

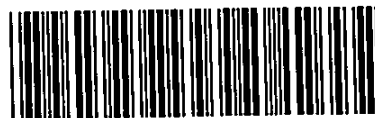
Imagination Technologies Limited

Directors' Report and Financial Statements

30 April 2011

Registered Number 1306335

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Imagination Technologies Limited
Directors' Report and Financial Statements
30 April 2011

Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 2011

Principal Activities and Business Review

The principal activities of the Company are the design, development and marketing of multimedia technology, and products incorporating this technology.

During the year the technology licensing business secured over 20 major new licensing agreements involving 35 silicon cores and eight major new customers. These range across Mobile Phone, Personal Media Player (PMP), Personal Navigation Device (PND), Digital TV, MID/UMPC, Digital Radio/connected Audio and Amusement market segments. There was a strong increase in chip unit shipments from 126m to 245m units, with royalty revenues up 69% for the period.

Despite the worldwide economic recession, and a fall in revenues of 16% compared to last year, PURE remains the UK's number one supplier of digital radios.

The results for the period are shown on page 7; amounts transferred to reserves are given in note 19 to the financial statements. The directors do not recommend payment of a dividend for the period ended 30 April 2011 (2010: £nil).

The key performance indicators used in the business are summarised below

	Year ended 30 April 2011	Year ended 30 April 2010	%
Technology business			
Licensing revenue	£28.3m	£22.9m	+24%
Partner chip design wins	115	91	+26%
Partner chips shipping	48	37	+30%
Partner chips shipped (units)	245m	126m	+94%
Royalty revenue	£41.2m	£24.4m	+69%
PURE business			
Revenue	£28.2m	£33.5m	-16%
Operating profit	(£3.9m)	(£0.7m)	

Principal Activities and Business Review

	Year ended 30 April 2011	Year ended 30 April 2010	%
Company			
Revenue	£97.7m	£80.9m	+21%
Gross profit	£76.9m	£55.9m	+38%
Profit before taxation	£18.8m	£10.6m	+77%
Net cash	£48.6m	£28.9m	+68%

Principal Risks and Uncertainties

There are a number of risks and uncertainties which could impact the Company's performance. The Company has a risk management structure in place which is designed to identify, manage and mitigate business risk. The Company has experienced, and may in the future experience, fluctuations in the results of its operations. For the Technology business, these include the timing of new licence agreements with partners, the achievement of development project milestones and the timing and volume of products incorporating the Company's technology shipped by our partners. The Company seeks to reduce this risk by both broadening the number of partners who utilise the Company's technology as well as widening the number of market segments that are targeted by the Company's partners. For the PURE business, these factors also include the rate of adoption of digital radio technologies worldwide, and the continuation of the supply of products from Chinese manufacturers. The Company has mitigated the latter by spreading the manufacture of the Company's products across a number of manufacturers in order to reduce the reliance on any one manufacturer.

The Company operates in fast moving competitive marketplaces characterised by rapid changes in technology. The Company's result will be impacted by the introduction of new technologies and products by the Company and by the Company's competitors as they respond to these changes in technology. In order to mitigate risk, the Company has detailed dialogue with existing partners, as well as systems companies and industry bodies, in order to align its future products with advances in technology and market requirements.

As a technology business, the development and ownership of intellectual property is fundamental to the Company's performance. Whilst the Company relies on patent, copyright, trademark and other intellectual property laws to establish and protect its propriety rights, it cannot be certain that its propriety rights will not be challenged, invalidated, circumvented or used without the Company's authorisation. The Company mitigates the risk by filing patents, trademarks and registered designs as appropriate to protect its intellectual property and through monitoring technologies promoted by third parties.

The Company transacts licence and development agreements with customers and purchases of products for PURE primarily in US dollars and, therefore, the Company's earnings are exposed to fluctuations in foreign exchange rates. The Company reviews its foreign exchange exposure on a regular basis and, if there is a material exposure to exchange rate fluctuations and the Board consider it appropriate, the Company will reduce the risk by currency hedging on net receivable/payable balances. No amounts were hedged during the year although this is under continual review by the Board.

The Company's performance is also subject to external macro economic conditions. Changes in factors such as interest rates, inflation, unemployment and commodity prices can create uncertainty in the Company's markets and affect consumer spending. This may result in the Company's customers and potential customers delaying the placing of orders with the Company and/or reduce the shipment of product incorporating the Company's technology. In turn, both of these would adversely affect the Company's result.

Research and Development

The Company spent £43,421,000 (2010: £35,370,000) on research and development and advanced technology projects.

Donations

During the period, the Company made donations for charitable purposes of £1,209 (2010: £15,922). There were no political donations during the period.

