Imagination Technologies Limited

Annual Report and Financial Statements

31 December 2019

Registered Number 01306335

Annual report

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STRATEGIC REPORT

Business Model, Strategy and Products

What we do
Imagination is an independent IP (Intellectual Property) company, owned by Canyon Bridge, a global private equity firm.

At Imagination, we create and license a range of multimedia, compute and communications processors needed to create SoCs (Systems on Chips) that power mobile phones, consumer multimedia, vision &AI, automotive, data centre, IoT (Internet of Things), gaming and AR/VR devices.

Our product brands are PowerVR for graphics, vision & AI and Ensigma for connectivity, Wi-Fi and Bluetooth.

Our IP is extensively tested and verified, offering our licensing partners low risk solutions accelerating their time to market. Our customer and solutions engineering teams have the latest in tools. And we give extensive global support to our customers including design optimisation kits, reference software and education.

For over a quarter of a century, we have created technology that sits at the heart of many of the world's most iconic devices – from the first 3D graphics accelerators to gaming consoles and smartphones.

Innovation and collaboration are in our DNA. Our goal is to help create a smarter, more connected world that enriches the lives of billions of people. Our core proposition is that we 'Sharpen' our customer's 'competitive edge.' We do this in a number of ways starting from innovative and differentiated IP and proceeding to direct benefits in time to market, time in market, and total cost of ownership that derive from our business model.

Business Model
Our business model is simple. We invest in research and development to create and provide IP, tools and software for our customers. We receive payments when we license our technologies to customers. They then take our IP and integrate it within their products. Royalties are then received from customers when they ship products using our IP.

Service and partnership are also very important to our business. The majority of our sales are to existing, often long-term, customers.

Our business model means we only succeed if our customers succeed. We receive a royalty payment when companies create products in volume using our technologies. If our customers do not ship in volume, we don't make a profit. This means we are motivated to work in partnership with our customers and to deliver the support and services they need to reach their target market, on time and in volume.

Strategy
Our strategy is to build IP solutions for customers, across a wide range of markets, where we can provide leading, differentiated offerings and build defendable positions; delivering long-term value in the process.

We do this by focusing investment on our core IP businesses while providing outstanding service to our customers and rewarding careers to our employees.

We create novel, patent protected technology that is not easy to copy, and we focus on areas where there is scarcity of solutions which enables us to achieve a return on our R&D investment.

Our IPs are critical building blocks necessary for our customers to create very complex chips; using our IP enables them to focus on their core value proposition.

It is crucial that we create new technologies and we are a significant generator of new patents. Over the past year we have extended our graphics technology with further development of ray tracing IP and extended our R&D into new compute solutions.

Being UK based puts us in a positive trade position with the world and we are focused on export of our technology to markets including the USA, Japan, South Korea and China where demand is highest and there are strong clusters of innovative technology companies.

Our technology has unique advantages that make it highly desirable, built on our R&D innovation. Our focus on low power consumption, the smallest silicon area, and the highest efficiency are three key reasons our technology is the choice of leading chip companies.

Our Technologies

PowerVR
PowerVR graphics processors enable a cutting-edge, power-efficient and flexible solution for all forms of multimedia processing, including 3D and 2D graphics as well as high performance GPU compute, all in the same unified engine.

Consisting of a comprehensive range of multimedia IP, from GPUs for graphics and GPU compute, to imaging and vision, PowerVR's technology takes data from sensors or CPUs to screen, delivering stunning images for entertainment, user interfaces and much more.

PowerVR GPU cores are a leading graphics IP solution for embedded devices. PowerVR GPUs power iconic products delivering the best in smartphone, tablet, TV and console markets, including advanced user interfaces and high-performance gaming. PowerVR Ray Tracing enables state of the art realistic image rendering using light-modelling techniques that, unusually for ray tracing, can be applied to embedded graphics applications.

Our Vision and AI (artificial intelligence) cores are dedicated to neural network and computer vision acceleration. PowerVR vision and AI cores bring new processing capabilities to evolving and emerging markets including mobile, automotive, home entertainment, AR/VR and smart surveillance. Our Neural Network Acceleration (NNA) technology combines hardwired support for the key NN standards with flexible processing based on our GPU architecture. This technology enables high-performance computation of neural networks at very low power consumption in minimal silicon area.

