

IMIMOBILE PLC

(“IMImobile”, “the Group” or “the Company”)

Unaudited Interim results for the Six months ended 30 September 2015

“Strong six months with significant growth in all key financial metrics.”

IMImobile PLC, a UK based global provider of software and services that enables organisations to harness the potential of mobile technologies to improve customer engagement, today announces its consolidated interim results for the six months ended 30 September 2015.

Key financial highlights

- Revenue up 29% to £27.8m (2014: £21.5m).
- Gross profit up 23% to £16.6m (2014: £13.5m).
- EBITDA¹ up 20% to £4.5m (2014: £3.8m).
- Adjusted profit after tax² up 19% to £2.7m (2014 £2.3m).
- Statutory accounting profit after tax of £0.9m (2014: £3.5m loss).
- Net cash generated from operating activities of £3.8m representing operating cash conversion³ of 84% (2014: 44%).
- Cash and cash equivalents at 30 September 2015 of £13.5m (31 Mar 2015: £14.6m) after £3.4m utilised for acquisition of Archer Digital.

Operational highlights

- Continued strong performance in Europe and the Americas with organic⁴ gross profit growth of 17%, renewal of largest customer and significant contract wins in the telecom and gaming and gambling sectors.
- Strong performance from TextLocal acquisition including record trading month since foundation in 2005 and launch of the TextLocal product in India.
- Renewal of largest customer contracts in the MEA region and organic managed services growth of 56% reflects greater penetration of existing services and launch of new services with existing customers. Significant contract wins with additional operator customers expected to deliver growth in future periods.
- Completion of the acquisition of Archer Digital provides a platform to firmly establish an enterprise focused business in Africa.
- Substantial investment in product development, sales and marketing to drive future growth.

¹ EBITDA is defined as operating profit/loss before tax, depreciation, amortisation, net finance costs, fees incurred in relation to IPO and acquisition activity, impairment charges, share based payment charge and other exceptional items.

² Adjusted profit after tax is defined as profit/loss before fees incurred in relation to IPO and acquisition activity, share based payment charge and other exceptional items. See note 5 for a reconciliation.

³ Calculated as net cash from operating activities as a proportion of EBITDA.

⁴ Excluding the impact of the TextLocal acquisition.

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

“The Group has had another strong six months with significant growth in all key financial metrics. The proportion of managed service and SaaS revenues has increased in the period to over 90% and we continue to develop deeper relationships with our existing blue chip client base, whilst also developing new relationships with sector leading businesses.

Our investment in technology development and the expected launch of new cloud communication capabilities in the coming year, as well as additional sales and marketing infrastructure, is anticipated to help us establish a technical lead and generate additional growth. We are optimistic that the investment in business development activities in the US will start contributing to growth in the coming year and expect the expansion of mobile coverage planned for sub-Saharan Africa will provide the foundations for growth in Archer Digital, our recently acquired enterprise business in South Africa.

We are very pleased with the first year of contribution from our acquisition of TextLocal and we continue to review acquisition opportunities as they arise. It is pleasing that we are able to generate meaningful operational cash flows which allows us to invest in organic growth initiatives as well as retaining good flexibility for acquisitions.

The addressable markets for our products and solutions continue to develop which gives me great confidence in our significant growth prospects for the future. The Board remains confident of achieving full year market expectations.”

Group Performance Highlights

| Six months ended 30 September | 2015 £m | 2014 £m | Growth/ decline |
|--|------------|------------|--------------------|
| Revenue | 27.8 | 21.5 | +29% |
| Gross profit | 16.6 | 13.5 | +23% |
| Gross margin | 59.5% | 62.7% | |
| EBITDA ¹ | 4.5 | 3.8 | +20% |
| EBITDA margin | 16.2% | 17.5% | |
| Operating profit before share-based payments and exceptional items | 3.4 | 2.7 | +25% |
| Profit / (loss) before tax | 1.3 | (3.0) | +144% |
| Adjusted profit before tax ² | 3.4 | 2.7 | +25% |
| Profit / (loss) after tax | 0.9 | (3.5) | +125% |
| Adjusted profit after tax ³ | 2.7 | 2.3 | +19% |
| Diluted EPS | 1.3p | | |
| Diluted adjusted EPS ⁴ | 3.9p | | |

¹ EBITDA is defined as operating profit/loss before tax, depreciation, amortisation, net finance costs, fees incurred in relation to IPO and acquisition activity, impairment charges, share based payment charge and other exceptional items.

