



## IMIMOBILE PLC

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

### Preliminary Results for the year ended 31 March 2020

IMImobile PLC (AIM:IMO), the global cloud communications software and solutions provider, is pleased to announce its audited Preliminary Results for the year ended 31 March 2020.

#### Key financial highlights

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

#### Operational highlights

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

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

<sup>2</sup> Adjusted for costs which management do not consider reflect underlying business performance - see note 7 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results

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

<sup>4</sup> Cash conversion is defined as adjusted cash generated from operations (see note 7) as a percentage of adjusted EBITDA

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

## **COVID-19 update**

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

Further detail on the Group's response to the COVID-19 pandemic is provided in the Chairman's Statement.

## **Current trading and Outlook**

As previously reported in our announcement on 9 July, the Group has delivered a resilient performance in Q1 FY21 despite the operational challenges presented by the COVID-19 pandemic. Notwithstanding the impact to businesses globally, we strongly believe that current trends will benefit IMLmobile, evidenced by Group gross profit being up approximately 20% year-on-year for the quarter, with the cloud communications product set showing year-on-year gross profit growth of over 30%.

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

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

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

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

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

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

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

*impact on our business whilst positioning ourselves for continued strong growth in the medium and longer term.*

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

An analyst call will be held at 11.30am today. If you would like the details for this call, please contact Alma PR at [IMImobile@almapr.co.uk](mailto:IMImobile@almapr.co.uk)

The Group will also be hosting a webinar for retail investors 10.30am on 5 August 2020. If you would like to register for this presentation, please contact [IMImobile@almapr.co.uk](mailto:IMImobile@almapr.co.uk).

### **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.

### **For further information, please contact:**

#### **IMImobile PLC**

Jay Patel, Group Chief Executive Officer  
Mike Jefferies, Group Chief Financial Officer

c/o Alma PR  
Tel: +44 (0)20 3405 0205

#### **Alma PR**

Rebecca Sanders-Hewett  
Susie Hudson  
Harriet Jackson

Tel: +44 (0)20 3405 0205  
[IMImobile@almapr.co.uk](mailto:IMImobile@almapr.co.uk)

**Investec Bank - Nominated Adviser and Joint Broker** Tel: +44 (0)20 7597 5970

Henry Reast  
Virginia Bull

Tejas Padalkar

**N+1 Singer – Joint Broker**

Tom Salvesen  
Justin McKeegan  
Iqra Amin

Tel: +44 (0)20 7496 3000

**About IMIImobile PLC**

IMIImobile is a communications software provider whose solutions enable enterprises to automate digital customer communications and interactions to improve customer experience and reduce operating costs.

IMIImobile's enterprise cloud communications software platform orchestrates customer interactions, connecting existing business systems with digital communications channels. Organisations that trust us to deliver smarter digital customer engagement include Hermes, Centrica, AA, O2, EE, BT, Walgreens, Tracfone, Ooredoo, Best Buy, Express, three of the major retail banks in the UK and public-sector organisations globally.

IMIImobile is headquartered in London with offices across the UK, Hyderabad, Toronto, Boca Raton, Dubai and Johannesburg and has over 1,100 employees worldwide. IMIImobile is quoted on the London Stock Exchange's AIM market with the TIDM code IMO.

## Chairman's Statement

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

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

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

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

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

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

### COVID-19

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

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

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

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

## **Our people**

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

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

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

## **Summary and Outlook**

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

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

*John Allwood*

*Non-Executive Chairman*

## **Chief Executive's Report**

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

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

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

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

### **Growth strategy**

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

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

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

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

### **Interactions**

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

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

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

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

## **Partnerships**

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

We have continued to invest in our partnerships programme in order to target new enterprise clients and sectors and have expanded the partnerships team during the last year. We have strengthened existing partnerships during the period, notably expanding our product offering with BT and generating a number of pipeline opportunities as well as across broader geographies with Scandinavian mobile operator, Telia, who have added the Textlocal product to their reseller agreement.

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

## **Innovation**

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

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

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

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

## **Acquisitions**

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

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

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

We have completed a number of successful acquisitions since IPO in 2014 and continue to explore strategic acquisitions that meet our criteria, which has remained the same in that we look to acquire businesses that provide similar communication software and services as the Group and have



strong long-term relationships with major blue chip clients therefore providing an opportunity to upsell the Group's broader portfolio of capabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

In August 2019, the Company acquired 3C, a US cloud-based business with a leading RCS offering, and the integration of that acquisition is now substantially complete, with the consolidation of all North American operations under one team and management structure as well as common business systems and processes. The focus since acquisition has been to introduce the Group's communication product set to 3C's customers and, as aforementioned, we have held over twenty

workshops with existing customers whereby several opportunities are now being progressed. We remain excited by the growth potential of the North American market moving forward.

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

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

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

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

The region has experienced good momentum selling the Group's cloud communications products. We have seen a significant acceleration in the number of customers wanting to use WhatsApp Business in the region due to the reach and popularity of the channel in specific markets. We have successfully onboarded a number of clients across the automotive, retail and banking sectors onto IMIconnect to enable them to communicate with their customers via WhatsApp.