Employees

The Company recognises the importance and contribution of its employees. There is considerable value placed on the involvement of employees in the development of the business and their involvement in the decision making process. This is encouraged by the open environment in the Company and through the delegation of responsibility throughout the organisation. Presentations are made to all staff on a regular basis to encourage a full understanding of the Company's strategy, vision and operational developments. Most employees receive share awards and are invited to participate in the SAYE scheme every year via share plans. A number of employees have become shareholders thereby encouraging employee share ownership.

The Company is committed to the principle of equal opportunity in employment and to ensuring that no applicant or employee receives less favourable treatment on the grounds of age, gender, disability, ethnic origin, political or other opinion, religion or sexual orientation.

Disability is not seen as an inhibitor to employment or career development. Employees who become disabled are, wherever possible, given assistance to continue in their existing employment or to be trained for other positions.

Creditor Payment Policy

It is Company policy to agree payment terms with suppliers when negotiating contracts or transactions. The Company ensures that, subject to any necessary variations which may result from supplier related problems, the agreed payment terms are adhered to.

The number of days billings from suppliers outstanding to the Company at 30 April 2011 was 39 days (2010: 36 days).

Directors

The directors who held office during the period were as follows -

H Yassaie
T Selby (Resigned 30 June 2011)
R Smith (Appointed 1 July 2011)

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and will therefore continue in office

By order of the Board



A Llewellyn
Secretary

31 January 2012

Imagination House
Home Park Estate
Kings Langley
Hertfordshire
WD4 8LZ

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IMAGINATION TECHNOLOGIES LIMITED

We have audited the financial statements of Imagination Technologies Limited for the year ended 30 April 2011 set out on pages 7 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 April 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Tudor Aw (Senior Statutory Auditor)

For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

15 Canada Square, London, E14 5GL
31 January 2012

Imagination Technologies Limited
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Profit and loss account

	Note	Year to 30 April 2011	Year to 30 April 2010
		<u>£'000</u>	<u>£'000</u>
Turnover	2	97,658	80,882
Cost of sales		<u>(20,792)</u>	<u>(25,004)</u>
Gross profit		76,866	55,878
Research and development expenses		(43,421)	(35,370)
Sales and administrative expenses		(14,606)	(9,957)
Gain on investment		<u>-</u>	<u>28</u>
Total operating expenses		(58,027)	(45,299)
Operating profit	3	18,839	10,579
Net interest (payable)/receivable	6	<u>(58)</u>	<u>2</u>
Profit on ordinary activities before taxation		18,781	10,581
Taxation credit on profit on ordinary activities	7	<u>2,628</u>	<u>4,697</u>
Profit for the financial year		<u>21,409</u>	<u>15,278</u>

During the period all operations arose from continuing operations. There is no difference between the total reported result for the period and that on a historical cost basis. The notes on pages 9 to 27 form part of these financial statements.

Statement of total recognised gains and losses

	Year to 30 April 2011	Year to 30 April 2010
	<u>£'000</u>	<u>£'000</u>
Profit for the financial year	21,409	15,278
Change in fair value of assets classified as available for sale	(300)	20
Gain / (loss) on currency translation	<u>6</u>	<u>(13)</u>
Total gain recognised since last annual report	<u>21,115</u>	<u>15,285</u>

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Balance sheet
as at 30 April 2011

	Note	As at 30 April 2011 <u>£'000</u>	As at 30 April 2010 <u>£'000</u>
Fixed Assets			
Intangible assets	8	1,106	1,086
Tangible assets	9	15,893	4,879
Investments	10	5,894	4,671
Deferred Tax	15	<u>13,685</u>	<u>11,018</u>
		36,578	21,654
Current assets			
Stock and work in progress	11	6,202	4,970
Debtors (Falling due > 1 year £Nil (2010 £795,000))	12	29,635	21,569
Cash at bank and in hand		<u>48,575</u>	<u>28,918</u>
		84,412	55,457
Creditors: amounts falling due within one year	13	<u>(87,619)</u>	<u>(75,890)</u>
Net current liabilities		<u>(3,207)</u>	<u>(20,433)</u>
Total assets less current liabilities		<u>33,371</u>	<u>1,221</u>
Creditors: amounts falling due after more than one year	14	<u>(5,527)</u>	<u>(373)</u>
Net assets		<u>27,844</u>	<u>848</u>
Capital and reserves			
Called up share capital	16	14,161	14,161
Revaluation reserve	17	(280)	20
Profit and loss account	18	<u>13,963</u>	<u>(13,333)</u>
Shareholders' funds	19	<u>27,844</u>	<u>848</u>

The notes on pages 9 to 27 form part of these financial statements. These financial statements were approved by the board of directors on 31 January 2012 and were signed on its behalf by



R Smith
Director

Notes

(forming part of the financial statements)

1. Accounting Policies

The following accounting policies have been consistently applied throughout the period except as noted below.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

The directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under Financial Reporting Standard No 1, the Company is exempt from the requirement to prepare a cash flow statement on the basis that the ultimate parent company, Imagination Technologies Group plc, includes the Company in its own published consolidated financial statements.