² Adjusted profit before tax is defined as profit/loss before tax, fees incurred in relation to IPO and acquisition activity, share based payment charge and other exceptional items. See note 5 for a reconciliation.

³ Adjusted profit after tax is defined as profit/loss before fees incurred in relation to IPO and acquisition activity, share based payment charge and other exceptional items. See note 5 for a reconciliation.

⁴ Adjusted EPS uses adjusted profit after tax as defined above.

An analyst meeting will be held at 9.30am today at the offices of Buchanan.
107 Cheapside, London, EC2V 6DN.
To attend please contact Buchanan.

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About IMImobile PLC

IMImobile enables organisations to harness the potential of mobile technologies to improve customer engagement. We believe that mobile will sit at the heart of customer engagement strategies for many years to come.

We help remove the barriers and complexities faced by organisations by providing a cloud based communications platform and a suite of software products to help our customers rapidly create and deploy mobile user journeys that enable them to reduce service delivery costs, improve marketing and customer service effectiveness and generate revenues.

Our technologies act as an intelligent software layer between existing IT systems, complex business processes and customer touch points across mobile, digital and social media channels.

Organisations that trust us to deliver smarter customer engagement include Vodafone, O2, Aircel, Airtel, EE, BSNL, AT&T, MTN, France Telecom, Centrica, Coca-Cola, Universal Music, Tata, the AA, the BBC and major financial institutions.

IMImobile is headquartered in London with offices in Hyderabad, Atlanta, Dubai and Johannesburg, with over 750 employees worldwide. IMImobile 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

The Group has enjoyed another six months of strong performance and year on year growth. We have made progress in all regions during the first half of the financial year. We have seen year on year gross profit growth from Europe, the Americas and from our managed services revenues in the MEA region, this growth has more than offset the anticipated decline in India and the impact of one-off licence revenues recognised in MEA during the previous financial year.

Though the technology trends impacting the business are global in nature, the market opportunities and business models reflect local environments and, as a result, the commercial activities of the business are managed on a regional basis with centralised resources for software and product development, finance and general management.

Business Review

Europe and Americas

Europe and Americas was responsible for 60% of Group gross profit in the six months to 30 September 2015. Year on year gross profit growth in the region was 50%. On an organic basis, gross profit grew by 17% during the period.

Organic growth in the Europe and Americas has been more than 40% over the last 2 years and this reflects strong growth in our multi-channel marketing software (IMIcampaign) and our cloud communications platform (IMIconnect). We retained our largest contract in the region with a tier 1 banking client and have also signed multi-year renewals with significant utilities customers, as well as introduced new services into those clients.

Our IMIcampaign platform has received industry recognition, including awards from the Marketing On Mobile Awards (MOMA) for one of our deployments with O2 and from the Mobile Marketing Awards in Ireland for a deployment with IKEA.

In its first year following acquisition, TextLocal has delivered year on year gross profit growth¹ of over 20%. We believe the successful execution of strategic growth initiatives including several channel partnerships and geographic launches has laid the foundations for additional growth.

We have increased our local staff numbers in the US as we service additional clients and see substantial opportunities in the US to leverage the marketing and loyalty solutions that we are currently delivering to tier 1 mobile operators in Europe.

Middle East and Africa

MEA was responsible for 27% of Group gross profit. The excellent growth of managed services revenue of 56% was offset by declines in one-off licence revenues following an exceptionally high level of licence fees recognised during the same period in the prior year.

¹ Comparison relates to a period before IMI mobile acquired TxtLocal Limited

Managed services growth reflects increasing penetration of content services that are managed by the IMIdigital platform for existing customers. In addition, customer contracts have been successfully renewed during the period, complemented by the launch of new services under existing long-term operator group contracts. The company continues to deploy new services under these existing agreements.

We have also signed new contracts with Airtel Africa and other operators for the launch of consumer mobile services and expect significant revenues when these services are fully deployed.

