holding considerations in India, the structure is detailed in the Company's Admission document.

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 B shares was able to exercise voting rights in respect of such shares equal to the number of Ordinary Shares each of its nominees would receive if they exchanged their holding in IMI Mobile Private Limited for three ordinary shares in the Company.

In addition, each holder of Ordinary B Shares had the right (but not the obligation) to swap all of their shares in IMI Mobile Private Limited for ordinary shares in the Company on the basis of one IMI Mobile Private Limited share for three ordinary shares in the Company (subject to adjustment for any consolidation, sub division or any other alteration of the share capital of either the Company or IMI Mobile Private Limited). Such a share swap was subject to all legal and regulatory consents and approvals being obtained.

The IMI Mobile Private Limited shares in aggregate represented rights over 11,299,599 Ordinary Shares. On 11 January 2017 Vish Alluri and Shyam Bhat exercised their rights to swap 2,636,573 IMI Mobile Private Limited shares for 7,909,719 Ordinary Shares in the Company and sell their remaining 1,129,960 IMI Mobile Private Limited shares to the Company to facilitate the payment of tax and other costs arising from this transaction. As such, the Company placed 3,389,881 new Ordinary Shares for cash consideration of £5,389,911 to acquire the IMI Mobile Private Limited shares. The Placing was non-dilutive to the voting rights of existing shareholders in the Company.

## 12. Share-based payments

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

Prior to admission to AIM and subsequently, options have been issued to the Directors and key employees. The Group operated multiple schemes during the year, and below is a consolidated summary of all existing employees and Director options.

### *Total of Employee Share Schemes*

	As at 31 March 2017		As at 31 March 2016	
	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)	Number of share options
At 1 April	0.42	10,193,563	0.35	11,183,956
Granted	1.63	3,203,975	1.13	623,650
Exercised	0.53	(193,347)	0.06	(1,127,470)
Forfeited	0.99	(233,884)	0.72	(486,573)
<b>At 31 March</b>	<b>0.70</b>	<b>12,970,307</b>	<b>0.42</b>	<b>10,193,563</b>
Vested	0.41	6,468,764	0.43	4,800,652
Unvested	1.00	6,501,543	0.41	5,392,911
<b>At 31 March</b>	<b>0.70</b>	<b>12,970,307</b>	<b>0.42</b>	<b>10,193,563</b>

The aggregate fair value of options granted in the year is £2,190,000 (2016: £362,000). The options outstanding at 31 March 2017 have a weighted average remaining contractual life of 7.9 years (2016: 8.3 years).

#### *Textlocal deferred consideration*

The deferred consideration arising from the acquisition of Textlocal is treated as remuneration rather than consideration as one of the conditions of payment is continued employment of the shareholders of the company post acquisition. As the Group has the option to settle the deferred 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.

#### *Archer put 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. The Group revalues this option each year and has accounted for it as a cash settled share-based payment vesting over the 5 year period, with a charge of £370,000 recorded in the year ended 31 March 2017 (2016: £208,000).

#### *Infracast deferred consideration*

The deferred 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 deferred consideration in shares in the Company or cash, it is included as a share-based payment. The charge is taken to the consolidated income statement evenly over the period from acquisition to the settlement date.

The total intrinsic value at 31 March 2017 is £3,932,000 and the Group recorded total expense of £nil in the year.

#### *Share-based payment charge*

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

	31 March 2017 £000	31 March 2016 £000
Employee share schemes	1,891	2,037
Textlocal deferred consideration	311	1,117
Archer put option	370	208
	<u>2,572</u>	<u>3,362</u>

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

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
<b>Cash flows from operating activities:</b>		
Profit before taxation	5,073	4,164
Adjustments:		
Interest income	(205)	(81)
Share-based payments	2,572	3,362
Acquisition and restructuring related costs	362	376
Exchange losses on the Nigerian Naira <sup>1</sup>	213	-
Depreciation of property, plant and equipment	2,121	1,910
Amortisation of intangible assets	1,092	782
Impairment of available-for-sale financial assets	238	176
Operating cash flow before movements in working capital:	<u>11,466</u>	<u>10,689</u>

<sup>1</sup> See note 6 for definitions of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results.

Increase in receivables	(1,644)	(3,863)
Increase in payables	2,579	3,789
Increase in provision for defined benefit gratuity plan	93	60
Foreign exchange gain on working capital	(578)	(42)
<b>Cash generated from operations</b>	<b>11,916</b>	<b>10,633</b>

#### 14. Acquisition of Infracast Limited

On 27 March 2017 the Group acquired 100% of the share capital of Infracast Limited ("Infracast") for a maximum total consideration of £17 million comprising an initial consideration of £7.7 million payable in cash, £0.5 million in shares satisfied by the issue of 273,614 ordinary shares at a price of £1.75 per share, with additional deferred payments of up to a maximum aggregate value of £8.8 million split over three years based on a mix of gross profit and EBITDA targets, with an anticipated value of between £3 million and £5 million. These payments are dependent on continued employment and the Company has the option to settle in shares so they will be accounted for as an equity-settled share based payment.

The Group believes that Infracast has a leading middleware platform for the secure and resilient management of mobile messaging in the financial services sector and for optimising messaging volumes into mobile operator infrastructure. This capability will complement IMI mobile's business, allowing both businesses to cross-sell and upsell the enhanced suite of services to tier one banks and mobile operators in the UK and internationally.

A key attraction of the acquisition for IMI mobile was the experienced Infracast senior management team, who have successfully developed the technology and established a track record of delivering revenues, profits and cash flow. As such, the founder David Angers and the commercial director Chris Hicks have agreed to remain part of the wider Group and will join IMI mobile's senior management team.

Infracast meets all of IMI mobile's acquisition criteria of purchasing companies with established recurring revenue contracts with large blue-chip enterprises, with over 90% recurring revenues. It has a complementary product set, a good financial record and opportunities for revenue and cost synergies.

The results of the acquired entity which have been consolidated in the income statement from 27 March 2017 contributed £0.30 million of revenues and a profit of £0.01 million to the profit attributable to equity shareholders of the Group during the year. Had Infracast been acquired at the start of the year the contribution would have been £13.9 million of revenue and a profit of £0.1 million.

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

	<b>Fair value £000</b>
Net assets acquired:	
Identifiable intangible assets:	
Customer relationships	2,500
Technology	1,400
Trade name	90
Deferred tax recognised on identifiable intangible assets:	
Customer relationships	(450)
Technology	(252)
Trade name	(16)
Property, plant and equipment	633
Other intangible assets - capitalised development costs	231
Other intangible assets – software	88
Trade and other receivables	3,136
Cash and cash equivalents	2,276
Current taxation assets	25
Trade and other payables	(6,275)
Deferred tax liabilities	(48)
Net identifiable assets acquired	3,338
Goodwill	4,880
Total consideration	8,218
Cash consideration	7,739
Cash acquired	(2,276)
Consideration net of cash acquired	5,463