Turnover

Turnover comprises -

- 1 the value of licence fees, development income, maintenance and royalties from licence and development agreements,
- 2 revenues from the sale of products to support technology licensees, and
- 3 revenues from the sale of systems products utilising the Company's technology to third parties

Revenue is recognised to the extent that the economic benefits associated with the transaction will flow into the Company.

Revenue from licences is recognised on delivery to the customer. Revenue on licence agreements for products which are either not finished or which need to be modified to meet specific customer requirements is recognised on a percentage-to-completion basis over the period from starting development of the product to delivery. The percentage-to-completion is measured by monitoring progress compared with the total estimated project requirement. Progress is measured by an assessment of performance against key development milestones.

Revenue associated with rights in licence agreements to unspecified current and future products is recognised on a straight-line basis over the term of the arrangement.

Revenue on development work is recognised on a percentage-to-completion basis over the period from the start of the development to delivery. Development work is normally invoiced as milestones are achieved.

Where invoicing milestones on licence or development arrangements are such that the proportion of work performed is greater than the proportion of the total contract value which has been invoiced, the Company evaluates whether it has obtained, through its performance to date, the right to the uninvoiced consideration and therefore whether revenue should be recognised. In particular it considers whether there is sufficient certainty that the invoice will be raised in the expected timeframe, that the customer considers that the Company's contractual obligations have been, or will be, fulfilled and that only those costs budgeted to be incurred will be incurred. Where the Company considers that there is insufficient evidence that it is probable that the economic benefits associated with the transaction will flow to the Company, taking into account these criteria, revenue is not recognised until there is sufficient evidence that it is probable that the economic benefit associated with the transaction will flow into the Company.

Revenue for maintenance is recognised on a straight-line basis over the period for which maintenance is contractually agreed with the licensee.

The excess of licence fees, development income and maintenance invoiced over revenue recognised is recorded as deferred income.

Royalty revenues are earned on the sale by licensees of products containing the Company's technology. Revenues are recognised as they are earned to the extent that the Company has sufficient evidence of sales of products containing the Company's technology by licensees.

Revenues from the sale of products to support technology licensees and systems products utilising the Company's technology to third parties are recognised upon delivery and are accounted for net of VAT, discounts and returns. Returns are recognised at the point at which the Company has adequate knowledge that products are likely to be returned by a customer.

Depreciation

Tangible fixed assets are depreciated to write down their cost to their estimated residual values over the period of their estimated useful economic lives. Periodic reviews are made of estimated remaining useful economic lives and residual values, and the depreciation rates applied are

Freehold land	No depreciation
Freehold buildings	2 per cent on cost
Leasehold improvements	Equally over the period of the lease
Plant and equipment	10 per cent to 33 per cent on cost
Motor vehicles	25 per cent on cost

Research and development costs

Costs of basic and applied research and product development expenditure are written off in the period in which they are incurred.

Intellectual property rights and patents

Trademarks and patents are capitalised at cost of acquisition and registration and amortised over the anticipated period of profitable exploitation.

Stock and work in progress

Stock is valued at the lower of cost and net realisable value. Finished goods include direct costs and attributable overheads based on the normal level of activity.

Work in progress is valued at the cost of work completed on contracts in hand, net of provisions.

Share based payment transactions

The share option programmes and the share incentive arrangements allow Company employees to acquire shares of Imagination Technologies Group plc. The fair value of Share Incentives is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the Share Incentives. The fair value of the Share Incentives granted is measured using the Black-Scholes or Monte Carlo Simulation models. The amount recognised as an expense is adjusted to reflect the actual number of Share Incentives that vest except where forfeiture is due only to market-based performance not meeting the threshold for vesting.

For cash bonuses which are calculated by reference to the value of shares, the fair value of these bonuses is recognised as an expense, with a corresponding increase in liabilities over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Where the parent company, Imagination Technologies Group plc, grants options over its own shares to the employees of its subsidiaries it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiary's financial statements with the corresponding credit being recognised directly in equity. The subsidiary company, Imagination Technologies Limited, recognises the FRS 20 charge relating to its employees as a charge to the profit and loss account in the period with a corresponding credit being recognised as a capital contribution directly in equity. No reimbursement is made to Imagination Technologies Group plc by Imagination Technologies Limited in relation to these share based payments.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method on any temporary differences between the carrying amounts for financial reporting purposes and those for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer possible that the related tax benefit will be realised.

Foreign exchange

Transactions in foreign currencies are translated at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange gains and losses are taken to the profit and loss account.