We are excited by our recent acquisition of Archer Digital in South Africa, which completed on 16 September 2015. The acquisition increases our footprint across the region and gives access to new customer verticals, including banking, government municipalities, satellite broadcasters and retail with customers such as Standard Bank, Vodacom, Nedbank and ABSA. Archer Digital's products, which include patented solutions for mobile bank statements, reminders and transactional payments, will be integrated and offered as part of IMImobile's portfolio of enterprise mobile engagement products.

India and SE Asia

In line with Board expectations, gross profit for the region, which accounts for 13% of the Group total, declined by 11% in the six months to 30 September 2015 compared with the same period in the prior year. This reflects a decline in the monthly run rate in the previous year. Deployments of multiple contracts won during the last financial year are ongoing and expected to contribute during the second half of the year.

Despite disappointing performance over the last few years, we remain positive that over the medium term there are great opportunities in this market, particularly in providing SaaS based products. Early signs for our IMIcampaign product and TextLocal have been encouraging and we believe that our cloud based delivery model and quality software offering will generate growth as the market develops and matures.

Technology and Products

We continue to develop and invest in the intellectual property that drives our regional operations and we have accelerated our efforts as we see that there is an increasing emphasis by organisations of all sizes to use mobile-centric channels and technologies.

In particular we have invested in developing IMIconnect, a cloud communications software platform which enables IT and business groups to design, deploy, monitor and manage communication and engagement services across multiple customer channels including IP messaging. We have also substantially enhanced the capabilities of IMIcampaign, a software application for the creation, management and delivery of real-time mobile-centric marketing campaigns. Furthermore, we have launched a new product IMIchat for contact centres that enables text based interactive messaging for customer service agents. There is also continued investment in IMIdigital and content streaming services.

All IMImobile technology and products are available through our cloud based infrastructure under a managed service, SaaS contract, or on-premise deployment via traditional software licensing model.

Strategic Initiatives

We have continued to make progress against our objective of building a global business that enables organisations to embrace mobile technologies to enhance customer engagement and we have a number of initiatives to achieve that objective.

Our investment in technology development and the expected launch of new cloud communication capabilities in the coming year, as well as additional sales and marketing infrastructure, is anticipated to help us establish a technical lead and generate top-line growth. The investment has been in the employment of additional staff for product management, development, sales and marketing as well as investments in our management systems and processes.

We are also optimistic that the considerable sales and marketing activities in the US will start contributing to growth and allow us to establish a more substantial presence in the North American market.

In the medium term, we expect the expansion of mobile coverage and capacity planned for sub-Saharan Africa, the growth of smartphone penetration on the continent and relatively limited physical infrastructure will provide the foundations for growth in Archer Digital. We also believe the same trends provide considerable opportunities for our existing relationships with the region's mobile operators. We also are investing in the expected growth in the Indian SaaS market.

We continue to review acquisition opportunities and are pleased that we are able to generate meaningful cash flows from operations to invest in organic growth initiatives as well as maintain cash for inorganic activities.

Outlook

The Group remains on track to achieve market expectations for the full year. The sales pipeline is well diversified across sectors and regions and the acquisitions are trading in line with expectations. We continue to invest in our product portfolio to capitalise on the use and growth of new mobile and digital customer engagement channels and we see good levels of interest from our large blue chip customers in all our operating regions. As a result the Board are highly confident of the Group's future prospects.

Jay Patel

CEO

IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited Consolidated Income Statement

For the six months ended 30 September 2015

| | Notes | Six months ended 30 September 2015 £000 | Six months ended 30 September 2014 £000 |
|--|-------|---|---|
| Revenue | 4 | 27,838 | 21,538 |
| Cost of sales | | (11,279) | (8,029) |
| Gross profit | 4 | 16,559 | 13,509 |
| Other operating costs | | (12,042) | (9,735) |
| Depreciation and amortisation | | (1,129) | (1,059) |
| Share based payment charge | | (1,826) | (4,469) |
| IPO related costs | | - | (1,231) |
| Acquisition related costs | | (247) | (34) |
| Operating profit / (loss) | | 1,315 | (3,019) |
| Net investment income | | 4 | 8 |
| Profit / (loss) before tax | | 1,319 | (3,011) |
| Tax | | (441) | (472) |
| Profit / (loss) for the period | | 878 | (3,483) |
| Profit / (loss) for the period attributable to: | | | |
| Equity holders of the company | | 2,128 | (6,018) |
| Non-controlling interest | | (1,250) | 2,535 |
| Profit / (loss) for the period | | 878 | (3,483) |
| EBITDA¹ | | 4,517 | 3,774 |
| Basic earnings per share | 5 | 1.8p | |
| Adjusted basic earnings per share | 5 | 5.6p | |
| Diluted earnings per share | 5 | 1.3p | |
| Adjusted diluted earnings per share | 5 | 3.9p | |