Ensigma
The Ensigma wireless connectivity family is the most comprehensive range of wireless connectivity IP solutions in the market today. It enables high-performance and low-power connectivity for Wi-Fi and Bluetooth.

Ensigma provides a unique end-to-end IP solution, encompassing all parts of the wireless system; RF, baseband and software with interoperability certification and RF compliance. With over 30 supported wireless standards in Wi-Fi, Bluetooth, Bluetooth Low-Energy, IEEE 802.15.4, and radio.

Ensigma connectivity solutions enable the integrating of connectivity inside SoCs, optimised to provide the most efficient power and performance. The Ensigma architecture can also enable broadcast and satellite capabilities. As well as connectivity IP, we deliver comprehensive RF and software solutions.

General Business Review

Introduction

Imagination's strategy continues to be that of focusing on scalable IP solutions, across a variety of end markets where we can build defensible positions, focused on our key domain areas of graphics, compute, AI and connectivity.

Imagination has received, and expects to continue to receive, significant support from Canyon Bridge as we seek to advance our position in the global semiconductor industry and penetrate new high-growth application areas, such as edge computing. Imagination continues to leverage Canyon Bridge's international network to discover new opportunities.

It takes typically two-to-three years for royalty revenues to arise from a licensing agreement. Royalty revenue in 2019 was lower, in large part due to the uncertainty around Imagination during 2016-2017, prior to Canyon Bridge's acquisition, which significantly impacted licensing activity at that time.

During 2019 we introduced an annual strategy review process, and together with organisational improvements in the areas of business operations and product management, we expect this to help ensure we are developing the right products, for the right customers, in the right growth markets.

PowerVR

PowerVR reiterated its technology leadership in embedded GPU, with its development and launch of the highest performance GPU, the IMG A-Series, which through its scalability, is suitable for a range of products ranging from smartphones, all the way up to data centres, encompassing graphics and compute applications. Our automotive GPU business continued to grow its sizeable market share, helped in part by the new licensing agreement with Telechips.

PowerVR remains the main engine of Imagination's revenues and cash flows, and its future growth prospects have been strengthened with the launch of our Ray Tracing technology, which takes image quality beyond GPUs to provide photorealistic images. Imagination has a strong value proposition in Ray Tracing, which is highly patent protected. We believe Ray Tracing will add significant value to the smartphone product segment and to augmented and virtual reality applications, adding further levels of growth to PowerVR.

Our Neural Network Accelerator (NNA) business continued to grow, with a notable license agreement for our latest 3NX NNA product with Unisoc of China, who had previously used our 2NX NNA. While many companies have developed their own in-house NNAs, we believe that many will drop out of the "innovation marathon" due to the R&D intensity required, providing further growth opportunities for our NNA business.

During 2019 we announced a partnership with SiFive, allowing their customers to access Imagination's GPU and NNA technologies, expanding our market reach.

Ensigma

Ensigma took decisive action to narrow its focus and reduce losses by streamlining its product portfolio. Licensing and royalties were still feeling the after-effect of the recent sale process, but recent product introductions such as Bluetooth Low Energy have been very well received, and Ensigma now looks forward to the market opportunities created by the 802.11ax Wi-Fi standard. With each new connectivity standard, complexity increases, and fewer vendors are able to keep up and develop their own solutions, creating more opportunities for Ensigma connectivity IP.

In addition to new opportunities created by the introduction of these new connectivity standards, Ensigma expects to benefit from the emergence of "connected micros", where a microprocessor is tied to a wireless connectivity core – essential for a plethora of IoT applications. We anticipate that the wireless connected micro will be ubiquitous, following in the long line of micros that supported previous connectivity standards such as RS-232, Ethernet, USB, etc.

To this end, Ensigma entered into a partnership with Andes, integrating Ensigma connectivity IP with Andes' microprocessor IP to provide an off-the-shelf solution for the diverse IoT market.

Apple

We announced in April 2017 that Apple had informed us that it would no longer use the Imagination Group's intellectual property in its new products and as such Imagination would experience a long running decline in royalty volumes in future years. However, during 2019 we negotiated a new multi-year license agreement under which Apple has access to a wider range of Imagination's intellectual property in exchange for license fees. This replaces the previous agreement.