Government grants

Revenue grants are taken to the profit and loss account in the period when the relevant expenditure is incurred.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension Scheme

The Company contributes to a defined contribution pension plan. Payments are charged to the profit and loss account in the period to which they relate.

2. Revenue and segmental analysis

The Company operates as two business segments; the Technology business comprising licensing and royalty revenues, and the PURE business. The segment information in respect of these businesses is presented below

		2011	2010
		<u>£'000</u>	<u>£'000</u>
Revenue			
Technology business		69,427	47,357
PURE business		<u>28,231</u>	<u>33,525</u>
		97,658	80,882
Operating Profit			
Technology business		22,751	11,283
PURE business		<u>(3,912)</u>	<u>(704)</u>
		18,839	10,579
Total assets			
Technology business		46,227	29,245
PURE business		10,387	7,910
Unallocated assets		<u>75,559</u>	<u>39,936</u>
		132,173	77,091
Total liabilities			
Technology business		8,896	10,473
PURE business		5,055	3,956
Unallocated liabilities		<u>79,194</u>	<u>61,834</u>
		93,145	76,263
Other segment items			
Capital expenditure	Technology business	12,761	1,582
	PURE business	<u>503</u>	<u>318</u>
		13,264	1,900
Depreciation and amortisation	Technology business	1,924	1,624
	PURE business	<u>306</u>	<u>268</u>
		2,230	1,892

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Revenue is segmented by geographical area of sales as follows

	2011 <u>£'000</u>	2010 <u>£'000</u>
United Kingdom and Europe	28,951	35,576
Asia	20,218	19,003
North America	46,347	24,705
Rest of world	<u>2,142</u>	<u>1,598</u>
	<u>97,658</u>	<u>80,882</u>

All revenue originated from the United Kingdom and Europe

3. Operating profit

	2011 <u>£'000</u>	2010 <u>£'000</u>
Operating profit is stated after charging:		
Depreciation and amortisation of owned tangible and intangible assets	2,230	1,892
Operating lease rentals		
Other operating leases	3,895	1,684
Foreign exchange loss / (gain)	1,082	(55)
Auditors' remuneration		
Audit of these financial statements	57	43

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Imagination Technologies Group plc

4. Directors' remuneration

	2011	2010
	<u>£'000</u>	<u>£'000</u>
Directors' emoluments		
Remuneration as executives	<u>574</u>	<u>655</u>

Remuneration includes pension contributions of £169,000 (2010 £160,000) and the monetary value of benefits in kind such as health insurance. The directors have retirement benefits accruing to them under a defined contribution pension plan

The directors' interest to subscribe for share options in the ultimate parent company, Imagination Technologies Group plc, was disclosed in the report and financial statements of that group

The emoluments of the highest paid director, was £337,000 (2010 £424,000), which included pension contributions of £36,000 (2010 £29,000)

5. Staff numbers and costs

The average number of persons employed by the Company (including directors) was

	Number of employees	
	<u>2011</u>	<u>2010</u>
Research and development	441	378
Production	33	34
Administration	51	58
Marketing	<u>51</u>	<u>47</u>
	<u>576</u>	<u>517</u>

The aggregate payroll costs of these persons were

	2011	2010
	<u>£'000</u>	<u>£'000</u>
Wages and salaries	22,400	19,034
Share based payments	5,951	3,268
Social security costs	2,443	2,130
Other pension costs	<u>2,110</u>	<u>1,843</u>
	<u>32,904</u>	<u>26,275</u>

Included in the charge for the share based payments of £5,951,000 (2010 £3,268,000) is £nil (2010 £92,000) in respect of the share appreciation rights. Complete information on the share incentives and shares held by Directors is set out on the Remuneration Report within the Imagination Technologies Group Plc Annual Report on pages 43-47.

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6. Net interest (payable) / receivable

	2011	2010
	<u>£'000</u>	<u>£'000</u>
Interest receivable	1	14
Less interest payable		
Amounts payable on bank loans and overdrafts	<u>(59)</u>	<u>(12)</u>
	<u>(58)</u>	<u>2</u>

7. Taxation

	2011	2010
	<u>£'000</u>	<u>£'000</u>
Analysis of the tax credit in the period		
Foreign tax	1,334	861
Credit from UK R&D tax claim	(1,295)	-
Deferred tax		
Origination and reversal of timing differences	<u>(2,667)</u>	<u>(5,558)</u>
Tax credit	<u>(2,628)</u>	<u>(4,697)</u>
Reconciliation of the notional tax charge at UK standard rate to the actual tax charge		
Profit on ordinary activities before taxation	18,781	10,581
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 28%)	5,259	2,963
Effects of		
Permanent differences	(3,446)	(1,491)
Benefit from previously unrecognised tax assets	(7,418)	(6,827)
Effect of tax rate change	1,051	-
Adjustments in respect of prior periods	592	-
Withholding tax	<u>1,334</u>	<u>658</u>
Tax credit for the period	<u>(2,628)</u>	<u>(4,697)</u>