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

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

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

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

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

## **Market developments**

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

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

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

In the past year, we have seen both new and existing clients realise the potential of new channels such as RCS, WhatsApp Business and Apple Business Chat to transform their business to

customer interactions. We are one of only a few official technology providers approved by Google, Apple and Facebook to provide blue-chip companies with these channels. Following the 3C acquisition last year, the Group is now the global leader for RCS Business Messaging and we anticipate that this will be a key area for growth moving forward as the addressable number of RCS-enabled handsets increases.

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

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

## **Products, technology and infrastructure**

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

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

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

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

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

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

## Organisation and systems

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

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

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

### **Current trading and Outlook**

As previously reported in our announcement on 9 July, the Group has delivered a resilient performance in Q1 FY21 despite the operational challenges presented by the COVID-19 pandemic. Notwithstanding the impact to businesses globally, we strongly believe that current trends will benefit IMLmobile, evidenced by Group gross profit being up approximately 20% year-on-year for the quarter, with the cloud communications product set showing year-on-year gross profit growth of over 30%.

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

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

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

*Jay Patel*

*Group Chief Executive*

## Financial Review

### **Group performance at a glance**

<b>Year ended 31 March</b>	<b>2020 £000</b>	<b>2019 £000</b>	<b>Growth</b>
Revenue	171,187	142,731	20%
Gross profit	79,107	62,573	26%
<i>Gross margin</i>	46.2%	43.8%	
Adjusted EBITDA <sup>1</sup>	21,597	19,069 <sup>2</sup>	13%

<i>Adjusted EBITDA margin</i> <sup>3</sup>	27.3%	30.5%	
Operating profit	4,610	995	363%
Adjusted operating profit <sup>1</sup>	15,960	14,078 <sup>2</sup>	13%
Profit before tax	3,130	710	341%
Adjusted profit before tax <sup>1</sup>	14,585	13,647 <sup>2</sup>	7%
Profit/(loss) after tax	2,028	(1,312)	255%
Adjusted profit after tax <sup>1</sup>	12,272	10,756 <sup>2</sup>	14%
Diluted EPS	2.5p	(1.9p)	229%
Adjusted diluted EPS <sup>1</sup>	15.5p	15.1p	3%
Cash at period end	25,089	13,247	89%
Bank borrowings (excluding capitalised borrowing costs)	47,328	20,848	127%

<sup>1</sup> Adjusted for costs which management do not consider reflect underlying business performance - see note 7 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results.

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

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

### Key performance indicators (KPIs)

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

#### Revenue and gross profit

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

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

#### Revenue

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

#### Gross profit

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

#### Cloud communication products

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

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

#### *Operator VAS and mobile payments*

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

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

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

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

<sup>1</sup> Adjusted for costs which management do not consider reflect underlying business performance - see note 7 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results.

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

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

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

#### *Client concentration*

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

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

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

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

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

Group working capital is made up as follows:

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

Trade receivables and payables include "pass through" amounts generated from mobile payment transactions. The receivables are from mobile operators and payables to customers who use IMI mobile's payment APIs. The gross value of these transactions is excluded from revenues and cost of sales as the Group accounts only for the commission earned on such transactions within revenue as it is not the principal obligor in the arrangement. The value of pass through transactions included in trade and other receivables at 31 March 2020 is £2.1m (2019: £3.3m) and £4.4m (2019: £5.1m) in trade and other payables.

The value of trade and other receivables included from the new acquisitions in the year, 3C and Rostrvm, at 31 March 2020 is £4.4m. Of the remaining movement, trade receivables has decreased by £6.9m primarily due to the timing of receipts from a major customer (see note 10), higher monthly recurring revenues in Europe compared to the previous year offset by the write off of debt due from an operator VAS customer in the Middle East (see note 10) contributed to a £0.5m increase in contract assets and pass through transactions have decreased by £1.2m, as referred to above. The Group made a loan of £1.0m inclusive of accrued interest to the management of IMI mobile North America Inc, secured against the shares issued in November 2018 as consideration when the Group exercised its call option to acquire the remaining 20% share of IMI mobile North America Inc. The remaining movement is mainly attributable to the £1.4m increase in the tax receivable.

An increase in cost of sales, as a result of higher monthly recurring revenues in the Europe & Americas region compared to the previous year, has contributed £1.0m to the overall increase in trade and other payables (excluding deferred income), offset by the reversal of £1.0m of accrued costs related to the write off of debt due from an operator VAS customer in the Middle East (see note 10). Pass through transactions have decreased by £0.7m, as referred to above. The value of trade and other payables (excluding deferred income) included from the new acquisitions in the year, 3C and Rostrvm, at 31 March 2020 is £4.9m. The remaining movement is mainly attributable to the decrease in the put option on the acquisition of IMI mobile South Africa (formerly Archer).

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

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

#### *Earnings/loss per share*

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

#### **Other financial information**

##### *Group taxation*

The tax charge for the year was £1.1m (2019: £2.0m). The adjusted effective rate of tax<sup>4</sup> for the year was 15.9% (2019: 21.1%).

<sup>1</sup> Adjusted for costs which management do not consider reflect underlying business performance - see note 7 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results.

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

<sup>3</sup> Cash conversion is defined as adjusted cash generated from operations (see note 7) as a percentage of adjusted EBITDA

<sup>4</sup> Adjusted tax as a proportion of adjusted profit before tax, as reconciled in note 7.