Financial performance
Imagination's trading performance during 2019 remained challenging, resulting in an operating loss of £24.7m (2018: operating profit £2.3m). Finance expenses of £0.2m (2013: £1.2m) and taxation of £2.6m (2018: £2.3m) resulted in a statutory operating loss for 2019 of £27.4m (2018: £1.2m).

Revenue for the year was £68.2m compared to £86.4m in 2018.

Within this, licensing revenue was £48.9m (2018: £14.6m), with a particularly strong H2 as customers started to re-commit to Imagination's roadmap, following the initial pause to business after CBFI's acquisition. The significant period-on-period increase is due to the changing commercial relationship with one of our customers, Apple – read more below.

Royalty revenue for the 2019 year was £19.2m (2018: £71.5m). This significant period-on-period reduction is similarly due to the changing commercial relationship with Apple which will be explained below. Royalty revenue excluding Apple in calendar year 2018 was £23.9m which allows for a more meaningful comparison. The 2019 reduction can be attributed to the global slow down experienced by many vendors in the semiconductor industry, and Imagination not retaining a couple of design slots with customers. Imagination continues to have strong relationships with these customers and are hopeful of winning back design slots in the very near future which should see improved royalty revenues, with all other market conditions being equal.

As stated in the business review above, during 2019 Imagination successfully negotiated a new multi-year license agreement, under which Apple has access to a wider range of Imagination's intellectual property rights in exchange for license fees, rather than royalties. This does not exclude the potential for Apple to licence new technology from Imagination in the future, which would result in additional licence fees.

The weakening of the pound during 2019 improved conversion of dollar revenues above, by approximately 3.9%.

Operating expenses in 2018 were £92.9m compared to the £84.2m following some one-off additional costs on onerous revenue contracts.

The Company's balance sheet at 31 December 2019 is healthy, showing net current assets of £49.3m compared to £37.8m last year (when amounts due to fellow Imagination Group companies are excluded).

Further information on the financial performance of the Imagination Group is contained in the Strategic Report in the consolidated financial statements of CBFI Investment Limited – the Company's indirect UK parent company.

Going concern

In preparing the financial statements on a going concern basis, the directors have considered whether the Company (the largest trading component of the Imagination Group) can continue in operational existence for the foreseeable future. One of the significant uncertainties noted in the 2018 financial review was regarding uncertainty over Imagination's relationship with Apple. This was successfully resolved during 2019 securing strong cash flows for multiple years. However, executing the Imagination Group's desired future strategy, especially in light of recent economic events, may result in the Imagination Group requiring additional working capital beyond the existing facilities described above. In that scenario, the Imagination Group would require further financial support – as stated earlier in this review, assurances have been provided by Canyon Bridge Fund I, LP that such support will be provided.

The Imagination Group's future cash flows and going concern considerations are discussed further in the Directors Report and note 1 to the accounts.

Customers and colleagues

Imagination's innovative technology underpins many leading electronics products from top tier brands. We appreciate that our customers have a choice and we are very grateful that they chose to work with us through 2019. Our innovative technology, and our success, is directly linked to our immensely talented global workforce, which has stayed the course with Imagination as we continue our turnaround journey.

In December 2019 we announced a complete course on mobile graphics for undergraduates as part of the Imagination University Programme, which will seed the industry with incoming talent familiar with Imagination graphics technology.

Outlook

With the backing of Canyon Bridge, Imagination Technologies is now fully capitalising on opportunities in the global semiconductor industry. The company has a strong roadmap, and with excellent partnerships around the world we are confident in its future success. Our staff retention rate is the envy of our industry, and our product portfolio will propel our growth, while also allowing us to reduce customer and market concentration in our revenues.

Principal Risks and Uncertainties

The Company places great importance on the identification, assessment and effective mitigation and monitoring of our risks. Our approach to risk management helps us to deliver our objectives and maximise the returns of the Company.

The following table describes the risks that the Board considers to have a potential material impact on the Company. With the exception of the Covid-19 risk all risks are specific to the nature of our business notwithstanding that there are other risks that may occur and may impact the achievement of the Company's objectives.

The Board discussions on risk have focused on these items and the actions being taken to both manage and review them regularly.