8. Intangible fixed assets

	Patents & Trademarks	
	2011	2010
	<u>£'000</u>	<u>£'000</u>
<i>Cost</i>		
At beginning of year	3,611	3,053
Additions	<u>414</u>	<u>558</u>
At 30 April	<u>4,025</u>	<u>3,611</u>
<i>Amortisation</i>		
At beginning of year	2,525	2,159
Charged in year	<u>394</u>	<u>366</u>
At 30 April	<u>2,919</u>	<u>2,525</u>
<i>Net Book Value</i>		
At 30 April 2011 and 30 April 2010	<u>1,106</u>	<u>1,086</u>

9. Tangible fixed assets

	Freehold Land and Buildings	Leasehold improvements	Plant and equipment	Total
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<i>Cost</i>				
At 1 May 2010	1,184	2,639	16,569	20,392
Additions	9,430	470	2,950	12,850
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 30 April 2011	<u>10,614</u>	<u>3,109</u>	<u>19,519</u>	<u>33,242</u>
<i>Depreciation</i>				
At 1 May 2010	112	1,529	13,872	15,513
Charge for year	128	209	1,499	1,836
On disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 30 April 2011	<u>240</u>	<u>1,738</u>	<u>15,371</u>	<u>17,349</u>
<i>Net book value</i>				
At 30 April 2011	<u>10,374</u>	<u>1,371</u>	<u>4,148</u>	<u>15,893</u>
At 30 April 2010	<u>1,072</u>	<u>1,110</u>	<u>2,697</u>	<u>4,879</u>
			2011	2010
			<u>£'000</u>	<u>£'000</u>
The net book value of freehold land and buildings comprises				
Land			3,971	165
Buildings			<u>6,403</u>	<u>907</u>
			<u>10,374</u>	<u>1,072</u>

10. Investments

	2011	2010
	<u>£'000</u>	<u>£'000</u>
Shares in subsidiary undertakings		
Cost at beginning of year	1,779	1,779
Additions	<u>56</u>	<u>-</u>
	1,835	1,779
Provision for diminution in value at 1 April	<u>(1,658)</u>	<u>(1,658)</u>
Net book value of subsidiary undertakings at 30 April	<u><u>177</u></u>	<u><u>121</u></u>
	2011	2010
	<u>£'000</u>	<u>£'000</u>
Trade investment		
Cost and net book value at beginning of year	4,550	1,221
Additions	672	3,281
Reclassification from loan note debtor	795	-
Gain/(write down) on investment	<u>(300)</u>	<u>48</u>
Net book value of trade investments	<u><u>5,717</u></u>	<u><u>4,550</u></u>
Total net book value of investments	<u><u>5,894</u></u>	<u><u>4,651</u></u>

The investments relate to the Company's holdings in Toumaz Holdings, Frontier Silicon, GreenPlug, Audiboo and Blu-Wireless

Toumaz Holdings ('Toumaz') – the Company's holding in Toumaz, a company listed on AIM, was valued at £2,459,000 (£2010: £2,591,000) by reference to the quoted share price of Toumaz Holdings at the reporting date. The reduction in value of £132,000 has been recognised as a change in fair value of available for sale investments in the statement of total recognised gains and losses.

Frontier Silicon ('Frontier') – the Company's equity holding in Frontier was valued by means of a discounted cashflow forecast based on a five year profit forecast, an annual terminal growth rate after 2015 of 2.5% (2010: 2.5%) and using a discount rate of 15% (2010: 15%). As a result of Frontier's capital structure, the Company's equity investment has remained at £Nil (2010: £Nil). The Company also has a Loan Note from Frontier for £795,000 (2010: £795,000) which has been reclassified during the year from loans to Investments. The Loan Note in Frontier Silicon is redeemable in the event of a sale or listing of Frontier, or at the discretion of Frontier, or the Loan note holders in Frontier, subject to approval by a majority of the Loan Note holders. The fair value of the Loan Note is assessed as £795,000.

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GreenPlug – the Company's holding in GreenPlug, a private US company, at 30 April 2010 was valued at £1,959,000. During the year, the Company received further shares in GreenPlug in consideration for licences and services provided by the Company to GreenPlug valued at £325,000. The Company's holding in GreenPlug at 30 April 2011 was valued by reference to a GreenPlug funding round in February 2011 which valued the Company's holding at £2,116,000. A £168,000 reduction in value due to exchange has been recognised as a change in fair value of available for sale investments in the statement of total recognised gains and losses.

Audioboo – the Company invested £190,000 for an equity holding in Audioboo, a private UK company, in June 2010. The Company's holding in Audioboo was valued by reference to a recent funding round. The Company also invested £111,000 in a Convertible Loan Note in Audioboo which is convertible at the discretion of the Company. The fair value of the Convertible Loan Note is assessed as £111,000.