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

¹ EBITDA is defined as operating loss / profit before depreciation, amortisation, fees incurred in relation to IPO and acquisition activities, impairment charges, share based compensation and excluding the impact of the disposal of subsidiaries.

IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2015

| | Six months ended 30 September 2015 £000 | Six months ended 30 September 2014 £000 |
|---|---|---|
| Profit / (loss) for the period | 878 | (3,483) |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign operations | | |
| Equity holders of the parent | (333) | 303 |
| Non-controlling interest | (113) | 96 |
| Other comprehensive income for the period | <u>(446)</u> | <u>399</u> |
| Total comprehensive income for the period | <u>432</u> | <u>(3,084)</u> |
| Total comprehensive income / (expense) for the period attributable to: | | |
| Equity holders of the parent | 1,795 | (5,715) |
| Non-controlling interest | (1,363) | 2,631 |
| Other comprehensive income / (expense) for the period | <u>432</u> | <u>(3,084)</u> |

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 2015

| | 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 1 April 2014 | 4,524 | 8,283 | 2,178 | 1,272 | (8,538) | 6,176 | 13,895 | - | 13,895 |
| Capital restructuring | (2,295) | 16,230 | - | - | (20,502) | (6,546) | (13,113) | 6,546 | (6,567) |
| Loss for the period | - | - | - | - | - | (6,018) | (6,018) | 2,535 | (3,483) |
| Foreign exchange differences | - | - | 303 | - | - | - | 303 | 96 | 399 |
| Share based payment charge | - | - | - | 4,469 | - | - | 4,469 | - | 4,469 |
| Proceeds from share issue | 2,500 | 27,500 | - | - | - | - | 30,000 | - | 30,000 |
| Cost of share issue | - | (2,055) | - | - | - | - | (2,055) | - | (2,055) |
| Cancellation of share options | - | - | - | (2,697) | - | - | (2,697) | - | (2,697) |
| Balance at 30 September 2014 | 4,729 | 49,958 | 2,481 | 3,044 | (29,040) | (6,388) | 24,784 | 9,177 | 33,961 |
| Profit for the period | - | - | - | - | - | 43 | 43 | 77 | 120 |
| Foreign exchange differences | - | - | 763 | - | - | - | 763 | 256 | 1,019 |
| Share based payment charge | - | - | - | 2,825 | - | - | 2,825 | - | 2,825 |
| Proceeds from share issue | 5 | 9 | - | - | - | - | 14 | - | 14 |
| Issue of shares as part of acquisition | 71 | 929 | - | - | - | - | 1,000 | - | 1,000 |
| Balance at 31 March 2015 | 4,805 | 50,896 | 3,244 | 5,869 | (29,040) | (6,345) | 29,429 | 9,510 | 38,939 |
| Profit for the period | - | - | - | - | - | 2,128 | 2,128 | (1,250) | 878 |
| Foreign exchange differences | - | - | (333) | - | - | - | (333) | (113) | (446) |
| Share based payment charge | - | - | - | 1,826 | - | - | 1,826 | - | 1,826 |
| Proceeds from share issue | 4 | 9 | - | - | - | - | 13 | - | 13 |
| Balance at 30 September 2015 | 4,809 | 50,905 | 2,911 | 7,695 | (29,040) | (4,217) | 33,063 | 8,147 | 41,210 |

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

The capital restructuring reserve arose during the six months ended 30 September 2014 in respect of the acquisition by IMImobile PLC of IMI Mobile Private Limited. The acquisition is accounted for as though there is a continuation of IMI Mobile Private Limited's Financial Statements. The capital restructuring reserve is created to maintain the equity structure of IMImobile PLC in compliance with UK law.

IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited Consolidated Statement of Financial Position

As at 30 September 2015

| | Notes | As at 30 September 2015 £000 | As at 31 March 2015 £000 |
|---|-------|---------------------------------------|-----------------------------------|
| Non-current assets | | | |
| Goodwill | | 19,873 | 17,934 |
| Other intangible assets | | 3,709 | 1,678 |
| Available-for-sale financial assets | | 279 | 279 |
| Property, plant and equipment | | 4,406 | 4,285 |
| Deferred tax assets | | 733 | 911 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 29,000 | 25,087 |
| Current assets | | | |
| Cash and cash equivalents | | 13,531 | 14,617 |
| Trade and other receivables | | 22,198 | 19,745 |
| | | <hr/> | <hr/> |
| Total current assets | | 35,729 | 34,362 |
| Current liabilities | | | |
| Trade and other payables | | (23,120) | (20,104) |
| | | <hr/> | <hr/> |
| Total current liabilities | | (23,120) | (20,104) |
| Net current assets | | | |
| | | <hr/> | <hr/> |
| | | 12,609 | 14,258 |
| Non-current liabilities | | | |
| Provision for defined benefit gratuity | | (399) | (406) |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | (399) | (406) |
| Net assets | | | |
| | | <hr/> | <hr/> |
| | | 41,210 | 38,939 |
| Equity | | | |
| Share capital | 6 | 4,809 | 4,805 |
| Share premium | 6 | 50,905 | 50,896 |
| Translation reserve | | 2,911 | 3,244 |
| Share based payment reserve | | 7,695 | 5,869 |
| Capital restructuring reserve | | (29,040) | (29,040) |
| Retained earnings | | (4,217) | (6,345) |
| | | <hr/> | <hr/> |
| Equity attributable to shareholders of the parent | | 33,063 | 29,429 |
| Non-controlling interest | | 8,147 | 9,510 |
| | | <hr/> | <hr/> |
| Total equity | | <hr/> <hr/> | <hr/> <hr/> |
| | | 41,210 | 38,939 |

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 2015

| | Notes | Six months ended 30 September 2015 £000 | Six months ended 30 September 2014 £000 |
|---|-------|---|---|
| Operating activities | | | |
| Cash from operating activities | 7 | 4,295 | 1,869 |
| Tax paid | | (485) | (213) |
| Net cash from operating activities | | <u>3,810</u> | <u>1,656</u> |
| Investing activities | | | |
| Investment income | | (4) | (15) |
| Purchases of intangible assets | | (419) | (256) |
| Purchases of property, plant & equipment | | (668) | (597) |
| Acquisition of subsidiary net of cash acquired | | (3,387) | (23,160) |
| Exceptional costs | | (247) | - |
| Net cash used in investing activities | | <u>(4,725)</u> | <u>(24,028)</u> |
| Financing activities | | | |
| Proceeds from issuance of Ordinary shares | | 13 | 30,000 |
| Net cash used in financing activities | | <u>13</u> | <u>30,000</u> |
| Net increase in cash and cash equivalents | | (902) | 7,628 |
| Cash and cash equivalents at beginning of the period | | 14,617 | 9,305 |
| Effect of foreign exchange rate changes | | (184) | (21) |
| Cash and cash equivalents at end of the period | | <u><u>13,531</u></u> | <u><u>16,912</u></u> |

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

IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Notes to the unaudited consolidated interim Financial Statements

For the six months ended 30 September 2015

1. Basis of preparation

The condensed consolidated interim Financial Statements for the six month period ended 30 September 2015 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 2015 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 2015 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 Pounds Sterling has been used and accounts have been translated from other functional currencies into UK Pounds 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.

The acquisition of IMI Mobile Private Limited by IMImobile PLC has been accounted for as a capital reorganisation, presenting the continuation of the Group's results and financial position to reflect the substance of the transaction, with the 24% interest in IMI Mobile Private Limited owned by the two founding shareholders accounted for as a non-controlling interest.

IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Notes to the unaudited consolidated interim Financial Statements

For the six months ended 30 September 2015

2. Basis of consolidation (continued)

Entities included under common control

The following entities are considered to be under common control and therefore have been included in the consolidated Financial Statements for the years ended 31 March 2014 and 2015:

| Name of entity | Country of incorporation | Local currency | Percentage holding in each year |
|--|--------------------------|--------------------|---------------------------------|
| 1. IMLmobile VAS Limited | Bangladesh | Bangladeshi Taka | 76% |
| 2. IMLmobile VAS Limited FZE | UAE | UAE Dirham | 76% |
| 3. IMLmobile Europe Limited | United Kingdom | UK Pound Sterling | 100% |
| 4. IMLmobile SAT Limited | United Kingdom | UK Pound Sterling | 85% |
| 5. IMLmobile VAS Latin America S.A. | Panama | US Dollar | 76% |
| 6. Skinkers Limited | United Kingdom | UK Pound Sterling | 100% |
| 7. Chillli Digital Europe Limited | United Kingdom | UK Pound Sterling | 100% |
| 8. IMD Europe Kft | Hungary | Hungarian Forint | 100% |
| 10. WIN Wireless Network Systems AG | Switzerland | Swiss Franc | 100% |
| 11. WIN Limited | United Kingdom | UK Pound Sterling | 100% |
| 12. Wireless Information Network Limited | United Kingdom | UK Pound Sterling | 100% |
| 13. IMLmobile VAS Nigeria Limited | Nigeria | Nigerian Naira | 76% |
| 14. IMLmobile VAS Private Limited | Sri Lanka | Sri Lankan Rupee | 76% |
| 15. IMLmobile Inc | USA | US Dollar | 100% |
| 16. IMI Mobile Private Limited | India | Indian Rupee | 76% |
| 17. IMLmobile VAS Costa Rica S.A. | Costa Rica | US Dollar | 76% |
| 18. TxtLocal Limited | United Kingdom | UK Pound Sterling | 100% |
| 19. Archer Digital Limited* | South Africa | South African Rand | 89% |
| 20. Lenco International Limited* | British Virgin Islands | US Dollar | 89% |
| 21. Lenco Technology Group Limited* | British Virgin Islands | US Dollar | 89% |
| 22. IMLmobile South Africa Holdings Limited* | United Kingdom | UK Pound Sterling | 100% |
| 23. IMLmobile South Africa 1 Limited* | United Kingdom | UK Pound Sterling | 86% |
| 24. IMLmobile South Africa 2 Limited* | United Kingdom | UK Pound Sterling | 100% |

* Added during the period ended 30 September 2015.

3. Accounting policies

The principal accounting policies adopted are consistent with those of the consolidated financial statements of IMLmobile PLC for the year ended 31 March 2015.

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 (substantially all to the UK), India and South East Asia (SEA), Middle East and Africa (MEA) and the rest of the world, 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.

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.

IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Notes to the unaudited consolidated interim Financial Statements

For the six months ended 30 September 2015

4. Business and geographical segments (continued)

Geographical revenue and results

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

| | Europe £000 | India and SEA £000 | MEA £000 | Rest of the world £000 | Total £000 |
|---|----------------|--------------------------|-------------|------------------------------|---------------|
| Six months ended 30 September 2015 | | | | | |
| Revenue | 16,327 | 4,943 | 6,103 | 465 | 27,838 |
| Intersegment revenues | - | - | - | - | - |
| Gross profit | 9,437 | 2,204 | 4,465 | 453 | 16,559 |
| Other operating costs | | | | | (12,042) |
| Depreciation and amortisation | | | | | (1,129) |
| Share based payment charge | | | | | (1,826) |
| IPO and acquisition related costs | | | | | - |
| Other exceptional costs | | | | | (247) |
| Operating profit | | | | | 1,315 |
| Investment income | | | | | 4 |
| Profit before tax | | | | | 1,319 |
| Tax | | | | | (441) |
| Profit after tax | | | | | 878 |
| Non-current assets | 20,706 | 3,111 | 5,109 | 74 | 29,000 |
| Six months ended 30 September 2014 | | | | | |
| Revenue | 11,193 | 4,544 | 5,520 | 281 | 21,538 |
| Intersegment revenues | - | 489 | - | - | 489 |
| Gross profit | 6,330 | 2,467 | 4,446 | 266 | 13,509 |
| Operating costs | | | | | (9,735) |
| Depreciation and amortisation | | | | | (1,059) |
| Share based payment charge | | | | | (4,469) |
| IPO and acquisition related costs | | | | | (1,231) |
| Other exceptional costs | | | | | (34) |
| Operating profit | | | | | (3,019) |
| Investment income | | | | | 8 |
| Loss before tax | | | | | (3,011) |
| Tax | | | | | (472) |
| Loss after tax | | | | | (3,483) |
| Non-current assets | 9,555 | 4,209 | 1,005 | 113 | 14,882 |

