

Imagination Technologies Limited

Directors' Report and Financial Statements

30 April 2010

Registered Number 1306335

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Imagination Technologies Limited
Directors' Report and Financial Statements
30 April 2010

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 2010

Principal Activities and Business Review

The Company's principal activity, which has remained unchanged during the period, is the design, development and marketing of multimedia technology.

During the year the technology licensing business secured over 12 major new licensing agreements involving 23 silicon cores and many 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 86m to 126m units, with royalty revenues up 75% for the period.

PURE Digital remains the UK's number one supplier of digital radios and its market share increased during the period. PURE Digital revenues increased by 23% and reduced the previous year's loss and achieved a close to break-even position.

The results for the period are shown on page 7, amounts transferred to reserves are given in note 17 to the financial statements. The directors do not recommend payment of a dividend for the period ended 30 April 2010 (2009: £nil).

The key performance indicators used in the business are summarised below.

	Year ended 30 April 2010	Year ended 30 April 2009	%
Technology business			
New licence agreements	12	12	-
Licensing revenue	£22.9m	£22.9m	-
Partner chip design wins	91	78	+17%
Partner chips shipping	37	29	+28%
Partner chips shipped (units)	126m	86m	+47%
Royalty revenue	£24.4m	£14.0m	+75%
PURE Digital business			
Revenue	£33.6m	£27.2m	+23%
Operating profit	(£0.7m)	(£3.0m)	-77%

Directors' report *(continued)*

Principal Activities and Business Review

	Year ended 30 April 2010	Year ended 30 April 2009	%
Company			
Revenue	£80.9m	£64.1m	+26%
Gross profit	£55.9m	£42.3m	+32%
Profit before taxation	£10.6m	£3.1m	+242%
Net cash	£28.9m	£14.3m	+102%

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 Digital business, these factors also include 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 and trademarks as appropriate to protect its intellectual property and through monitoring technologies promoted by third parties.

Directors' report *(continued)*

Principal Risks and Uncertainties

The Company transacts licence and development agreements with customers and purchases products for PURE Digital 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 directors consider it appropriate, the Company will reduce the risk by currency hedging on net receivable/payable balances.

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. As a result, potential customers may delay placing 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 £35,370,000 (2009 £31,114,000) on research and development in order to retain its technological advantage and competitive position in the market.

Donations

During the period, the Company made donations for charitable purposes of £15,922 (2009 £766). There were no political donations during the period.

Employees

As the Company is an intellectual property business, considerable value is 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 and operational developments. The majority of employees receive share awards and are invited to participate in the SAYE scheme every year which in turn leads to increased 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.

Directors' report *(continued)*

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 2010 was 36 days (2009 42 days)

Directors

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

H Yassaie
T Selby

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

27 January 2011

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 2010 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 at www.frc.org.uk/apb/scope/UKNP.

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 2010 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.

Christopher Rodgers (Senior Statutory Auditor)

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

15 Canada Square, London, E14 5GL
27 January 2011

Imagination Technologies Limited
Directors' Report and Financial Statements
30 April 2010

Profit and loss account

	Note	Year to 30 April 2010	Year to 30 April 2009
		<u>£'000</u>	<u>£'000</u>
Turnover	2	80,882	64,075
Cost of sales		<u>(25,004)</u>	<u>(21,748)</u>
Gross profit		55,878	42,327
Research and development expenses		(35,370)	(31,114)
Sales and administrative expenses		(9,957)	(7,584)
Gain on / (write down of) investment		<u>28</u>	<u>(517)</u>
Total operating expenses		<u>(45,299)</u>	<u>(39,215)</u>
Operating profit	3	10,579	3,112
Net interest receivable/(payable)	6	<u>2</u>	<u>(24)</u>
Profit on ordinary activities before taxation		10,581	3,088
Taxation (charge) / credit on profit on ordinary activities	7	<u>4,697</u>	<u>5,237</u>
Profit for the financial year		<u>15,278</u>	<u>8,325</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.

