

## IMIMOBILE PLC

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

### Unaudited Interim results for the Six months ended 30 September 2016

**"Strong six months with organic growth in all business units."**

IMImobile PLC, a cloud communications software and solutions provider, today announces its consolidated interim results for the six months ended 30 September 2016.

The Company is pleased to report strong headline growth with continued organic growth across all divisions, driven by the growing demand for digitisation of consumer interactions.

#### Key financial highlights

Six months ended 30 September	2016 £m	2015 £m	Growth/ decline
Revenue	36.0	27.8	+29%
Gross profit	20.2	16.6	+22%
<i>Gross margin</i>	56.1%	59.5%	
Gross profit contribution for Europe and Americas	10.6	9.9	+7%
Gross profit contribution for Middle East and Africa	6.7	4.5	+51%
Gross profit contribution for India and SE Asia	2.9	2.2	+31%
EBITDA <sup>1</sup>	5.3	4.5	+17%
<i>EBITDA margin</i>	14.6%	16.2%	
Profit after tax	1.0	0.9	+15%
Adjusted profit after tax <sup>2</sup>	3.3	2.7	+22%
Diluted EPS	2.1p	3.2p	-34%
Diluted adjusted EPS <sup>3</sup>	4.8p	4.1p	+18%
Cash at period end	17.9	13.5	+33%

- Revenue up 29% to £36.0m (2015: £27.8m) (16% organic<sup>4</sup>)
- Gross profit up 22% to £20.2m (2015: £16.6m) (14% organic)
- EBITDA up 17% to £5.3m (2015: £4.5m)
- Adjusted profit after tax up 22% to £3.3m (2015: £2.7m)
- Profit after tax on a statutory basis of £1.0m (2015: profit of £0.9m)

<sup>1</sup> EBITDA is defined as operating profit before tax, depreciation, amortisation, net finance costs, costs incurred in relation to acquisition activities and restructuring, impairment charges, share-based compensation, amortisation of acquired intangibles and exchange losses incurred on the Nigerian Naira following its unpegging against the US dollar on 20 June and until such time as liquidity returns to the Nigerian foreign exchange market.

<sup>2</sup> Adjusted profit after tax is defined as profit after tax before costs incurred in relation to acquisition activities and restructuring, impairment charges, share-based compensation, amortisation of acquired intangibles and exchange losses incurred on the Nigerian Naira following its unpegging against the US dollar on 20 June and until such time as liquidity returns to the Nigerian foreign exchange market. See note 6 for a reconciliation.

<sup>3</sup> Adjusted EPS uses adjusted profit after tax as defined above.

<sup>4</sup> Excluding the impact of the Archer acquisition

- Diluted adjusted EPS growth of 18% to 4.8p (2015: 4.1p)
- Cash generated from operating activities of £6.4m representing operating cash conversion<sup>1</sup> of 122% (2015: 95%)
- Cash and cash equivalents at 30 September 2016 of £17.9m (31 March 2016: £15.0m)

#### Operational highlights

- **Continued organic growth:** 14% organic gross profit growth across the group, 7% in Europe and America, 31% in India and SEA, 21% in MEA (7%, 20% and 18% on constant currency basis)
- **Increased proportion of recurring revenues:** Monthly recurring and repeating revenue growth year on year of 25% representing 94% of gross profit (2015: 92%)
- **Strategic client win:** Significant new relationship established with a major mobile operator client in the US
- **New product releases:** Launch of new version of contact center product (IMlchat) with significant traction from end user customers and channel partners
- **Acquisitions integrating successfully and delivering synergistic growth:** Textlocal international expansion progressing well with 5,000+ paying customers in India and recent partnership in Myanmar; Archer integration and cross selling progressing with first major sale of IMlconnect in South Africa

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

“The Group has continued to perform well, both financially and operationally, and made strategic progress in key new geographies. We have grown revenues organically by 16% and increased the contribution from recurring and repeating revenues in the period to over 94%. This growth has been driven by the inexorable trend toward digital and mobile communications which has consequently led to an increased demand for our products.