Risk or uncertainty and potential impact	How we manage it
COVID-19	
The COVID-19 pandemic is an unprecedented global crisis, at risk of impacting a broad range of areas including: • Employee mental and physical wellbeing • The ability to meet commitments to customers • The ability to meet product release schedules • Financial performance due to market impact • The sustainability of the company's current operating model The global nature of the pandemic brings added complexity as this risk needs to be managed across all global sites with measures appropriate to local conditions and legislation.	Taskforce formed to manage the response to COVID-19 pandemic Workforce currently working remotely indefinitely in regions where there is high risk of COVID-19 with minimal impact to productivity Government guidelines across each region are tracked and are met or exceeded by Company policy A range of long-term operating models being investigated to ensure disruption to output and risk to employee wellbeing is effectively managed Customer activity is being tracked and financial impact of pandemic is being modelled under numerous scenarios
Customer Concentration	
The business currently has a large portion of revenue related to a small number of customers and technologies. Consolidation within the industry could drive this further and increase Imagination's dependence on a limited number of customers.	Strategy focused across a number of market segments Develop relationships with a wider number of customers spread across different sectors and jurisdictions Monitor trends and changes in the semiconductor industry Develop business models that reflect the changing industry landscape Develop sales strategies to broaden our customer base Increase marketing activity to highlight the breadth of markets that we target and operate Establish, maintain and reinvigorate status of business relationship with current and future customer set.
Company Strategy	
In a fast moving business environment, the Company Strategy may become obsolete before it has been fully executed leaving the business without a meaningful place in the market	Strategy is reviewed and updated on an annual basis Regular monitoring of the Company strategy with the Board and EMB through the year, with a particular focus on current and future cashflow requirements.

Competitive Position	
The business operates in a highly competitive market and needs to be able to respond rapidly to competitive threats as well as customer requirements. A change in the business environment or business models employed by our customers could have a detrimental impact on our financial performance.	Drive and deliver new product developments and enhancements which deliver leading, disruptive technology Establish trusted relationships with customers to ensure we fully understand their strategic direction Monitor and understand our competitors Focus on being responsive to customers and improving the quality and delivery of our products Adapt a flexible approach to different business models Obtaining advice on critical underpinning technologies and developments relevant to our core products
Intellectual Property	
Patent-related threats from third parties seeking to use patents as an alternative way of generating revenue. Infringing others patents.	Build a portfolio of strategically important patents Regularly screen relevant third party patents to avoid infringement Track industry movements, particularly involving standardisation bodies, to predict and avoid patent risks Build strong relationships with external counsel to enable us to act quickly and defend our position Work closely with customers to respond quickly to potential threats File more patents in key markets like China and India
Cyber Risk	
Cyber risk causes disruption to the business or loss of IP following a cyber-attack. This could cause interruption of internal or external facing systems, including; interruption to the business caused by a loss of data and reputational damage from a loss of personal or confidential data. The cost or effort to reconstitute data that has been stolen or corrupted and commercial loss from the theft of commercially sensitive data, including IP.	Use next generation of firewall protection worldwide. Authentication processes including wider use of single sign on and multi-factor authentication for VPN and cloud based SaaS. Improved protection of confidential data on portable computers including, encryption, data-loss prevention and next generation anti-ransomware. Systematic software patching routines to close security vulnerabilities. Proactive network perimeter scanning for vulnerabilities Use of third party audits. Additionally, we have physical on-site security at our data centre.
Products Meeting Customer Requirements	
Unable to deliver new products on time or achieve performance that does not meet market requirements in terms of specification, quality or timeliness could result in loss of market share	Put in place resources to manage and monitor customer requirements Project management, including using project management systems