Statement of total recognised gains and losses

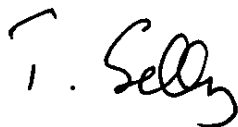
	Year to 30 April 2010	Year to 30 April 2009
	<u>£'000</u>	<u>£'000</u>
Profit for the financial year	15,278	8,325
(Loss)/ gain on currency translation	<u>(13)</u>	<u>55</u>
Total gain recognised since last annual report	<u>15,265</u>	<u>8,380</u>

Imagination Technologies Limited
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Balance sheet
as at 30 April 2010

	Note	As at 30 April 2010 <u>£'000</u>	As at 30 April 2009 <u>£'000</u>
Fixed Assets			
Intangible assets	8	1,086	894
Tangible assets	9	4,879	5,065
Investments	10	4,651	1,342
Deferred Tax	15	<u>11,018</u>	<u>5,460</u>
		21,634	12,761
Current assets			
Stock and work in progress	11	4,970	3,723
Debtors (Falling due > 1 year £795,000 (2009 £795,000))	12	21,569	18,887
Cash at bank and in hand		<u>28,918</u>	<u>14,294</u>
		55,457	36,904
Creditors: amounts falling due within one year	13	<u>(75,890)</u>	<u>(66,940)</u>
Net current liabilities		(20,433)	(30,036)
Total assets less current liabilities		<u>1,201</u>	<u>(17,275)</u>
Creditors: amounts falling due after more than one year	14	<u>(373)</u>	<u>(430)</u>
Net assets/(liabilities)		828	(17,705)
Capital and reserves			
Called up share capital	16	14,161	14,161
Profit and loss account	17	<u>(13,333)</u>	<u>(31,866)</u>
Shareholders' deficit	18	828	(17,705)

These financial statements were approved by the board of directors on 27 January 2011 and were signed on its behalf by



T Selby
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 financial statements have been prepared on the going concern basis, notwithstanding net assets of £828,000 (2009: net liabilities of £17,705,000), which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Imagination Technologies Group plc, the Company's ultimate parent undertaking. Imagination Technologies Group plc has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking 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

Notes (continued)

1. Accounting Policies (continued)

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.

Notes (continued)

1. Accounting Policies (continued)

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 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
No depreciation is charged on freehold land	

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 Employee Share Plan (together 'Share Incentives') 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 employees become 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 share prices not achieving the threshold for vesting.

Notes (continued)

1. Accounting Policies (continued)

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

The charge or credit for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

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 utilized.

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 on settled transactions and monetary items 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.

Notes (continued)

1. Accounting Policies (continued)

Operating Leases

Rental charges in respect of 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.

Notes (continued)

2. Revenue and segmental analysis

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

	2010	2009
	<u>£'000</u>	<u>£'000</u>
Revenue		
Technology business	47,357	36,889
PURE Digital business	<u>33,525</u>	<u>27,186</u>
	80,882	64,075
Operating Profit		
Technology business	11,283	6,018
PURE Digital business	<u>(704)</u>	<u>(2,906)</u>
	10,579	3,112
Total assets		
Technology business	29,245	22,474
PURE Digital business	7,910	7,437
Unallocated assets	<u>39,936</u>	<u>19,754</u>
	77,091	49,665
Total liabilities		
Technology business	10,473	8,154
PURE Digital business	3,956	4,594
Unallocated liabilities	<u>61,834</u>	<u>54,622</u>
	76,263	67,370
Other segment items		
Capital expenditure		
Technology business	1,582	1,838
PURE Digital business	<u>318</u>	<u>273</u>
	1,900	2,111
Depreciation and amortisation		
Technology business	1,624	1,530
PURE Digital business	<u>268</u>	<u>175</u>
	1,892	1,705

Notes (continued)

2. Revenue and segmental analysis (continued)

Revenue is segmented by geographical area of sales as follows:

	2010	2009
	<u>£'000</u>	<u>£'000</u>
United Kingdom and Europe	35,576	28,957
Asia	19,003	21,215
North America	24,705	13,888
Rest of world	<u>1,598</u>	<u>15</u>
	<u>80,882</u>	<u>64,075</u>

All revenue originated from the United Kingdom and Europe

3. Operating profit

	2010	2009
	<u>£'000</u>	<u>£'000</u>
Operating profit is stated after charging:		
Depreciation and amortisation of owned tangible and intangible assets	1,892	1,705
Operating lease rentals		
Other operating leases	1,684	1,743
Foreign exchange gain	(55)	(1,155)
Auditors' remuneration		
Audit of these financial statements	43	41

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

Notes (continued)

4. Directors' remuneration

	2010	2009
	<u>£'000</u>	<u>£'000</u>
Directors' emoluments		
Remuneration as executives	<u>495</u>	<u>460</u>

Remuneration includes pension contributions of £160,571 (2009: £90,105) 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 £395,226 (2009: £270,946), which included pension contributions of £29,608 (2009: £23,016).