##### *Other intangible assets*

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

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

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

##### *Goodwill*

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

##### *Deferred tax*

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

##### *Non-current liabilities*

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

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

	Notes	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
<b>Revenue</b>	2, 4	171,187	142,731
Cost of sales		(92,080)	(80,158)
<b>Gross profit</b>	4	79,107	62,573
<b>Operating costs:</b>			
Other operating costs		(57,510)	(44,558)
Depreciation and amortisation		(10,977)	(7,085)
Share-based payment charge	14	(2,172)	(8,899)
Acquisition costs		(3,838)	(1,036)
<b>Operating profit</b>		4,610	995
Finance income		145	295
Finance cost		(1,625)	(580)
<b>Profit before tax</b>		3,130	710
Tax	5	(1,102)	(2,022)
<b>Profit/(loss) for the year</b>		2,028	(1,312)
<b>Profit/(loss) for the year attributable to:</b>			
Equity holders of the parent company		1,972	(1,255)
Non-controlling interest		56	(57)
<b>Profit/(loss) for the year</b>		2,028	(1,312)
	Notes	Year ended 31 March 2020	Year ended 31 March 2019
Basic earnings/(loss) per share	6	2.7p	(1.9p)
Diluted earnings/(loss) per share	6	2.5p	(1.9p)
	Notes	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Adjusted EBITDA <sup>1</sup>	7	21,597	19,069 <sup>2</sup>
	Notes	Year ended 31 March 2020	Year ended 31 March 2019
Adjusted basic earnings per share <sup>1</sup>	6	17.0p	16.7p
Adjusted diluted earnings per share <sup>1</sup>	6	15.5p	15.1p

<sup>1</sup> Adjusted for costs which management do not consider reflect underlying business performance - see note 7 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results.

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



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

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

The figures included above are stated net of corporate taxation.

## Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	As at 31 March 2020 £000	As at 31 March 2019 £000
<b>Non-current assets</b>			
Goodwill	8	70,028	43,637
Other intangible assets		53,398	29,607
Property, plant, equipment and right-of-use assets		6,517	4,347
Deferred tax assets		724	550
Total non-current assets		130,667	78,141
<b>Current assets</b>			
Cash and cash equivalents	9	25,089	13,247
Trade receivables and contract assets	10	40,238	44,518
Tax receivable		2,717	1,304
Withholding tax debtor		1,172	877
Other receivables		5,482	3,916
Total current assets		74,698	63,862
<b>Current liabilities</b>			
Trade and other payables	11	(49,773)	(45,748)
Contract liabilities		(10,437)	(8,637)
Lease liabilities		(1,602)	-
Provision for contingent consideration		(3,500)	(1,806)
Bank borrowings	12	(4,006)	(1,611)
Total current liabilities		(69,318)	(57,802)
<b>Net current assets</b>		5,380	6,060
<b>Non-current liabilities</b>			
Lease liabilities		(1,231)	-
Provision for contingent consideration		(4,924)	(57)
Bank borrowings	12	(42,741)	(19,120)
Provision for defined benefit gratuity plan		(1,299)	(1,032)
Deferred tax liabilities		(7,121)	(3,872)
Total non-current liabilities		(57,316)	(24,081)
<b>Net assets</b>		78,731	60,120
<b>Equity attributable to the owners of the parent company</b>			
Share capital	13	7,479	6,671
Share premium	13	27,555	6,666
Translation reserve		(134)	1,475
Share-based payment reserve		8,660	12,540
Capital restructuring reserve		(29,040)	(29,040)
Retained earnings		64,207	62,000
Equity attributable to the owners of the parent company		78,727	60,312
Non-controlling interest		4	(192)
Total equity		78,731	60,120

## Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital £000	Share premium £000	Translation reserve £000	Share-based payment reserve £000	Capital restructuring reserve £000	Retained Earnings £000	Total equity attributable to shareholders of the parent company £000	Non-controlling interest £000	Total equity £000
<b>Balance at 31 March 2018</b>	<b>6,204</b>	<b>1,246</b>	<b>1,759</b>	<b>10,782</b>	<b>(29,040)</b>	<b>63,104</b>	<b>54,055</b>	<b>107</b>	<b>54,162</b>
Loss for the year	-	-	-	-	-	(1,255)	(1,255)	(57)	(1,312)
Foreign exchange differences	-	-	(284)	-	-	-	(284)	69	(215)
Net actuarial losses recognised on defined gratuity plan	-	-	-	-	-	(9)	(9)	-	(9)
Credit to equity for share-based payments (note 14)	-	-	-	6,419	-	-	6,419	-	6,419
Proceeds from share issue, including share options exercised (note 13)	343	2,190	-	(727)	-	-	1,806	-	1,806
Debit to share based payment reserve (note 14)	-	-	-	(3,934)	-	-	(3,934)	-	(3,934)
Deferred tax on share-based payments	-	-	-	-	-	(187)	(187)	-	(187)
Tax relief on exercised share-based payments	-	-	-	-	-	347	347	-	347
Issue of shares as part of acquisition (note 13)	124	3,230	-	-	-	-	3,354	-	3,354
Subscription in non-controlling interest's shares of IMImobile South Africa Pty Ltd	-	-	-	-	-	-	-	(311)	(311)
<b>Balance at 31 March 2019</b>	<b>6,671</b>	<b>6,666</b>	<b>1,475</b>	<b>12,540</b>	<b>(29,040)</b>	<b>62,000</b>	<b>60,312</b>	<b>(192)</b>	<b>60,120</b>
Profit for the year	-	-	-	-	-	1,972	1,972	56	2,028
Foreign exchange differences	-	-	(1,609)	-	-	-	(1,609)	140	(1,469)
Net actuarial losses recognised on defined gratuity plan	-	-	-	-	-	(145)	(145)	-	(145)
Credit to equity for share-based payments (note 14)	-	-	-	2,319	-	-	2,319	-	2,319
Proceeds from share issue, including share options exercised, net of expenses (note 13)	792	20,391	-	(738)	-	-	20,445	-	20,445
Debit to share based payment reserve (note 14)	-	-	-	(5,461)	-	-	(5,461)	-	(5,461)
Deferred tax on share-based payments	-	-	-	-	-	45	45	-	45
Tax relief on exercised share-based payments	-	-	-	-	-	335	335	-	335
Issue of shares as part of acquisition (note 13)	16	498	-	-	-	-	514	-	514
<b>Balance at 31 March 2020</b>	<b>7,479</b>	<b>27,555</b>	<b>(134)</b>	<b>8,660</b>	<b>(29,040)</b>	<b>64,207</b>	<b>78,727</b>	<b>4</b>	<b>78,731</b>

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

	Notes	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
<b>Cash generated from operations</b>	15	20,875	15,903
Tax paid		(2,587)	(1,260)
<b>Net cash from operating activities</b>		<u>18,288</u>	<u>14,643</u>
<b>Investing activities</b>			
Interest received		33	295
Purchase of intangible assets		(6,248)	(6,568)
Purchase of property, plant & equipment		(657)	(1,183)
Acquisition of subsidiary net of cash acquired	17	(35,673)	(16,575)
Contingent consideration as part of Infracast acquisition	14	(4,947)	(2,387)
Contingent consideration as part of Sumotext acquisition		-	(1,143)
Contingent consideration as part of Healthcare acquisition		(1,750)	-
<b>Net cash used in investing activities</b>		<u>(49,242)</u>	<u>(27,561)</u>
<b>Financing activities</b>			
Principal element of lease payments	15	(1,429)	-
Bank loan received	12	51,276	10,000
Repayment of bank loans	12	(24,537)	(688)
Bank borrowing costs	12	(649)	-
Loan to related party		(889)	-
Interest paid		(1,386)	(524)
Proceeds from issuance of Ordinary shares	13	20,445	1,806
<b>Net cash generated by financing activities</b>		<u>42,831</u>	<u>10,594</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>11,877</u>	<u>(2,324)</u>
<b>Cash and cash equivalents at beginning of the year</b>		13,247	15,743
Effect of foreign exchange rate changes		(35)	(172)
<b>Cash and cash equivalents at end of the year</b>	9	<u><u>25,089</u></u>	<u><u>13,247</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 set out above does not constitute the Company's statutory accounts for the year ended 31 March 2020 or 31 March 2019 within the meaning of section 434(3) of the Companies Act 2006. Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Company's annual general meeting.

*New and amended standards adopted by the Group*

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

**2. Basis of consolidation and accounting policies**

The principal accounting policies set out below have been applied consistently by the Group in preparing the financial statements from which the financial information herein has been exacted.

**Basis of consolidation**

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved when the Company:

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

The results of subsidiaries acquired or disposed of in any year are included in the consolidated income statement from the date of acquisition or up to the date of disposal.

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

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

### **Business combinations**

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

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

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

### **Impairment of assets**

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

Other intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows. Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement.

### **Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The performance of the operating segments is assessed based on a measure of revenue and gross profit (the result for the segment). Any sales between segments are carried out at arm's length. As operating costs are shared across regions, results from gross profit to adjusted EBITDA are assessed between services sold on cloud communication products, operator VAS and mobile payment services, and central adjusted operating costs. Results from adjusted EBITDA to profit after tax are assessed on a consolidated basis only in the current year. As prior year results were only reviewed geographically it is not possible to allocate operating costs by operating division, so prior year results from gross profit to profit after tax are assessed on a consolidated basis only.

The Group does not regularly provide information in relation to the assets or liabilities of operating segments to management.

## Revenue recognition

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

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

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers or provides control of a product or service to a customer.

Where the Group enters into arrangements to deliver multiple elements (such as a perpetual license together with a period of servicing and maintenance), such elements are separated for recognition based on stand-alone value where sold and delivered as separate performance obligations. If such elements cannot be separated they are treated as a single performance obligation and recognised over the period of delivery when the criteria for recognition have been met. Amounts incurred but not yet billed are classified as contract assets. Revenues are typically billed up to 60 days after month end and classified as contract assets until this point.

### *Monthly recurring revenue*

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

Revenue share from content related sales and usage-based revenue from messages sent across multiple channels is triggered by the actions of the Group's customers (or their end users) using the relevant platform they are connected to. Revenue is recognised at a point in time as the content sale or message delivery is generated.