with a corresponding impact on financial performance.	Checks throughout the project to ensure the expected outcomes including specification and timing will be achieved Roadmap planning process including discussion with key customers Prioritisation of R&D resources to key projects
Macro-Economic Developments	
Changes in global economic conditions, including the recent trade tensions between China and the USA, can have a significant impact on our partners and customers and therefore may affect the financial performance of the business. Our ability to maintain neutrality is important as this can adversely affect the willingness of customers to do business with us.	*Broad customer, engineering and products base to balance risk* Continuous review of market forecasts and macro-economic lead indicators. Prioritisation of cashflow to ensure ongoing funding of the business Clear focus on marketing communications to ensure the Company is accurately portrayed in the media.
Foreign Exchange	
Significant amounts of the Company's revenue is received in US dollars.	Foreign exchange hedging strategy implemented
Effective Management of People	
In a complex, geographically diverse and fast moving business it is critical that we retain and attract the skills and capabilities needed in sufficient numbers to deliver our objectives and maintain an entrepreneurial and dynamic culture. Internal control failure such as an employee committing fraud or bribery due to lack of integrity or awareness.	Ensure competitive remuneration package is designed to attract, retain and reward employees with ability and experience to execute Company strategy Clear focus on diversity and inclusion and encouragement of women in developing their careers Gender pay gap reporting Invest in training Succession planning A clear set of values and underpinning behaviours Increase frequency and quality of communications
Cash resources	
Additional funding for continued product development	Costs continue to be managed to focus cash resources Cash is managed on a weekly basis with detailed monitoring Close relationship with Imagination's owners to ensure they understand our strategy and are willing to provide the necessary debt facility required to execute our plans or to support external funding raising.

Corporate and Social Responsibility Report

Corporate and social responsibility

Imagination remains focused on delivering business success in a responsible way, always seeking to maintain high environmental and ethical standards. Recognising that we have responsibilities to all stakeholders, including our employees, their families and the local communities within which we operate, the Company continues to develop positive business relationships with partners, customers, suppliers and others.

The Company remains geographically spread across many global locations, operating in local communities and being mindful of the surrounding environment. Our global workforces are highly skilled employees, and irrespective of location, are afforded their employment rights in line with local laws and have a platform to raise concerns or issues related to their employment without fear of redress. The Company encourages and supports the work of our employees to support local charities and communities. All employees are required to act honestly, fairly and with integrity and we ensure that updates are provided regularly on their obligations.

The Company is committed to providing equal opportunities irrespective of age, gender, marital status, sexual orientation or physical or mental disability – this is reflected in the Company's policies and operational arrangements. The commitment to achieving equality is continually strengthened by work undertaken on reward structures, career development programmes, recruitment practices in addition to providing transparency on our gender pay gap.

Environmental impact and energy use

As an organisation, our environmental footprint in the main is low. With our core business centred around the development of intellectual property, our emissions stem from the use of electricity in our offices and air travel. With greater use of enhanced business technology such as video conferencing, and tighter management of travel, we continue to reduce non-essential travel and the emissions we produce.

We support a number of energy saving and conservation strategies including movement sensitive lighting, power settings on computers and printers and the use of whiteboards to minimise the use of flipcharts and paper.

We support initiatives such as car sharing and offer a cycle to work scheme to reduce our carbon footprint. We have a flexible working policy and allow employees to work within a core hours policy to reduce the need to travel at peak times of the day.

The Company is headquartered in Kings Langley, occupying two buildings both of which have a BREEAM rating of 'Excellent' and the maintenance regime is such that this level of award will be maintained.

As part of our environmental responsibilities, we maintain native boundary structure and habitats within the canal area that is within the Kings Langley campus.

Data Centre

We own and operate a dedicated data centre to meet the Company's considerable IT requirements. To manage our environmental footprint, the Company condensed activity to one of the two halls. The data hall is supported by a highly efficient electrical distribution system that utilises state of the art static UPS systems that have multiple modes of operation to maximise energy efficiency. A low energy cooling solution has also been adopted that provides both a water and air cooled solution.

Recycling

We continue to take steps to ensure that across all our geographical locations we encourage and support employees to recycle their day to day waste, providing recycling bins for cardboard and non-confidential materials and separate confidential bags in every office, all of which are recycled. There are also recycling bins in each kitchen area. Energy saving measures are also in place for recycling components, such as printed circuit boards, outdated computer equipment, toners cartridges, surplus packaging and paper. All cardboard, wooden boxes, drink cans and plastic bottles are currently recycled.

We encourage the electronic distribution of documentation to customers, suppliers and colleagues eliminating the need where possible for printing and binding. Any necessary printing being done on recycled paper and double sided by default.