Blu-Wireless – in consideration for licences and services provided by the Company to Blu-Wireless, a private UK company, during the period the Company has a holding in Blu-Wireless valued at £46,000. The Company's holding in Blu-Wireless was valued by reference to a recent funding round. All gains and impairment charges relating to trade investments classified as available for sale relate to the Technology business.

Details of the Company's subsidiary undertakings, which are involved in the licensing of the design of multimedia technology and the sale of multimedia products, are as follows:

Name of subsidiary undertaking	Country of incorporation and of operation	Type of shares	Percentage of issued share capital held
Imagination Technologies Inc	USA	Ordinary	100%
VideoLogic GmbH	Germany	Ordinary	100%
Metagence Technologies Limited (Dormant)	UK	Ordinary	100%
PURE Digital Limited (Dormant)	UK	Ordinary	100%
Imagination Technologies India Private Limited	India	Ordinary	99%
PURE Australasia Pty Limited	Australia	Ordinary	100%
Bristol Interactive Limited (Dormant)	UK	Ordinary	100%

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11. Stock and work in progress

	2011	2010
	<u>£'000</u>	<u>£'000</u>
Raw materials and components	1,100	1,115
Finished goods	<u>5,102</u>	<u>3,855</u>
	<u>6,202</u>	<u>4,970</u>

12. Debtors

	2011	2010
	<u>£'000</u>	<u>£'000</u>
Trade debtors	12,974	6,912
Prepayments and accrued income	13,858	13,162
Loan stock due after more than one year	-	795
Amounts owed by fellow subsidiary undertaking	2,116	472
Other debtors	<u>687</u>	<u>228</u>
	<u>29,635</u>	<u>21,569</u>

The Loan balance of £795,000 was a loan note from Frontier Silicon which was reclassified as an investment during the year (see note 10)

13. Creditors: amounts falling due within one year

	2011	2010
	<u>£'000</u>	<u>£'000</u>
Bank loan	60	58
Trade creditors	3,951	2,959
Amounts owed to parent undertaking	70,616	61,403
Amounts owed to subsidiary undertakings	243	244
Amounts owed to fellow subsidiary undertaking	2,748	2,667
Taxation and social security	909	835
Accruals and deferred income	<u>9,092</u>	<u>7,724</u>
	<u>87,619</u>	<u>75,890</u>

14. Creditors: amounts falling due after one year

	2011	2010
	<u>£'000</u>	<u>£'000</u>
Long-term loan	<u>5,527</u>	<u>373</u>

The maturity of obligations under the loan is as follows:

	2011	2010
	<u>£'000</u>	<u>£'000</u>
Within one year	60	58
In the second to fifth years	5,470	232
Over five years	<u>57</u>	<u>141</u>
	<u>5,587</u>	<u>431</u>

The Group has two loans secured on freehold buildings. The existing loan has a balance of £372,000 with fixed repayments. The unexpired term of the loan is 8 years and the interest rate on the loan floats at 2.0% above base rate.

A new loan for £5,215,000 was taken out during the year for the purchase of the Group's existing and adjacent property in Kings Langley. The loan floats at 1.6% above LIBOR and the unexpired term is 5 years. The Group considers the requirements for long term borrowings by assessing the future cash flows of the business.

15. Deferred taxation

The amounts recognised and unrecognised for deferred taxation are

	2011		2010	
	Amount Recognised	Amount Unrecognised	Amount Recognised	Amount Unrecognised
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Capital allowances	(1,067)	-	2,788	-
Short term timing differences	13	-	48	-
Share incentive	3,349	-	1,195	-
Trading losses	<u>11,390</u>	<u>-</u>	<u>6,987</u>	<u>11,215</u>
	<u>13,685</u>	<u>-</u>	<u>11,018</u>	<u>11,215</u>

A potential deferred tax asset of £Nil (2010: £11,215,000) has not been recognised in respect of tax losses as the directors are of the opinion that there is insufficient evidence that the asset would be recovered.