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

Where the Group provides services to mobile network operators which enable the delivery of wholesale messages, revenue is reported on a gross basis where the Group acts as principal and controls the right to perform the service and successfully deliver the messages at a point in time.

The Group acts as agent when providing carrier billing or payments made via mobile devices services so revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned. Revenue recognised within turnover relate only to the commission earned on hosting each service and are recognised at the point the message or content is delivered to the end user. Amounts billed and collected on behalf of third parties (also known as pass through revenues) are not recognised within revenue as the Group doesn't control or handle the content or set the price charged to the end user.

### *Non-recurring revenue*

License revenues are derived from the sale of perpetual end user licenses for the right to use software as it exists at the point the customer is able to use the service for its intended purpose. The Group assesses whether ongoing contractual obligations, such as annual maintenance charges, represent a performance obligation that is distinct from the license. If the license is distinct it is recognised separately from the other performance obligations on customer acceptance following installation at the customer's locations as per contracted terms.

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

## Goodwill

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

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

## Employee benefits

### *Defined benefit gratuity plan*

The Group has a post-employment unfunded gratuity plan in place for all IMI Mobile Private Limited employees ("defined benefit gratuity plan"). An employee who has completed five years of service is entitled to a cash bonus calculated as a fraction of the employee's last drawn salary multiplied by the number of completed years of service, capped at INR 2,000,000.

The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to other comprehensive income in the period in which they arise.

The Projected Unit Credit Method is used to determine the present value of the defined benefit obligation and the related current service cost and, where applicable, past service cost.

These obligations are valued periodically by independent qualified actuaries.

#### *Defined contribution plan*

The Group operates defined contribution plans for certain employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. These contributions are expensed in the period they are incurred.

#### *Employee share-based payments*

The Group operates a number of equity-settled, share-based payment plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement with a corresponding increase in equity. The total amount to be expensed is measured at the grant date by reference to the fair value of the options granted measured using the Black-Scholes option valuation model:

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

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied and the employees become unconditionally entitled to the options.

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

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

The social security contributions payable in connection with the grant of the share options are included in the share-based payment charge except where they are payable by the employee.

Where options are cancelled by the Group and settled in cash the expense is accelerated in the period in which the options are settled, with the cash payment recognised in the share-based payment reserve.

Accounting policies adopted in relation to the valuation of specific acquisition related contingent consideration and put/call options are provided in note 14.

### **Company share capital**

Ordinary shares are classified as equity.

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

### **Taxation**

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

#### *Current tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

#### *Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The recognition of deferred tax assets is determined by reference to the Group's estimate of recoverability, using models where appropriate to forecast future taxable profits. Deferred tax assets have only been recognised for territories where the Group considers that it is probable there would be sufficient taxable profits for the future deductions to be utilised. If it is probable that some portion of these assets will not be realised, then no asset is recognised in relation to that portion.

The carrying amount is reviewed at each balance sheet date. If market conditions improve and future results of operations exceed our current expectations, our existing recognised deferred tax assets may be adjusted, resulting in future tax benefits. Alternatively, if market conditions deteriorate or future results of operations are less than expected, future assessments may result in a determination that some or all of the deferred tax assets are not realisable. As a result, all or a portion of the deferred tax assets may need to be reversed.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### **3. Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affects the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The critical accounting judgements and key sources of estimation uncertainty at the reporting date derive from management assumptions in respect of:

#### **Critical accounting judgements**

##### *Business combinations*

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the consolidated income statement.

Judgement is required in determining the fair value of identifiable assets, liabilities and contingent assets and liabilities assumed in a business combination and the fair value of the consideration payable. Calculating the fair values involves the use of significant judgement around the assumptions applied, including expectations about future cash flows, discount rates and the lives of assets following purchase.

##### *Revenue recognition*

When the Group sells services as a principal, income and payments to suppliers are reported on a gross basis in revenue and cost of sales. If the Group sells services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned. Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners. Such judgements impact the amount of reported revenue and cost of sales but do not impact reported assets, liabilities or cash flows.

The Group would have recognised pass through revenues totalling £23,828,000 (2019: £30,311,000) within revenue and cost of sales had management judged that the Group were principal, rather than agent, in billing revenue transactions where amounts are billed and collected on behalf of third parties.

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

##### *Impairment reviews*

Management undertake periodic tests for impairment of goodwill if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of goodwill can be supported by the net present value of future cash flows. In



calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters.

Management consider the cash flow growth rate, expressed as the compound annual growth rates in the initial five years of the business plans and forecasts, to be the key source of estimation uncertainty. The growth rates used across the cash-generating units would need to decrease as follows before impairment would be required:

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

#### *Taxation including deferred taxation*

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

Management must also assess the probability that the deferred tax assets will be recovered from future taxable income. Deferred tax assets relating to losses and other timing differences of £2,781,000 (2019: £2,314,000) have not been recognised. Of this balance, management consider there to be particular uncertainty over the range of £nil to £783,000 (2019: £nil to £433,000) relating to the estimation of forecast future taxable income in IMI Mobile Private Limited.

As at 31 March 2019 the carrying amount of deferred tax assets was £724,000 (2019: £550,000) and the carrying amount of deferred tax liabilities was £7,121,000 (2019: £3,872,000).