5. Staff numbers and costs

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

	Number of employees	
	<u>2010</u>	<u>2009</u>
Research and development	378	336
Production	34	34
Administration	58	49
Marketing	<u>47</u>	<u>42</u>
	<u>517</u>	<u>461</u>

The aggregate payroll costs of these persons were:

	2010	2009
	<u>£'000</u>	<u>£'000</u>
Wages and salaries	19,034	17,763
Share based payments	3,268	1,766
Social security costs	2,130	2,016
Other pension costs	<u>1,843</u>	<u>1,263</u>
	<u>26,275</u>	<u>22,808</u>

Included in the charge for the share based payments of £3,268,000 (2009: £1,766,000) is £92,000 (2009: £63,000) in respect of the share appreciation rights. The liability at 30 April 2010 in respect of the share appreciation right is £nil (2009: £139,000). 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 43-48.

Notes (continued)

6. Net interest receivable /(payable)

	2010	2009
	<u>£'000</u>	<u>£'000</u>
Interest receivable	14	4
Less interest payable		
Amounts payable on bank loans and overdrafts	<u>(12)</u>	<u>(28)</u>
	<u>2</u>	<u>(24)</u>

7. Taxation

	2010	2009
	<u>£'000</u>	<u>£'000</u>
Analysis of the tax credit in the period		
Foreign tax	861	223
Deferred tax		
Origination and reversal of timing differences	<u>(5,558)</u>	<u>(5,460)</u>
Tax credit	<u>(4,697)</u>	<u>(5,237)</u>
Reconciliation of the notional tax charge at UK standard rate to the actual tax charge		
Profit on ordinary activities before taxation	10,581	3,088
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	2,963	865
Effects of		
Permanent differences	(1,491)	(514)
Benefit from previously unrecognised tax assets	(6,827)	(5,811)
Withholding tax	<u>658</u>	<u>223</u>
Tax (credit)/charge for the period	<u>(4,697)</u>	<u>(5,237)</u>

Notes (continued)

8. Intangible fixed assets

	Patents & Trademarks	
	2010	2009
	<u>£'000</u>	<u>£'000</u>
<i>Cost</i>		
At beginning of year	3,053	2,684
Additions	<u>558</u>	<u>369</u>
At 30 April	<u>3,611</u>	<u>3,053</u>
<i>Amortisation</i>		
At beginning of year	2,159	1,841
Charged in year	<u>366</u>	<u>318</u>
At 30 April	<u>2,525</u>	<u>2,159</u>
<i>Net Book Value</i>		
At 30 April 2010 and 30 April 2009	<u>1,086</u>	<u>894</u>

Notes (continued)

9. Tangible fixed assets

	Freehold Land and Buildings £'000	Leasehold improvements £'000	Plant and equipment £'000	Total £'000
<i>Cost</i>				
At 1 May 2009	1,115	2,568	15,372	19,055
Additions	69	71	1,202	1,342
Disposals	-	-	(5)	(5)
At 30 April 2010	<u>1,184</u>	<u>2,639</u>	<u>16,569</u>	<u>20,392</u>
<i>Depreciation</i>				
At 1 May 2009	93	1,219	12,678	13,990
Charge for year	19	310	1,197	1,526
On disposals	-	-	(3)	(3)
At 30 April 2010	<u>112</u>	<u>1,529</u>	<u>13,872</u>	<u>15,513</u>
<i>Net book value</i>				
At 30 April 2010	<u>1,072</u>	<u>1,110</u>	<u>2,697</u>	<u>4,879</u>
At 30 April 2009	<u>1,022</u>	<u>1,349</u>	<u>2,694</u>	<u>5,065</u>

	2010 £'000	2009 £'000
The net book value of freehold land and buildings comprises		
Land	165	165
Buildings	<u>907</u>	<u>857</u>
	<u>1,072</u>	<u>1,022</u>

Notes (continued)

10. Investments

	2010	2009
	<u>£'000</u>	<u>£'000</u>
Shares in subsidiary undertakings		
Cost at beginning of year	1,779	1,779
Additions	<u>-</u>	<u>-</u>
	1,779	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>121</u>	<u>121</u>
	2010	2009
	<u>£'000</u>	<u>£'000</u>
Trade investment		
Cost and net book value at beginning of year	1,221	1,738
Additions	3,281	-
Gain/(write down) on investment	<u>28</u>	<u>(517)</u>
Net book value of trade investments	<u>4,530</u>	<u>1,221</u>
Total net book value of investments	<u>4,651</u>	<u>1,342</u>

The trade investments relate to the Company's holdings in Toumaz Holdings, Frontier Silicon and GreenPlug

Toumaz Holdings – the Company's holding in FutureWaves, valued at £489,000 as at 30 April 2009, was exchanged during the year for 6,979,612 shares in Toumaz Holdings, a company listed on AIM. During the year, a trade receivable valued at £1,687,000 as at 30 April 2009, was also exchanged for 28,153,153 shares in Toumaz Holdings. The Company's holding was valued at £2,671,000 (2009: £489,000) by reference to the quoted share price of Toumaz Holdings at the reporting date. A gain on conversion of £495,000 has been recognised as a credit in the profit and loss account.