We continue to invest in technology development and are pleased to have successfully launched new cloud communication capabilities for our clients including IP messaging and a digital contact centre application.

Underlying performance remains strong and the outlook for the financial year remains broadly in-line with expectations. Local currency performance in all markets is in line with expectations, and whilst the currencies in some of the countries we operate in remain volatile; we are highly confident of the Group’s future prospects due to our strong cash generation, continued investment in the product portfolio and favourable technology and customer trends.”

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<sup>1</sup> Calculated as cash from operating activities as a proportion of EBITDA.

15 November 2016



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

**For further information please contact:**

**IMImobile PLC**

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**About IMImobile PLC**

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

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

IMImobile is headquartered in London with offices in Hyderabad, Atlanta, Dubai and Johannesburg and has over 800 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 grown organically in all business units and are particularly pleased with the sustained growth in India and South East Asia ("SEA") after a difficult few years. We have had a very good period for cash generation and have fully funded our two acquisitions since listing from our operating cash flow as well as investing in new product development and geographic expansion.

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

## Regional Review

### *Europe and Americas*

Europe and Americas contributed 53% of Group gross profit in the six months to 30 September 2016 representing year on year gross profit growth in the region of 7%.

Europe and Americas has delivered solid growth over the last six months driven by good progress in our cloud communication products (IMIconnect, IMIchat, IMIcampaign and Textlocal) with new client wins in the retail, gambling and media sectors. This progress has mitigated the structural decline in our activities that helps mobile operators sell content delivered by our IMIdigital product.

We have consolidated our position with our largest clients in the region through delivering more of their digital customer interactions and have introduced push notifications with O2 and Facebook messaging with our largest banking client. We also initiated a more active strategy of engaging channel partners. As a result we have signed our first channel partnership agreements and sold licenses to our IMIchat application through these partners in the period. We expect further progress in the second half of the year.

In the US we continue to make progress and established a relationship with another major national mobile operator for whom we have started to provide multi-channel marketing campaign capabilities. On an operating basis, we expect the US region now to be cash flow break even and we remain confident that the region will contribute materially to the group in the coming years.

### *Middle East and Africa ("MEA")*

MEA, including Archer Digital, was responsible for 33% of Group gross profit. Organic<sup>1</sup> gross profit growth in the region of 21% was supplemented by the inclusion in the period of Archer Digital, acquired in September 2015. Overall gross profit growth in the region was 51% compared with the same period in the prior year.

MEA has delivered another very good set of results. Our operator business which consists of long-term relationships with the largest operators on the continent (MTN, France Telecom, Airtel, Vodafone and Tigo), continues to benefit from subscribers taking additional content services and the roll-out of deployments under multi-territory agreements.

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<sup>1</sup> Excluding the impact of the Archer acquisition.

A significant portion of our African business comes from Africa's largest economy, Nigeria (c6% of Group gross profit). We work with all the leading operator groups in the country and our local revenues have increased by almost 40% in the last year. However as has been widely reported there has been a number of economic and exchange control and liquidity issues in Nigeria created by the fall in global oil prices. The Central Bank of Nigeria unpegged the currency from the US dollar which resulted in the devaluation of the currency by 30% against the dollar in June with a further devaluation of 11% by September. In addition to the devaluation there have also been challenges in exchanging Naira to other currencies.

As a result of this volatility the group's performance in the first half was adversely impacted by the translation of both profits and cash balances in Naira. We expect the liquidity squeeze and restrictions in foreign exchange availability in Nigeria to continue in the second half although it is unclear at this stage precisely what impact this will have on the Group.

Notwithstanding these currency fluctuations we remain positive about our operations and the economic prospects in the country in the medium and long term. Consequently we will utilise some of our local currency earnings to accelerate our plans to enter the Enterprise and SMB markets and are actively managing our currency exposure.

Our acquisition in the region made last September, Archer Digital, which derives the majority of its business from South Africa, is trading well. The company has good revenue growth albeit from lower margin product lines and a healthy pipeline of opportunities for the second half. Pleasingly we have sold IMIconnect into one of Archer's largest banking clients and the Archer team has supported various rich media and video initiatives across the Group, providing early encouraging signs of our ability to deliver synergies through this acquisition.