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

#### 4. Operating segments

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

	Europe £000	Americas £000	APAC £000	MEA £000	Total £000
<b>Year ended 31 March 2020</b>					
Revenue					
Cloud communication products	107,001	25,787	8,844	9,250	150,882
Operator VAS and mobile payments	4,535	1,281	9,163	5,326	20,305
Total revenue	111,536	27,068	18,007	14,576	171,187
Gross profit					
Cloud communication products	37,760	18,364	4,012	4,386	64,522
Operator VAS and mobile payments	2,600	1,069	6,012	4,904	14,585
Total gross profit	40,360	19,433	10,024	9,290	79,107
Adjusted operating costs (note 7)					
Cloud communication products					(41,767)
Operator VAS and mobile payments					(13,499)
Central					(2,244)
Total adjusted operating costs					(57,510)
Adjusted EBITDA (note 7)					
Cloud communication products					22,755
Operator VAS and mobile payments					1,086
Central					(2,244)
Total adjusted EBITDA					21,597
Depreciation and amortisation					(10,977)
Share-based payment charge					(2,172)

Acquisition costs					(3,838)
Operating profit					4,610
Finance income					145
Finance cost					(1,625)
Profit before tax					3,130
Tax					(1,102)
Profit after tax					2,028

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2 for each period. The revenue reported is measured in a manner consistent with that in the consolidated income statement. Revenues are attributed to countries on the basis of the customer's location. The Group measures segment profit and loss as gross profit as reported.

<sup>1</sup> Adjusted for costs which management do not consider reflect underlying business performance - see note 7 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results.

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

The following is an analysis of the revenue and gross profit of the Group's top 5 customers (based on gross profit):

	Revenue £000	Revenue % of total	Gross profit £000	Gross profit % of total
<b>Year ended 31 March 2020</b>				
Customer A	28,656	17%	5,150	7%
Customer B	3,879	2%	3,516	4%
Customer C	5,238	3%	2,944	4%
Customer D	7,925	5%	2,807	4%
Customer E	2,907	2%	2,687	3%

	Revenue £000	Revenue % of total	Gross profit £000	Gross profit % of total
<b>Year ended 31 March 2019</b>				
Customer A	26,495	19%	4,898	8%
Customer B	-	-	-	-
Customer C	4,792	3%	2,787	4%
Customer D	5,646	4%	1,707	3%
Customer E	2,110	1%	1,841	3%

### Revenue

The Group derives its revenue from contracts with customers for the transfer of services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed above for each reportable segment under IFRS 8 *Operating Segments*.

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

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

### Additional voluntary disclosures

The following disclosures are provided for additional purposes only and does not form part of the Group's segmental reporting under IFRS 8. In addition to reviewing operating division and geographical performance, the Chief Operating Decision Maker also considers the performance of the Group in line with its revenue model, as disclosed in note 2.

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

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

Cloud communication products	42,611	4,124	46,735
Operator VAS and mobile payments	13,728	2,110	15,838
	<hr/>	<hr/>	<hr/>
Total gross profit	56,339	6,234	62,573
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 5. Tax

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

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

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

Taxation for each region is calculated at the rates prevailing in the respective jurisdictions. Prior year adjustments relate to the routine confirmation and agreement of the final tax position in local jurisdictions.

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

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

	Year ended 31 March 2020 pence	Year ended 31 March 2019 pence
Basic EPS	2.7p	(1.9p)
Adjusted basic EPS	17.0p	16.7p
Diluted EPS	2.5p	(1.9p)
Adjusted diluted EPS	15.5p	15.1p

  

	Year ended 31 March 2020 Million	Year ended 31 March 2019 Million
Weighted average number of ordinary shares for the purpose of basic EPS	72.1	64.9
Effect of dilutive potential ordinary shares: share options	7.1	6.8
Weighted average number of ordinary shares for the purpose of diluted EPS	79.2	71.7

See note 7 for a reconciliation of statutory results to adjusted results. The adjusted profit after tax earnings measure is used for the purpose of calculating adjusted earnings per share.

## 7. Adjusted performance measures

A number of adjusted performance measures are used in this announcement and financial statements which are not defined or specified under the requirements of International Financial Reporting Standards (IFRS). Adjusting items are excluded from our headline performance measures by virtue of their size and nature, in order to reflect management's view of the performance of the Group and facilitate the reader to compare performance against prior years more easily.

The Group believes that alternative performance measures such as adjusted EBITDA are commonly reported by companies in the markets in which it competes and are widely used by investors in comparing performance on a consistent basis without regard to factors such as depreciation and amortisation, which can vary significantly depending upon accounting methods (particularly when acquisitions have occurred), or based on factors which do not reflect the underlying performance of the business.

In particular, the Group presents on the face of the income statement those material items of expenditure which, because of their nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand the elements of financial performance in the period. The measures used are adjusted EBITDA, adjusted operating profit, adjusted profit before tax, adjusted profit after tax, adjusted diluted EPS and adjusted cash generated from operations.