During the period revenues from Customer "A" and Customer "B" accounted for 13% (2014: 15%) and 15% (2014: 16%) 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.

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Notes to the unaudited consolidated interim Financial Statements

For the six months ended 30 September 2015

4. Business and geographical segments (continued)

Additional voluntary disclosures

Delivery model revenue 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 delivery model, which has also been disclosed below. The Group's delivery models are defined as Managed services, Software as a service (SaaS) and Licence Fees which arise in all geographical segments.

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

| | Managed services £000 | Software as a Service (SaaS) £000 | Licence fees £000 | Total £000 |
|---|-----------------------------|--|-------------------------|---------------|
| Six months ended 30 September 2015 | | | | |
| Revenue from external companies | 11,388 | 15,060 | 1,390 | 27,838 |
| Intersegment revenues | - | - | - | - |
| Gross profit | 8,665 | 6,718 | 1,176 | 16,559 |
| Six months ended 30 September 2014 | | | | |
| Revenue from external companies | 9,237 | 9,705 | 2,596 | 21,538 |
| Intersegment revenues | - | - | 489 | 489 |
| Gross profit | 6,850 | 4,134 | 2,525 | 13,509 |

5. Earnings per share ('EPS')

| | |
|---|---|
| | Six months ended 30 September 2015 pence |
| Basic EPS | 1.8 |
| Adjusted basic EPS | 5.6 |
| Diluted EPS | 1.3 |
| Adjusted diluted EPS | 3.9 |
| | Six months ended 30 September 2015 Million |
| Weighted average number of ordinary shares for the purpose of basic EPS | 48.0 |
| Effect of dilutive potential ordinary shares: share options | 19.7 |
| Weighted average number of ordinary shares for the purpose of diluted EPS | 67.7 |

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Notes to the unaudited consolidated interim Financial Statements

For the six months ended 30 September 2015

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

To provide more meaningful comparative information on the Group's profitability, a number of non-GAAP adjusted profit measures are used in these interim financial statements. 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 | Share based payment charge £000 | IPO related restructuring costs £000 | Other exceptional items £000 | Adjusted results £000 |
|---|---------------------------|------------------------------------|---|---------------------------------|--------------------------|
| Six months ended 30 September 2015 | | | | | |
| Revenue | 27,838 | - | - | - | 27,838 |
| Gross profit | 16,559 | - | - | - | 16,559 |
| Operating profit | 1,315 | 1,826 | - | 247 | 3,388 |
| Profit before tax | 1,319 | 1,826 | - | 247 | 3,392 |
| Profit after tax | 878 | 1,564 | - | 227 | 2,669 |
| Basic EPS (pence) | 1.8 | 3.3 | - | 0.5 | 5.6 |
| Diluted EPS (pence) | 1.3 | 2.3 | - | 0.3 | 3.9 |
| Six months ended 30 September 2014 | | | | | |
| Revenue | 21,538 | - | - | - | 21,538 |
| Gross profit | 13,509 | - | - | - | 13,509 |
| Operating (loss) / profit | (3,019) | 4,469 | 1,231 | 34 | 2,715 |
| (Loss) / profit before tax | (3,011) | 4,469 | 1,231 | 34 | 2,723 |
| (Loss) / profit after tax | (3,483) | 4,469 | 1,231 | 34 | 2,251 |

6. Share Capital and Share Premium

Allotted, called up and fully paid

| | Number | September 2015 | | Number | March 2015 | |
|-------------------|-------------------|-----------------------|-----------------------|-------------------|-----------------------|-----------------------|
| | | Share capital £000 | Share premium £000 | | Share capital £000 | Share premium £000 |
| Ordinary shares | 48,085,364 | 4,809 | 50,905 | 48,038,864 | 4,805 | 50,896 |
| Ordinary B shares | 2 | - | - | 2 | - | - |
| | <u>48,085,366</u> | <u>4,809</u> | <u>50,905</u> | <u>48,038,866</u> | <u>4,805</u> | <u>50,896</u> |

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

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 is 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, a subsidiary of the Company, for three ordinary shares in the Company.