Frontier Silicon – the holding 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% (2009: 2.5%) and using a discount rate of 15% (2009: 15%). Due to the lower resulting valuation of the business and the impact of Frontier's capital structure, the Company's investment has been revalued to £nil (2009: £732,000). A net charge of £732,000 has been recognised as an expense in the Income Statement.

Notes (continued)

10. Investments (continued)

GreenPlug – in consideration for licences and services provided by the Company to GreenPlug, a private US company, the Company received a convertible loan note in GreenPlug. The Company subsequently exchanged this loan note for a share holding in GreenPlug. This holding has been valued by reference to a GreenPlug funding round in January 2010 which valued the Company's holding at £1,859,000. A gain on conversion of £265,000 has been recognised as a credit in the Income Statement.

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%

11. Stock and work in progress

	2010	2009
	<u>£'000</u>	<u>£'000</u>
Raw materials and components	1,115	1,132
Finished goods	<u>3,855</u>	<u>2,591</u>
	<u>4,970</u>	<u>3,723</u>

12. Debtors

	2010	2009
	<u>£'000</u>	<u>£'000</u>
Trade debtors	6,912	9,550
Prepayments and accrued income	13,162	7,934
Loan stock due after more than one year	795	795
Amounts owed by fellow subsidiary undertaking	472	351
Other debtors	<u>228</u>	<u>257</u>
	<u>21,569</u>	<u>18,887</u>

Notes (continued)

12. Debtors (continued)

The Loan balance represents a Loan Note from Frontier Silicon which is non interest bearing

The Loan Note is redeemable in the event of a sale or listing of Frontier Silicon, or at the discretion of Frontier Silicon, or the Loan Note holders in Frontier Silicon, subject to the approval by a majority of the Loan Note holders

13. Creditors: amounts falling due within one year

	2010	2009
	<u>£'000</u>	<u>£'000</u>
Trade creditors	2,959	4,070
Amounts owed to parent undertaking	61,403	54,331
Amounts owed to subsidiary undertakings	244	159
Amounts owed to fellow subsidiary undertaking	2,667	2,641
Taxation and social security	835	635
Accruals and deferred income	<u>7,782</u>	<u>5,104</u>
	<u>75,890</u>	<u>66,940</u>

14. Creditors: amounts falling due after one year

	2010	2009
	<u>£'000</u>	<u>£'000</u>
Long-term loan	<u>373</u>	<u>430</u>

The maturity of obligations under the loan is as follows:

	2010	2009
	<u>£'000</u>	<u>£'000</u>
Within one year	58	58
In the second to fifth years	232	242
Over five years	<u>141</u>	<u>188</u>
	<u>431</u>	<u>488</u>

The loan is secured on a freehold building. The unexpired term of the loan is 9 years and the interest rate on the loan at 30 April 2010 was 2% (2009 2%)

Notes (continued)

15. Deferred taxation

The amounts recognised and unrecognised for deferred taxation are

	2010		2009	
	Amount Recognised	Amount Unrecognised	Amount Recognised	Amount Unrecognised
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Accelerated capital allowances	2,788	-	1,739	-
Short term timing differences	48	-	16	-
Share incentive	1,195	-	1,195	-
Trading losses	<u>6,987</u>	<u>11,215</u>	<u>2,510</u>	<u>9,427</u>
	<u>11,018</u>	<u>11,215</u>	<u>5,460</u>	<u>9,427</u>

A potential deferred tax asset of £11,215,000 (2009 £9,427,000) 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

	2010 <u>£'000</u>	2009 <u>£'000</u>
<i>Authorised</i>		
15,000,000 (2009 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 (2009 14,161,291) ordinary shares of £1 each	<u>14,161</u>	<u>14,161</u>

Notes (continued)

17. Profit and loss account

	2010	2009
	<u>£'000</u>	<u>£'000</u>
Opening balance	(31,866)	(42,088)
Profit for the financial year	15,278	8,325
(Loss)/gain on currency translation	(13)	55
Share based incentives	<u>3,268</u>	<u>1,842</u>
Closing balance	<u>(13,333)</u>	<u>(31,866)</u>