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

	<b>Statutory results</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>Adjusted results</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Year ended:								
31 March 2020								
Revenue	171,187	-	-	-	-	-	-	171,187
Gross profit	79,107	-	-	-	-	-	-	79,107
Operating costs	(74,497)	2,172	3,838	5,340	-	-	-	(63,147)
Operating profit	4,610	2,172	3,838	5,340	-	-	-	15,960
Profit before tax	3,130	2,172	3,943	5,340	-	-	-	14,585
Tax	(1,102)	290	(634)	(867)	-	-	-	(2,313)
Profit after tax	2,028	2,462	3,309	4,473	-	-	-	12,272
EBITDA <sup>1</sup>	15,587	2,172	3,838	-	-	-	-	21,597
Cash generated from operations	20,875	-	3,096	-	-	-	-	23,971
Basic EPS (pence)	2.7	3.4	4.6	6.2	-	-	0.1	17.0
Diluted EPS (pence)	2.5	3.1	4.2	5.6	-	-	0.1	15.5

	<b>Statutory results</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>Adjusted Results</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
31 March 2019								
Revenue	142,731	-	-	-	-	-	-	142,731
Gross profit	62,573	-	-	-	-	-	-	62,573
Operating costs	(61,578)	8,899	1,036	3,025	97	26	-	(48,495)
Operating profit	995	8,899	1,036	3,025	97	26	-	14,078
Profit before tax	710	8,899	1,036	3,025	(49)	26	-	13,647
Tax	(2,022)	(143)	(113)	(613)	-	-	-	(2,891)
(Loss)/profit after tax	(1,312)	8,756	923	2,412	(49)	26	-	10,756
EBITDA <sup>1</sup>	8,080	8,899	1,036	-	1,028	26	-	19,069
Cash generated from operations	15,903	-	1,036	-	1,028	-	-	17,967
Basic EPS (pence)	(1.9)	13.5	1.4	3.7	0.0	0.0	0.0	16.7
Diluted EPS (pence)	(1.9)	12.2	1.3	3.4	0.0	0.0	0.1	15.1

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

- A Share-based payment charge net of tax
- £1,035,000 (2019: £5,639,000) relates to contingent consideration arising from acquisition activities
  - £147,000 credit (2019: £2,480,000 charge) relates to put options on acquisitions
  - £223,000 (2019: £4,000) relates to employee share schemes granted as part of the Group's listing in June 2014
  - £183,000 (2019: £111,000) relates to employee share schemes granted as a means of retention for key employees joining the Group as a result of an acquisition
  - £1,168,000 (2019: £522,000) relates to on-going employee incentive share schemes
- Share-based payment charges are commonly adjusted from headline results by similar companies which operate in the same markets as the Group. Management believe that share-based payments linked to acquisitions and the Company's IPO should be considered one-off in nature and do not reflect the underlying performance of the Group. On-going employee incentive share schemes have not been consistently granted to employees since IPO and the share-based payment expense in the income statement has therefore not been consistent over this period and the effect on profits do not reflect the underlying performance of the Group.
- B Costs directly relating to acquisitions including retention bonuses payable to key management personnel of the acquired entity agreed at the time of acquisition.
- C Amortisation of acquired intangibles. The majority of intangible assets acquired via acquisitions relate to value which has been created prior to acquisition, the cost of which has been expensed over time. Had the Group chosen to create these assets instead of acquiring them the related costs would have been expensed in prior periods. It is therefore considered appropriate to exclude the amortisation of these historic expenses from the adjusted results of the Group.
- D Restatement of prior year adjusted performance measures had IFRS 16 been adopted from 1 April 2018.
- E Exchange losses incurred on the Nigerian Naira following its unpegging against the US Dollar on 20 June 2016. As this is no longer a material amount it is not being included as an adjusting item from 1 April 2019.
- F Basic adjusted EPS and diluted adjusted EPS includes profit attributable to non-controlling interests not included in the calculation of statutory basic and diluted EPS. Diluted adjusted EPS also includes the dilutive effect of share options not included in statutory diluted EPS when they have an anti-dilutive effect.

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

## 8. Goodwill

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

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

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The long-term growth rates are management's estimates. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

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

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

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

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

*Cash flow growth rate and long-term growth rate*

Cash flow growth rate is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the business plans and forecasts used for impairment testing.

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

*Discount rate*

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

**Sensitivity analysis**

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

	Cash flow growth rate	Long-term growth rate	Discount rate
<b>At 31 March 2020</b>			
Europe large enterprise	(7%)	<(1,000%)	48%
Textlocal	(45%)	<(1,000%)	30%
Healthcare	(30%)	(111%)	21%
South Africa	(17%)	<(1,000%)	40%
North America	(16%)	(13.4%)	12%

**9. Cash and cash equivalents**

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

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:

	As at 31 March 2020 £000	As at 31 March 2019 £000
UK Pounds Sterling	17,694	4,765
US Dollar	2,936	1,963



Indian Rupee	1,049	2,266
Euro	1,046	1,124
South African Rand	797	804
Tunisian Dinar	480	295
Canadian Dollar	474	1,304
Bangladeshi Taka	236	99
United Arab Emirates Dirham	229	218
Nepalese Rupee	81	106
Nigerian Naira	27	66
Myanmar Kyat	20	221
Australian Dollar	17	-
Sri Lankan Rupee	3	16
	<u>25,089</u>	<u>13,247</u>

#### 10. Trade receivables and contract assets

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

Credit quality of customers is assessed by taking into account the current financial position of the customer, past experience and forward looking factors, including economic outlook. The historical level of customer default is low and, as a result, the credit quality of period end trade receivables is considered to be high. Trade receivables are considered past due once they have passed their contracted due date. The Group reviews trade receivables past due but not impaired on a regular basis and in determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Included in the Group's trade receivables balance are debtors with a carrying amount of £11,958,000 (2019: £9,917,000) which are past due at the reporting date, for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still recoverable. Of the total balance, £4,833,000 (2019: £4,756,000) is past due by fewer than 30 days. The average age of trade receivables and contract assets, excluding pass through revenues, is 81 days (2019: 108 days).