The Company's employees

The Company recognises that its reputation and success depends upon the efforts, integrity and commitment of its people. Employee engagement across the whole Company continues to be a priority, developing the communication channels to help employees develop their knowledge of the business, offer ideas and innovate for the future.

We have a well-established Employee Engagement Forum and staff events programme, which provide regular opportunities for the CEO and Executive Management Board to inform employees of the Company's Annual Operating Plan which covers, performance, strategy, vision and operational developments. Through developed internal communication channels, we continue to encourage open discussions and innovation across the organisation.

We regularly check-in with staff to understand how they are feeling through the Company "pulse surveys". This helps us to gain valuable insight into their views on how they feel the Company is being managed and provides us with an opportunity to address concerns and foster good employee relations.

The Company supports an Employee Engagement Forum which brings together employees from all divisions across our global network to discuss issues of relevance and represent the views and opinions of employees, which feed into the Executive Management Board.

We have a range of policies to ensure our employees understand what is expected of them and what support they may expect from the Company in return. These polices provide a framework to ensure that employees are treated with respect and dignity and for the Company to act ethically and with integrity. These policies include, sickness at work, flexible working, health & safety, parental leave.

Graduate recruitment and internship programme

We remain focused on bringing people into engineering: the Company runs a graduate recruitment and internship programme with universities and colleges throughout the UK and other key locations. We have developed strong relationships with a number of universities specifically in the UK and seek to extend that to other oversees educational establishments where appropriate.

Academic outreach and sponsorship

We maintain active links with universities and are supporting developments in specific areas relevant to our intellectual property, in addition to providing scholarship awards to university students.

The Company has also seen an increase in young people from the local community undertaking a structured annual work experience program to enable them to learn more about the careers available within our industry sector.

Diversity

We believe that equality, diversity and inclusion are vital components for a thriving, successful organisation. We want to make the most of our collective abilities and ensure that we create an environment where our different backgrounds, perspectives and talents are recognised.

The Company is committed to building a diverse organisation and has appointed a member of the Executive Management Board to drive diversity and inclusion activities. We ensure that we follow all legal requirements and best practice in employment across the jurisdictions, based on equal opportunities for all employees, through the full employee life cycle.

Our HR system allows for the recording of diversity data, which enables us to monitor diversity within our workforce and identity actions to address areas of concern. The data supports the development of our plans and ensures our efforts are focused and proportionate.

We have recently published our gender pay gap report and will implement changes to address the gap. We have held unconscious bias workshops to support processes such as recruitment & selection, promotions and salary reviews.

A Women in Tech group has been established with the aim of attracting more female engineers into the organisation and deliver greater gender diversity into the tech workforce of the UK. This is underpinned by our membership with WISE, an organisation which supports businesses in attracting, retaining and progressing the number of women in STEM.

A STEM outreach programme has been created, which has brought together engineers from across the business with the aim of reaching out to local school children to inspire a diverse pool of young people and females into STEM subjects and careers.

We are an equal opportunities employer and we actively encourage employees with disabilities to seek help and guidance, making it clear that they will be supported in their career. Job applicants and employees with disabilities are encouraged and given full consideration for employment, promotion and training (including, if needed, retraining for alternative work where employees have become disabled), based on their aptitudes and abilities.

Approval

This Strategic report has been prepared solely to provide additional information to shareholders to assess the Company's strategies and the potential for those strategies to succeed.

The Strategic report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward- looking information.

The directors, in preparing this Strategic report, have complied with section 414c of the Companies Act 2006.

This report was approved by the Board of directors on 22 December 2020 and signed on its behalf by:

Ray Bingham

Director

Directors' report

The Directors present their report and audited financial statements of the Company for the year ended 31 December 2019.

The Board has prepared a Strategic Report including a general business review, which provides an overview of the development and performance of the Company's business to 31 December 2019. Certain information required to be included in the Directors' report can be found in other sections of the Annual Report as described below. All information presented in these sections is incorporated by reference into this Directors' report and is deemed to form part of this report:

- Review of the performance and future development of the Company, Strategic Report, pages 6 to 7
- Principal risks and uncertainties, Strategic report, pages 8 to 10
- Employment matters, Strategic report, page 12
- Significant events since the balance sheet date are disclosed in note 18 in the notes to the consolidated financial statements.