#### *India and South East Asia*

The India and SEA region, which accounts for 14% of the Group gross profit, grew by 31% in the six months to 30 September 2016 compared with the same period in the prior year.

The strong performance in the region was driven by growth initiatives that had started in previous periods notably creating solutions and a team to target the Enterprise, Brands and Agencies sectors in India and the operator segment in Myanmar and Sri Lanka. We also deepened our relationships with two of the major operators in India that consolidated suppliers for value added services.

Textlocal India has continued to grow with over 5,000 paying customers and we have recently launched the product in Myanmar in partnership with an operator group.

#### **Market, Technology and Products**

The markets we operate in are characterised by rapid change and driven by fundamental advances in network and hardware technologies, as well as the strategies of the infrastructure vendors and the global internet companies. Over the last six months, we saw the launch and additional penetration of 4G networks, both Facebook and Apple launching additional messaging capabilities and cloud computing costs falling dramatically.

Our strategy of continuously enhancing our capabilities is proving successful within this market environment. In the first half of our financial year, we introduced push notifications, Facebook messaging, and in-app messaging into our products as well integrated our solutions with Salesforce and Skype for Business.

We have been encouraged by the response of early clients to the latest version of our cloud communication software platform, IMIconnect, and our product, IMIchat which was recently recognised as “The best Contact Center Software Application” in the TMT Technology Awards 2016. We believe the relationship between the customer and service providers (our clients) will change dramatically as customers demand real time contextual communications. Both these products are designed to help our clients improve customer experience.

We also continue to invest and build capabilities in areas such as natural language processing and big data analytics to ensure our clients have an innovative long term partner.

### **Growth Initiatives**

We continue to deliver on our objective of being the trusted technology vendor of customer communication software for our clients. Our strategy has been to invest technologies and intellectual property that leverages new emerging communication channels and we have continued to deliver new capabilities into our clients and added significant blue chip clients during the period which will drive future growth.

Our plans to broaden distribution of our intellectual properties through partners have begun and though additional investment is required in training and technology integrations we remain confident that this will accelerate growth.

Geographically we have made good progress in the US and South Asia and we will maintain our focus on geographic expansion activities in these regions.

We continue to review acquisition opportunities that will accelerate our sales into major blue chip clients and have maintained a strong unleveraged balance sheet to pursue these opportunities. We remain confident of the successful completion of earnings enhancing acquisitions over the coming periods.

The industry has seen further notable activity in the period, including the IPO of Twilio in the US and various M&A activities in the Application-to-Person (“A2P”) messaging sector and we expect further consolidation in a fragmented market.

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

### **Outlook**

Underlying performance remains strong and the outlook for the financial year remains broadly in-line with expectations. Local currency performance in all markets is in line with expectations, and whilst the currencies in some of the countries we operate in remain volatile; we are highly confident of the Group’s future prospects due to our strong cash generation, continued investment in the product portfolio and favourable technology and customer trends.

Jay Patel

CEO

## IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Unaudited Consolidated Income Statement

For the six months ended 30 September 2016

	Notes	Six months ended 30 September 2016 £000	Six months ended 30 September 2015 £000
<b>Revenue</b>	5	36,024	27,838
Cost of sales		(15,797)	(11,279)
<b>Gross profit</b>	5	<b>20,227</b>	<b>16,559</b>
<b>Operating costs:</b>			
Other operating costs		(14,963)	(12,042)
Depreciation and amortisation		(1,480)	(1,129)
Share based payment charge		(1,748)	(1,826)
Exceptional items		(356)	(247)
<b>Operating profit</b>		<b>1,680</b>	<b>1,315</b>
Investment income		3	4
<b>Profit before tax</b>		<b>1,683</b>	<b>1,319</b>
Tax		(676)	(441)
<b>Profit for the period</b>		<b>1,007</b>	<b>878</b>
<b>Profit for the period attributable to:</b>			
Equity holders of the company		1,443	2,128
Non-controlling interest		(436)	(1,250)
<b>Profit for the period</b>		<b>1,007</b>	<b>878</b>
<b>EBITDA<sup>1</sup></b>		<b>5,264</b>	<b>4,517</b>
Basic earnings per share	6	2.9p	4.4p
Adjusted basic earnings per share	6	6.6p	5.6p
Diluted earnings per share	6	2.1p	3.2p
Adjusted diluted earnings per share	6	4.8p	4.1p