16. Called up share capital

	2011	2010
	<u>£'000</u>	<u>£'000</u>
<i>Authorised</i>		
15,000,000 (2010 15,000,000) ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>
<i>Allotted, called up and fully paid</i>		
14,161,291 (2010 14,161,291) ordinary shares of £1 each	<u>14,161</u>	<u>14,161</u>

17. Revaluation reserve

	2011	2010
	<u>£'000</u>	<u>£'000</u>
Opening balance	20	-
Change in fair value of assets classified for sale	<u>(300)</u>	<u>20</u>
Closing balance	<u>(280)</u>	<u>20</u>

18. Profit and loss account

	2011	2010
	<u>£'000</u>	<u>£'000</u>
Opening balance	(13,333)	(31,866)
Profit for the financial year	21,409	15,278
Gain / (loss) on currency translation	6	(13)
Share based incentives	<u>5,881</u>	<u>3,268</u>
Closing balance	<u>13,963</u>	<u>(13,333)</u>

19. Reconciliation of movements in shareholders' funds

	2011	2010
	<u>£'000</u>	<u>£'000</u>
Profit for the financial year	21,409	15,278
Change in fair value of assets classified for sale	(300)	20
Recognised gains/(loss) relating to the year	6	(13)
Share based incentives	<u>5,881</u>	<u>3,268</u>
Net increase to shareholders' funds	<u>26,996</u>	<u>18,553</u>
Opening shareholders' funds / (deficit)	<u>848</u>	<u>(17,705)</u>
Closing shareholders' funds	<u>27,844</u>	<u>848</u>

20. Commitments

- (i) Capital commitments at the end of the financial period for which no provision has been made are as follows:-

	2011 <u>£'000</u>	2010 <u>£'000</u>
Authorised and contracted	<u>702</u>	<u>412</u>

- (ii) Annual commitments under non-cancellable operating leases are as follows

	2011		2010	
	Land & Buildings	Other	Land & Buildings	Other
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Operating leases which expire				
• Within one year	87	6	24	6
• In two to five years	154	2,599	-	961
• Over five years	<u>383</u>	<u>-</u>	<u>872</u>	<u>-</u>
	<u>624</u>	<u>2,605</u>	<u>896</u>	<u>967</u>

21. Employee Benefits

Pension scheme

Imagination Technologies Limited is a member of the Imagination Technologies Group plc defined contribution pension plan. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost of £2,110,000 (2010 £1,843,000) represents contributions paid by the Company to the fund. There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

The Company has share option schemes, and an Employee Share Plan in the shares of the parent company, Imagination Technologies Group plc. During the year ended 30 April 2011, the Company recognised an expense of £5,951,000 (2010 £3,268,000) in respect of outstanding share awards and employee share plan awards granted from 7 November 2002 onwards. In determining the appropriate expense, the Group has made judgements on the likelihood that internal performance targets will be achieved and on the number of employees that will be employed on vesting.

Share options

The following options in shares of Imagination Technologies Group plc have been granted under the Imagination Technologies Key Employee Share Option Schemes, Savings Related Share Option Scheme and Long Term Incentive Plan and remain outstanding at 30 April 2011

	Outstanding at 30 April 2011	Exercise price	Date from which first exercisable	Expiry date
Year of Issue				
2001	162,225	46p	2004	2011
2002	447,950	19p	2005	2012
2003	303,938	34 5p	2006	2013
2003	32,500	60p	2006	2013
2004	46,500	82p	2007	2014
2005	879,069	64 25p	2008	2015
2005	456,048	67 5p	2008	2015
2006	*145,000	55p	2009	2016
2008	1,535,398	55 6p	2011	2012
2009	629,437	139p	2012	2013
2010	353,664	305 2p	2013	2014
Total	4,991,729			

Options marked* have been granted under the Long Term Incentive Plan

The number and weighted average exercise prices of share options are as follows

	Weighted average exercise price 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
Outstanding at the beginning of the period	65p	7,100,745	70p	12,620,969
Exercised during the period	60p	(1,673,440)	81p	(6,015,291)
Granted during the period	305p	358,381	139p	658,209
Lapsed during the period	79p	(793,957)	133p	(163,142)
Outstanding at the end of the period	82p	4,991,729	65p	7,100,745
Exercisable at the end of the period	46p	2,473,230	54p	3,889,388

The weighted average share price during the period was 364 8p (2010 195 4p)

The options outstanding at the year end have an exercise price in the range of 19p to 305p and a weighted average contractual life of 3 0 years

Employee Share Plan

The following awards in shares of Imagination Technologies Group plc have been granted under the Imagination Technologies Employee Share Plan and remain outstanding at 30 April 2011

	Outstanding at 30 April 2011	Date from which first exercisable	Expiry date
Year of Issue			
2008	4,416,560	2011	2011
2009	448,490	2012	2012
2009	3,507,410	2012	2012
2009	2,250,000	2012	2014
2010	1,275,419	2013	2013
2010	448,000	2013	2014
2011	2,000,000	2014	2014
Total	14,345,879		

As at 30 April 2011, 3,600,600 shares (2010 3,600,600) were held by the Group's Employee Benefit Trust

The Company has share option schemes, and an Employee Share Plan. The Company aims to ensure that individuals are fairly rewarded for their contribution to the success of the Company. Share options are no longer being granted, with the focus of incentives turning to annual awards under the Employee Share Plan and annual invitations to join the SAYE scheme. There are a number of share options outstanding under the old schemes, including approved and unapproved key employee schemes, an Enterprise Management Incentive (EMI) scheme and a Long-Term Incentive Plan (LTIP) scheme.