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

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

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

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

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

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

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

#### 11. Trade and other payables

	As at 31 March 2020 £000	As at 31 March 2019 £000
Trade payables		
- cost of sales to be paid on behalf of the Group	21,119	17,416
- pass through revenues to be paid to third parties	3,141	2,591
Accrued expenses		
- cost of sales to be paid on behalf of the Group	16,952	16,694
- pass through revenues to be paid to third parties	1,275	2,530
Put option on acquisitions (note 14)	866	1,013
VAT payable	2,969	3,075
RDEC deferred income	1,460	1,070
Other payables	1,991	1,359
	<u>49,773</u>	<u>45,748</u>

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

#### 12. Bank borrowings

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

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

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

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

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

### 13. Share capital, share premium

Allotted, called up and fully paid	Share Capital £000	Share Premium £000	Total £000
At 1 April 2019	6,671	6,666	13,337
Share placing	653	18,938	19,591
Share options exercised	139	1,453	1,592
Issued as part of Infracast contingent consideration (note 14)	16	498	514
At 31 March 2020	<b>7,479</b>	<b>27,555</b>	<b>35,034</b>

	Number of Ordinary shares
At 1 April 2019	66,709,211
Share placing	6,533,422
Share options exercised	1,391,490
Issued as part of Infracast contingent consideration (note 14)	159,606
At 31 March 2020	<b>74,793,729</b>

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

#### Ordinary shares

The Group's capital consists of a single class of equity share.

The amount classified as equity share capital represents the nominal value of allotted, called up and fully paid ordinary shares at a par value of £0.10. Each holder of ordinary shares is entitled to one vote per share.

### 14. Share-based payments

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

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

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

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

#### *IMI Mobile South Africa (formerly Archer) put/call option*

Archer management team's shareholding in Archer Digital Limited includes a put option which enables them to sell their holding to the Group after 5 years or in the event of an unconditional offer for the Company, and a call option which gives the Group the right to require management to sell some or all of its holding at fair market value. The Group revalues this option each year and has accounted for it as a cash settled share-based payment vesting over the 5-year period, with a credit of £147,000 recorded in the year ended 31 March 2020 (2019: charge of £73,000).

The fair value at grant date has been determined using the Black-Scholes valuation model. The significant inputs into the model were a risk-free interest rate of 0.44% to 1.10%, an expected option life of five years, volatility of 9% to 35% depending on the vesting date of the options and a dividend yield of nil.

#### *Infracast contingent consideration*

The contingent consideration arising from the acquisition of Infracast is treated as remuneration rather than consideration as one of the conditions of payment is continued employment of one of the shareholders of the company post-acquisition. As the Group has the option to settle the contingent consideration in shares in the Company or cash, it is included as a share-based payment. The charge is taken to the consolidated income statement evenly over the period from acquisition to the settlement date.

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

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

## 15. Notes to the Consolidated Cash Flow Statement

### Cash generated from operations

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

### Net debt

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

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

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

## 16. Contingent liabilities

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

## 17. Acquisitions

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

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

- initial consideration of \$43.8 million (£35.8 million) settled in cash, funded through the drawdown of new debt facilities (see note 12) and the raising of £19.6 million from the placing of 6,533,422 new Ordinary shares in the Company net of the costs of share issue; and

- deferred payments of \$10.0 million (£8.2 million) to be partly settled in cash and partly through the issue of 1,937,146 new Ordinary shares in the Company deferred for up to two years. These payments have been discounted to their net present value of \$9.3 million (£7.6 million).

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

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

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

The results of the acquired entity which have been consolidated in the income statement from 26 August 2019 contributed £15.4 million of revenue and a profit of £0.1 million attributable to equity shareholders of the Group during the period. Had 3C been acquired at the start of the period the contribution would have been £26.4 million of revenue and a profit of £0.2 million after adjusting for acquisition related expenses.

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

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

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

On 25 November 2019 the Group acquired 100% of the share capital of Rostrvm, a UK-based contact centre software provider, to provide the Group with additional voice channel and contact centre capabilities. The total consideration of £3.5 million (£4.5 million on a normalised working capital basis) will be satisfied in cash, with £3.0 million paid on completion and £1.5 million

deferred for up to two years, contingent on successful integration of the Rostrvm voice capability with the Group's platforms and achievement of revenue and gross profit targets. £0.5 million of the deferred payments were paid in the year and the remaining payments have been discounted to their net present value of £1.4 million.

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

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

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

## 18. Post balance sheet events

### *Share placing*

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