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

<sup>1</sup> EBITDA is defined as operating profit before depreciation, amortisation, costs incurred in relation to acquisition activities and restructuring, impairment charges, share-based compensation, amortisation of acquired intangibles and exchange losses incurred on the Nigerian Naira following its unpegging of the against the US dollar on 20 June and until such time as liquidity returns to the Nigerian foreign exchange market.



## IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2016

	Six months ended 30 September 2016 £000	Six months ended 30 September 2015 £000
<b>Profit for the period</b>	<b>1,007</b>	<b>878</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	283	(333)
Equity holders of the parent	67	(113)
Non-controlling interest		
	<hr/>	<hr/>
<b>Other comprehensive income / (expense) for the period</b>	<b>350</b>	<b>(446)</b>
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<b>Total comprehensive income for the period</b>	<b>1,357</b>	<b>432</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Total comprehensive income / (expense) for the period attributable to:</b>		
Equity holders of the parent	1,726	1,795
Non-controlling interest	(369)	(1,363)
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<b>Other comprehensive income for the period</b>	<b>1,357</b>	<b>432</b>
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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 2016

	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
<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 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
<b>Balance at 30 September 2015</b>	<b>4,809</b>	<b>50,905</b>	<b>2,911</b>	<b>7,695</b>	<b>(29,040)</b>	<b>(4,217)</b>	<b>33,063</b>	<b>8,147</b>	<b>41,210</b>
Profit for the period	-	-	-	-	-	1,282	1,282	81	1,363
Foreign exchange differences	-	-	254	-	-	-	254	146	400
Share based payment charge	-	-	-	1,536	-	-	1,536	-	1,536
Proceeds from share issue	109	1,479	-	(1,570)	-	-	18	-	18
Deferred consideration as part of acquisition	-	-	-	(1,000)	-	-	(1,000)	-	(1,000)
Deferred tax on share options	-	-	-	-	-	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>
Profit / (loss) for the period	-	-	-	-	-	1,443	1,443	(436)	1,007
Foreign exchange differences	-	-	283	-	-	-	283	67	350
Share based payment charge	-	-	-	1,748	-	-	1,748	-	1,748
Deferred tax on share based payment	-	-	-	-	-	100	100	-	100
Proceeds from share issue	14	72	-	-	-	-	86	-	86
<b>Balance at 30 September 2016</b>	<b>4,932</b>	<b>52,456</b>	<b>3,448</b>	<b>8,409</b>	<b>(29,040)</b>	<b>(1,370)</b>	<b>38,835</b>	<b>8,005</b>	<b>46,840</b>

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

## IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Unaudited Consolidated Statement of Financial Position

As at 30 September 2016

Notes	As at 30 September 2016 £000	As at 31 March 2016 £000
<b>Non-current assets</b>		
Goodwill	20,110	19,770
Other intangible assets	4,738	4,355
Available-for-sale financial assets	266	202
Property, plant and equipment	5,348	4,658
Deferred tax assets	659	499
	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>31,121</b>	<b>29,484</b>
<b>Current assets</b>		
Cash and cash equivalents	17,933	15,039
Trade and other receivables	29,453	24,336
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<b>Total current assets</b>	<b>47,386</b>	<b>39,375</b>
<b>Current liabilities</b>		
Trade and other payables	(30,801)	(24,476)
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>(30,801)</b>	<b>(24,476)</b>
<b>Net current assets</b>	<b>16,585</b>	<b>14,899</b>
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<b>Non-current liabilities</b>		
Provision for defined benefit gratuity	(542)	(463)
Deferred tax liabilities	(324)	(371)
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>(866)</b>	<b>(834)</b>
<b>Net assets</b>	<b>46,840</b>	<b>43,549</b>
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<b>Equity attributable to the owners of the parent</b>		
Share capital	4,932	4,918
Share premium	52,456	52,384
Translation reserve	3,448	3,165
Share based payment reserve	8,409	6,661
Capital restructuring reserve	(29,040)	(29,040)
Retained earnings	(1,370)	(2,913)
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<b>Equity attributable to shareholders of the parent</b>	<b>38,835</b>	<b>35,175</b>
Non-controlling interest	8,005	8,374
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<b>Total equity</b>	<b>46,840</b>	<b>43,549</b>
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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 2016