18. Reconciliation of movements in shareholders' funds/(deficit)

	2010	2009
	<u>£'000</u>	<u>£'000</u>
Profit for the financial year	15,278	8,325
Recognised (loss)/gains relating to the year	(13)	55
Share based incentives	<u>3,268</u>	<u>1,842</u>
Net decrease to shareholders' deficit	18,533	10,222
Opening shareholders' deficit	<u>(17,705)</u>	<u>(27,927)</u>
Closing shareholders' funds/(deficit)	<u>828</u>	<u>(17,705)</u>

19. Commitments

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

	2010	2009
	<u>£'000</u>	<u>£'000</u>
Authorised and contracted	<u>412</u>	<u>151</u>

Notes (continued)

19. Commitments (continued)

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

	2010		2009	
	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	24	6	201	12
• In two to five years	-	961	-	886
• Over five years	<u>872</u>	<u>-</u>	<u>695</u>	<u>-</u>
	<u>896</u>	<u>967</u>	<u>896</u>	<u>898</u>

20. 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 £1,843,000 (2009: £1,263,000) 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 2010, the Company recognised an expense of £3,268,000 (2009: £1,766,000) 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 2010.

Notes (continued)

20. Employee Benefits (continued)

Year of Issue	Outstanding as at 30 April 2010	Exercise price	Date from which first exercisable	Expiry date
2000	15,000	212p	2003	2010
2000	*50,000	212p	2002	2010
2001	*1,150,000	64p	2003	2011
2001	372,825	46p	2004	2011
2002	595,900	19p	2005	2012
2003	390,750	34 5p	2006	2013
2003	37,500	60p	2006	2013
2004	83,500	82p	2007	2014
2005	1,114,570	64 25p	2008	2015
2005	702,893	67 5p	2008	2015
2006	51,450	55p	2009	2016
2006	*145,000	55p	2009	2016
2007	152,282	102p	2010	2011
2008	1,587,603	55 6p	2011	2012
2009	651,472	139p	2012	2013
Total	7,100,745			

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 2010	Number of options 2010	Weighted average exercise price 2009	Number of options 2009
Outstanding at the beginning of the period	70p	12,620,969	68p	18,141,993
Exercised during the period	81p	(6,015,291)	48p	(910,207)
Granted during the period	139p	658,209	56p	1,698,505
Lapsed during the period	133p	(163,142)	65p	(6,309,322)
Outstanding at the end of the period	65p	7,100,745	70p	12,620,969
Exercisable at the end of the period	54p	3,889,388	49p	6,631,252

The weighted average share price of shares in Imagination Technologies Group plc during the period was 195 4p (2009 65 5p). The options outstanding at the period end have an exercise price in the range of 19p to 212p and a weighted average contractual life of 3.0 years

Notes (continued)

20. Employee Benefits (continued)

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 2010

	Outstanding at 30 April 2010	Date from which first exercisable	Expiry date
Year of Issue			
2007	536,011	2010	2010
2007	35,618	2010	2010
2008	230,469	2011	2011
2008	4,490,370	2011	2011
2009	480,050	2012	2012
2009	3,579,360	2012	2012
2009	2,250,000	2012	2014
2010	10,130	2010	2010
	<u>11,612,008</u>		

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.

Notes (continued)

20. Employee Benefits (continued)

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.

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

Date of share option grant	Dec 02	May 03	Nov 03	May 04	Jun 04	Jan 05	Dec 05
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 06	Sept 06	Sept 07	Sep 08	Oct 09
Share price at grant date (pence)	55	88	113	69.5	210.0
Exercise price (pence)	69-82	-	-	-	-
Expected volatility	60%	60%	41%	46%	63%
Risk free interest rate	4.5%	4.5%	5.8%	4.4%	1.7%
Time to maturity (years)	5	3	3	3	3
Fair value per option (pence)	28.0	34.7	44.5	31.2	118.0

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 06	Jul 07	Aug 07	Jan 08	Oct 08
Share price at grant date (pence)	70.75	128.5	127.5	119	48
Expected volatility	60%	41%	41%	4.1%	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 09	Dec 09	Apr 10
Share price at grant date (pence)	208	228	226
Expected volatility	63%	59%	63%
Risk free interest rate	1.7%	2.2%	1.7%
Time to maturity (years)	3	3	3
Fair value per option (pence)	156.3	145.0	182.0

Notes (continued)

20. Employee Benefits (continued)

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

21. 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)

22. Post balance sheet events

In November 2010 the Company acquired its current and additional facilities in Kings Langley for a value of £9.0m in order to be able to redevelop the site and provide scope for further expansion. A mortgage of £5.2m has been taken out on these properties.

23. 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.