In addition, each holder of ordinary B shares has 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 share swap is subject to all legal and regulatory consents and approvals being obtained. If such share swap occurred in full the holders of ordinary B shares would be entitled to acquire 11,299,599 ordinary shares. The holders of the ordinary B shares form the non-controlling interest in the Group.

IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Notes to the unaudited consolidated interim Financial Statements

For the six months ended 30 September 2015

7. Notes to the Consolidated Cash Flow Statement

| | Period ended 30 September 2015 | Period ended 30 September 2014 |
|--|--------------------------------------|--------------------------------------|
| Cash flows from operating activities: | | |
| Profit/(loss) before taxation | 1,319 | (3,011) |
| Adjustments: | | |
| Interest income | 4 | 8 |
| Depreciation of property, plant and equipment | 870 | 962 |
| Amortisation of intangible assets | 259 | 97 |
| Share-based payments | 1,826 | 4,469 |
| Exceptional costs - IPO related costs | - | 1,231 |
| Other exceptional costs | 247 | 34 |
| | <hr/> | <hr/> |
| Operating cash flows before movements in working capital: | 4,525 | 3,790 |
| (Increase)/decrease in receivables | (1,717) | 1,192 |
| Increase/(decrease) in payables | 1,391 | (3,372) |
| Increase/(decrease) in provision for defined benefit gratuity plan | 18 | (32) |
| Foreign exchange loss/(gain) on working capital | 78 | 291 |
| | <hr/> | <hr/> |
| Cash generated from operations | 4,295 | 1,869 |
| | <hr/> <hr/> | <hr/> <hr/> |

8. Acquisition of Archer Digital Limited

On 16 September 2015 the Group acquired 89% of the share capital of Archer Digital Limited ("Archer") for a maximum total consideration of \$5.6 million (£3.7 million) comprising an initial consideration of \$5.2 million (£3.4 million) payable in cash with an additional deferred payment of up to a maximum of \$0.4million (£0.3 million). The primary reasons for acquiring the business were to leverage the Group's African mobile operator and operational footprint to expand into the wider African market. The remaining 11% of Archer is owned by the Archer management team, who will be able to earn up to 20% of the equity in Archer in the eighteen months following the acquisition.

The results of the acquired entity which have been consolidated in the Income Statement from 16 September 2015 contributed £0.26 million of revenues and a profit of £0.01 million to the profit attributable to equity shareholders of the Group during the period. Had Archer been acquired at the start of the period the contribution would have been £3.62m of revenue and a profit of £0.22m.

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

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Notes to the unaudited consolidated interim Financial Statements

For the six months ended 30 September 2015

| | Fair value £000 |
|--|----------------------------|
| Net assets acquired: | |
| Identifiable intangible assets: | |
| Customer relationships | 1,725 |
| Trade name | 62 |
| Technology | 275 |
| Deferred tax recognised on identifiable intangible assets: | |
| Customer relationships | (345) |
| Trade name | (12) |
| Technology | (55) |
| Property, plant and equipment | 211 |
| Trade and other receivables | 1,719 |
| Cash and cash equivalents | 42 |
| Current and deferred taxation liabilities | (86) |
| Trade and other payables | (1,782) |
| | <hr/> |
| Net identifiable assets acquired | 1,754 |
| Goodwill | 1,939 |
| | <hr/> |
| Total consideration | 3,693 |
| | <hr/> <hr/> |
| Initial cash consideration | 3,429 |
| Cash acquired | (42) |
| | <hr/> |
| Initial consideration net of cash acquired | 3,387 |
| | <hr/> <hr/> |