	Notes	Six months ended 30 September 2016 £000	Six months ended 30 September 2015 £000
<b>Operating activities</b>			
Cash from operating activities	7	6,404	4,287
Exceptional items		(166)	-
Tax paid		(588)	(485)
<b>Net cash from operating activities</b>		<b>5,650</b>	<b>3,802</b>
<b>Investing activities</b>			
Investment income		3	4
Purchases of intangible assets		(904)	(419)
Purchases of property, plant & equipment		(1,086)	(668)
Acquisition of subsidiary net of cash acquired		-	(3,387)
Acquisition of available-for-sale financial assets		(65)	-
Exceptional items		(190)	(247)
<b>Net cash used in investing activities</b>		<b>(2,242)</b>	<b>(4,717)</b>
<b>Financing activities</b>			
Proceeds from issuance of Ordinary shares		86	13
<b>Net cash used in financing activities</b>		<b>86</b>	<b>13</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,494</b>	<b>(902)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>15,039</b>	<b>14,617</b>
Effect of foreign exchange rate changes		(600)	(184)
<b>Cash and cash equivalents at end of the period</b>		<b>17,933</b>	<b>13,531</b>

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 2016

#### 1. Basis of preparation

The condensed consolidated interim Financial Statements for the six month period ended 30 September 2016 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 2016 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 2016 comprise of the Company and its subsidiaries (together referred to as "the Group").

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

The preparation of the consolidated interim Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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

#### 2. Basis of consolidation

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

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

The results of subsidiaries acquired or disposed of in any period are included in the consolidated interim Income Statement from the date of acquisition or up to the date of disposal.

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

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

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

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

## IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Notes to the unaudited consolidated interim Financial Statements

For the six months ended 30 September 2016

#### 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 six month periods ended 30 September 2015 and 2016:

Name of entity	Country of incorporation	Local currency	Percentage holding in each year
1. IMImobile VAS Limited	Bangladesh	Bangladeshi Taka	76%
2. IMImobile VAS Limited FZE	UAE	UAE Dirham	76%
3. IMImobile Europe Limited	United Kingdom	UK Pound Sterling	100%
4. IMImobile SAT Limited	United Kingdom	UK Pound Sterling	85%
5. IMImobile 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%
9. WIN Wireless Network Systems AG	Switzerland	Swiss Franc	100%
10. WIN Limited	United Kingdom	UK Pound Sterling	100%
11. Tap2Bill Limited	United Kingdom	UK Pound Sterling	100%
12. IMImobile VAS Nigeria Limited	Nigeria	Nigerian Naira	76%
13. IMImobile VAS Private Limited	Sri Lanka	Sri Lankan Rupee	76%
14. IMImobile Inc	USA	US Dollar	100%
15. IMI Mobile Private Limited	India	Indian Rupee	76%
16. IMImobile VAS Costa Rica S.A.	Costa Rica	US Dollar	76%
17. IMImobile Holdings Limited	United Kingdom	UK Pound Sterling	100%
18. Txtlocal Limited	United Kingdom	UK Pound Sterling	100%
19. Textlocal Limited	United Kingdom	UK Pound Sterling	100%
20. IMImobile South Africa Holdings Limited**	United Kingdom	UK Pound Sterling	100%
21. IMImobile South Africa 1 Limited**	United Kingdom	UK Pound Sterling	86%
22. IMImobile South Africa 2 Limited**	United Kingdom	UK Pound Sterling	100%
23. Lenco International Limited*	British Virgin Islands	US Dollar	89%
24. Lenco Technology Group Limited*	British Virgin Islands	US Dollar	89%
25. Archer Digital Limited*	South Africa	South African Rand	89%
26. IMImobile Limited FZE**	UAE	UAE Dirham	100%

\* acquired during the year ended 31 March 2016.