The discretionary Awards under the Employee Share Plan issued in 2006 and 2007 have performance criteria based on the increase in the share price relative to the increase in the FTSE All Share Index and an increase in the royalty income over a 3 year period. The Awards issued in 2008 have performance criteria based on the increase in the share price relative to the increase in the FTSE All Share Index and an increase in gross profit over a three year period. The Awards issued in 2009 have 50% performance criteria based on the increase in the share price relative to the increase in the FTSE All Share Index and 50% have no performance criteria.

Discretionary options have been granted at market value whilst SAYE options have been issued at a 20% discount to market value. The discretionary options have performance criteria based on the achievement of targets in the market price of Imagination Technologies Group plc shares. The SAYE scheme does not have performance conditions.

In accordance with FRS 20, the fair value of services received in return for share options and employee share plan awards granted to employees is measured by reference to the fair value of share options and employee share plan awards granted. The estimate of the fair value of the services is measured based on the Black-Scholes or Monte Carlo Simulation models, financial models used to calculate the fair value of options and awards under the employee share plans.

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The assumptions used in the calculation of the fair value of options are set out below

Date of share option grant	Dec 2002	May 2003	Nov 2003	May 2004	Jun 2004	Jan 2005	Dec 2005
Share price at grant date (pence)	19	34.5	60	83	82	64.25	67.5
Exercise price (pence)	24-28	43-52	75-90	104-124	102-123	80-96	84-101
Expected volatility	60%	60%	60%	60%	60%	60%	60%
Risk free interest rate	4.4%	3.9%	4.9%	5.1%	5.2%	4.4%	4.4%
Time to maturity (years)	5	5	5	5	5	5	5
Fair value per option (pence)	9.4	17.0	30.2	42.0	41.5	31.8	34.4

Date of share option grant	Jun 2006	Sep 2006	Sep 2007	Sep 2008	Oct 2009	Oct 2010
Share price at grant date (pence)	5	88	113	69.5	210	432
Exercise price (pence)	69-82	—	—	—	—	—
Expected volatility	60%	60%	41%	46%	63%	64%
Risk free interest rate	4.5%	4.5%	5.8%	4.4%	1.7%	0.8%
Time to maturity (years)	5	3	3	3	3	3
Fair value per option (pence)	28.0	34.7	44.5	31.2	118	235

The assumptions used in the calculation of the fair value of the employee share plan awards are set out below

Date of employee share plan grant	Sep 2006	Jul 2007	Aug 2007	Jan 2008	Oct 2008
Share price at grant date (pence)	70.75	128.5	127.5	119	48
Expected volatility	60%	41%	41%	41%	49%
Risk free interest rate	4.5%	5.8%	5.8%	5.8%	3.4%
Time to maturity (years)	3	3	3	3	3
Fair value per option (pence)	53.0	78.4	77.6	72.6	34.2

Date of employee share plan grant	Oct 2009	Dec 2009	Apr 2010	Oct 2010	Dec 2010	Apr 2011
Share price at grant date (pence)	208	228	226	435	378	435
Expected volatility	63%	59%	63%	—	—	—
Risk free interest rate	1.7%	2.2%	1.7%	—	—	—
Time to maturity (years)	3	3	3	3	3	3
Fair value per option (pence)	156.3	145.0	182.0	435	378	435

The expected volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information

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Share-based payments for the year

Share-based payments for the current and prior year are

	2011 £'000	2010 £'000
Incentives awarded in		
2004/5	–	107
2005/6	57	80
2006/7	13	184
2007/8	179	855
2008/9	676	743
2009/10	3,163	1,299
2010/11	1,863	–
	5,951	3,268

The future estimated expense for share award schemes outstanding at 30th April 2011 is

	2011 £'000	2010 £'000
To be incurred within one year	9,666	3,693
To be incurred after one year	12,013	5,945
	21,679	9,638

A deferred tax asset of £3,349,000 has been recognized relating to share-based payments. It arises from the potential future tax benefit on the exercise of incentives.

22. Related party transactions

As the Company is a wholly owned subsidiary of Imagination Technologies Group plc, the Company has taken advantage of the exemption in Financial Reporting Standard No 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

23. Post balance sheet events

There have been no post balance sheet events.

24. Ultimate parent company and parent undertaking of larger group

The Company is a subsidiary undertaking of Imagination Technologies Group plc, which is the ultimate parent company, in whose financial statements the results of Imagination Technologies Limited are consolidated. Imagination Technologies Group plc is incorporated and registered in England and Wales. Copies of its financial statements may be obtained from Imagination House, Home Park Estate, Kings Langley, Hertfordshire WD4 8LZ, or at www.imgtec.com