Directors

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

Ronald Black (appointed 1 January 2019, resigned 10 April 2020)

Ray Bingham (appointed 10 April 2020)

Simon Beresford Wylie (appointed 17 November 2020)

John Richardson (appointed 17 November 2020)

Mark Logan (appointed 17 November 2020)

Research and development

The continuing cost of research and development expenditure and advanced technology projects charged directly to the income statement was £60,621,000 (2018: £51,723,000). An indication of likely future developments in the business of the Company and details of research and development activities are included in the Strategic report.

Political donations

No political donations were made during the period. Imagination has an established policy of not making donations to any political party, representative or candidate in any part of the world.

Share capital

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the period are shown in note 16, which is incorporated and deemed to be part of this report. The Company has a single class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. As at 31 December 2019, there were 14,161,291 ordinary shares in issue and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

Dividends

The directors do not recommend the payment of a dividend.

Directors' indemnities

All directors of the Company have the benefit of directors' and officers' liability insurance which was in place throughout the financial period. Qualifying third party provisions for the benefit of all directors of the Company were in place during the financial period. Article 83 of the Company's Articles of Association provides for the indemnification of directors of the Group (i.e. CBFI Investment Ltd and subsidiaries, of which Imagination Technologies Limited is one) against liability incurred by them in certain situations, and is a 'qualifying indemnity provision' within the meaning of section 236 of the Companies Act 2006. The qualifying indemnity was in force during the financial period and was up to the date of signing the annual report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, 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), including FRS 101 *Reduced Disclosure Framework.*

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 judgements 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Basis of preparation

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future.

As mentioned in the Strategic report, Imagination successfully renewed its partnership with Apple during 2019, signing a multi-year license agreement. These future cash commitments have gone some way to ensuring the viability of the business for years to come.

However, as is the case for other IP vendors within our industry (and all companies generally speaking), market trading conditions are expected to remain difficult for the foreseeable future. There are lots of uncertain variables which could impact expected trading performance of the Company. However, this is alleviated by the financial support offered by the Canyon Bridge Fund I, LP – a parent undertaking.

Since the acquisition of the Imagination Technologies Group by Canyon Bridge on 2 November 2017, Canyon Bridge has promised continued financial support to the Imagination Group, of which this Company is a member. At the date of this report, Canyon Bridge has advanced the Imagination Group $50.2m (2018: $42.0m) and has promised more funding as and when required. This funding would be re-payable on demand to Canyon Bridge. The Company has no reason to doubt the availability of these future funds from Canyon Bridge, and has received written assurances to this effect.

The Directors have recently reviewed the Imagination Group's strategy and future business and updated its Annual Operating Plan ("the Plan"). This included cash flow forecasts for a period in excess of 12 months from the date of these financial statements. The Plan covers a variety of scenarios, namely quantifying the impact of the recent Covid-19 global pandemic, and the achievement of the current and future years' sales budget, since the cost base is relatively predictable or fixed. Whilst the Plan is robust, the overall conclusion remains that if Imagination significantly miss the new licensing business target set, and/or sales of our customers' SoCs are significantly impacted (which determine our royalty revenues), it is possible the Imagination Group would requiring additional working capital beyond the Company's current standalone facilities. While ongoing support has been provided by Canyon Bridge, and further financial support has been promised, these facilities are not contractually secured at the date of this report. As a consequence, there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern without Canyon Bridge's on-going support and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Based on the assessment of the Plan and promised support from Canyon Bridge, the Directors' believe that the Company will continue to have acceptable financial resources to meet obligations as they fall due and accordingly have formed a judgement that it is appropriate to prepare the financial statements on a going concern basis. Therefore, these financial statements do not include any adjustments that would result if the going concern basis of preparation is inappropriate.

Disclosure of information to auditors

Each director confirms that, at the date this Annual Report and Accounts was approved, so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he or she ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

For and on behalf of the Board

Ray Bingham

Director

22 December 2020

Company number: 01306335

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMAGINATION TECHNOLOGIES LIMITED

Opinion

We have audited the financial statements of Imagination Technologies Limited ("the company") for the year ended 31 December 2019 which comprise the profit and loss account, statement of comprehensive income, balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates the uncertainty of future cash flows, the sensitivity of the cash flow forecasts to the planned revenue receipts, and the availability of additional facilities from Canyon Bridge Fund I, LP as may be needed if these revenues do not materialize. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 16, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 auditor's 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.