\*\* incorporated during the year ended 31 March 2016.

\*\*\* dissolved during the year ended 31 March 2016.

#### 3. Accounting policies

The principal accounting policies adopted are consistent with those of the consolidated financial statements of IMImobile PLC for the year ended 31 March 2016.

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

#### 4. Exchange rates

The Group's reporting currency is UK Pound Sterling. The Group translates the income statements of subsidiary operations to UK Pound Sterling at average monthly exchange rates and the balance sheets at the closing rates at 30 September. The principal exchange rates used for transactions and translation purposes in respect of one UK Pound Sterling are:

Currency	Average rate in the six months ended 30 September 2016	Average rate in the six months ended 30 September 2015	Closing rate at 30 September 2016	Closing rate at 30 September 2015
US Dollar	1.37	1.54	1.30	1.52
Euro	1.22	1.39	1.16	1.35
Indian Rupee	91.81	98.69	86.40	100.28
United Arab Emirates Dirham	5.04	5.66	4.76	5.57
Nigerian Naira	349.60	304.28	406.30	299.25
South African Rand	19.99	20.09	17.97	21.26

## IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Notes to the unaudited consolidated interim Financial Statements

For the six months ended 30 September 2016

#### 5. Business and geographical segments

The Group's operating segments are established on the basis of those components of the Group that are evaluated regularly by the Chief Operating Decision Maker 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), India and South East Asia (SEA) and Middle East and Africa (MEA), which also represent the Group's reportable segments.

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

#### *Geographical revenue and results*

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

	Europe and Americas £000	India and SEA £000	MEA £000	Total £000
<b>Six months ended 30 September 2016</b>				
Revenue	19,224	5,213	11,587	36,024
Gross profit	10,604	2,881	6,742	20,227
Other operating costs				(14,963)
Depreciation and amortisation				(1,480)
Share based payment charge				(1,748)
Exceptional items				(356)
Operating profit				1,680
Investment income				3
Profit before tax				1,683
Tax				(676)
Profit after tax				1,007
Non-current assets	22,543	3,177	5,401	31,121
<b>Six months ended 30 September 2015</b>				
Revenue	16,792	4,943	6,103	27,838
Gross profit	9,890	2,204	4,465	16,559
Other operating costs				(12,042)
Depreciation and amortisation				(1,129)
Share based payment charge				(1,826)
Acquisition related costs				(247)
Other exceptional costs				-
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	5,183	29,000

During the period revenues from Customer "A" and Customer "B" accounted for 13% (2015: 13%) and 16% (2015: 15%) of the Group's revenue.

## IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Notes to the unaudited consolidated interim Financial Statements

For the six months ended 30 September 2016

#### 5. Business and geographical segments (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3 for each period. The revenue from external parties reported is measured in a manner consistent with that in the consolidated interim Income Statement. Revenues are attributed to countries on the basis of the customer's location.

The Group measures segment profit and loss as gross profit as reported. The Group does not allocate general administration, marketing and sales expenses to segments.

#### **Additional voluntary disclosures**

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

The following disclosures are provided for additional purposes only and does not form part of the Group's segmental reporting under IFRS 8.

In addition to geographical performance, the Chief Operating Decision Maker also considers the performance of the Group in line with its revenue model, which has also been disclosed below. The Group's revenue models are defined as:

1. Monthly recurring revenue which is made up of a combination of the following:
  - (a) Contracted, recurring revenues
  - (b) Non-contracted, repeating revenues, and
  - (c) Transactional revenues, typically a share of consumer spend.
2. Licence, one-off and professional service revenues.

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

	Monthly recurring revenue £000	Licence, one-off and professional services £000	Total £000
<b>Six months ended 30 September 2016</b>			
Revenue from external companies	34,769	1,255	<b>36,024</b>
Gross profit	19,065	1,162	<b>20,227</b>
<b>Six months ended 30 September 2015</b>			
Revenue from external companies	26,372	1,466	<b>27,838</b>
Gross profit	15,298	1,261	<b>16,559</b>



## IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Notes to the unaudited consolidated interim Financial Statements

For the six months ended 30 September 2016

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

	Six months ended 30 September 2016	Six months ended 30 September 2015 (restated)
	pence	pence
Basic EPS	2.9	4.4
Adjusted basic EPS	6.6	5.6
Diluted EPS	2.1	3.2
Adjusted diluted EPS	4.8	4.1

  

	Six months ended 30 September 2016	Six months ended 30 September 2015 (restated)
	Million	Million
Weighted average number of ordinary shares for the purpose of basic EPS	49.2	48.0
Effect of exchange of Ordinary B Shares	11.3	11.3
Effect of dilutive potential ordinary shares: share options	7.1	6.4
<b>Weighted average number of ordinary shares for the purpose of diluted EPS</b>	<b>67.6</b>	<b>65.7</b>

The comparative figures have been restated to exclude the profits attributable to non-controlling interests when calculating basic and diluted EPS and include the impact of the remaining IFRS 2 charge per option in the statutory and adjusted results.

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.

Six months ended 30 September 2016	Statutory results £000	Share based payment charge £000	Exceptional items £000	Amortisation of acquired intangibles £000	Other* £000	Adjusted results £000
Revenue	36,024	-	-	-	-	36,024
Gross profit	20,227	-	-	-	-	20,227
Operating profit	1,680	1,748	356	276	-	4,060
Profit before tax	1,683	1,748	356	276	-	4,063
Tax	(676)	(61)	(20)	(55)	-	(812)
Profit after tax	1,007	1,687	336	221	-	3,251
EBITDA	3,160	1,748	356	-	-	5,264
Basic EPS (pence)	2.9	3.4	0.7	0.5	(0.9)	6.6
Diluted EPS (pence)	2.1	2.5	0.5	0.3	(0.6)	4.8

  

Six months ended 30 September 2015	Statutory results £000	Share based payment charge £000	Exceptional items £000	Amortisation of acquired intangibles £000	Other* £000	Adjusted results £000
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
Tax	(441)	(262)	(20)	-	-	(723)
Profit after tax	878	1,564	227	-	-	2,669
EBITDA	2,444	1,826	247	-	-	4,517
Basic EPS (pence)	4.4	3.3	0.5	-	(2.6)	5.6
Diluted EPS (pence)	3.2	2.4	0.4	-	(1.9)	4.1

## IMIMOBILE PLC CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Notes to the unaudited consolidated interim Financial Statements

For the six months ended 30 September 2016

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

\* Other adjustments as follows:

- Basic adjusted EPS and diluted adjusted EPS includes profit attributable to non-controlling interests not included in the calculation of statutory basic and diluted EPS.
- Diluted adjusted EPS includes the dilutive effect of share options not included in statutory diluted EPS when they have an anti-dilutive effect.

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

	Six months ended 30 September 2016	Six months ended 30 September 2015
<b>Cash flows from operating activities:</b>		
Profit before taxation	1,683	1,319
Adjustments:		
Interest income	(3)	(4)
Share-based payments	1,748	1,826
Depreciation of property, plant and equipment	900	870
Amortisation of intangible assets	580	259
Exceptional items	356	247
	<hr/>	<hr/>
<b>Operating cash flows before movements in working capital:</b>	<b>5,264</b>	<b>4,517</b>
(Increase) / decrease in receivables	(4,063)	(1,717)
Increase / (decrease) in payables	5,839	1,391
Increase / (decrease) in provision for defined benefit gratuity plan	32	18
Foreign exchange loss / (gain) on working capital	(668)	78
	<hr/>	<hr/>
<b>Cash generated from operations</b>	<b>6,404</b>	<b>4,287</b>
	<hr/> <hr/>	<hr/> <hr/>