John Bennett (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

23 December 2020

Income statement

	Notes	**2019 £'000**	2018 £'000
Turnover	1, 2	**68,220**	86,443
Operating expenses	3	**(92,890)**	(84,165)
Operating (loss) / profit		**(24,670)**	2,278
Financial expense	6	**(155)**	(1,196)
(Loss) / profit before taxation		**(24,825)**	1,082
Taxation charge	7	**(2,562)**	(2,308)
Loss for financial year		**(27,387)**	(1,226)

All activities in 2019 are continuing.

There is no difference between the total reported result for the period and that on a historical cost basis.

The notes on pages 24 to 47 form part of these financial statements

Statement of comprehensive income

	2019 £'000	2018 £'000
Loss for the financial year	**(27,387)**	(1,226)
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Reclassification to profit or loss during the period – disposal of asset available for sale	-	(182)
Change in fair value of assets classified as available for sale	**(2,211)**	2,211
Other comprehensive (loss) / income for the year, net of income tax	**(2,211)**	2,029
Total comprehensive (loss) / income for the year	**(29,598)**	803

The notes on pages 24 to 47 form part of these financial statements.

Balance sheet
As at 31 December 2019

	Note	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Non-current assets			
Intangible assets	8	**9,889**	9,102
Tangible assets	9	**36,459**	19,904
Investments in subsidiary undertakings	10	**2,884**	2,883
Trade investments	11	**-**	4,695
		49,232	36,584
Current assets			
Debtors	12	**35,130**	43,342
Cash at bank and in hand		**48,195**	23,627
		83,325	66,969
Creditors: amounts falling due within one year	13	**(133,381)**	(88,917)
Provisions: amounts falling due within one year	15	**(3,135)**	(4,746)
Net current liabilities		**(53,191)**	(26,694)
Total assets less current liabilities		**(3,959)**	9,890
Creditors: amounts falling due after more than one year	14	**(16,826)**	(981)
Provisions: amounts falling due after more than one year	15	**(660)**	(756)
Net (liabilities) / assets		**(21,445)**	8,153
Capital and reserves			
Called up share capital	16	**14,161**	14,161
Revaluation reserve		**-**	2,211
Retained earnings		**(35,606)**	(8,219)
Total Shareholders' (deficit) / funds		**(21,445)**	8,153

The notes on pages 24 to 47 form part of these financial statements. These financial statements were approved by the board of directors on 22 December 2020 and were signed on its behalf by:

Ray Bingham
Director
Registered Number 1306335

Statement of changes in equity

	Share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2018	14,161	182	(6,420)	7,923
Loss for the financial period	–	–	(1,226)	(1,226)
Other comprehensive income *Transactions with owners, recorded directly in equity*	–	2,029	–	2,029
IFRS 15 adj to opening reserves (see note 1)	–	–	(573)	(573)
At 31 December 2018	14,161	2,211	(8,219)	8,153
At 1 January 2019	**14,161**	**2,211**	**(8,219)**	**8,153**
Loss for the financial year	**–**	**–**	**(27,387)**	**(27,387)**
Other comprehensive income ***Transactions with owners, recorded directly in equity***	**–**	**(2,211)**	**–**	**(2,211)**
At 31 December 2019	**14,161**	**-**	**(35,606)**	**(21,445)**

The notes on pages 24 to 47 form part of these financial statements.

Notes *(forming part of the financial statements)*

1. Accounting Policies

Basis of preparation

Imagination Technologies Limited is a company incorporated in the UK under the Companies Act 2006. The address of the registered office is given in note 20. The nature of the company's operations and its principal activities are set out in the strategic report on pages 3 to 7.

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.

The company is a subsidiary undertaking of CBFI Investment Limited, which is the parent company whose 31 December 2019 financial statements the results of Imagination Technologies Limited are consolidated. The ultimate parent company is China Venture Capital Fund Corporation Limited.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- IAS 36 Impairments; and
- IFRS 16 Leases.

As the consolidated financial statements of CBFI Investment Limited include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

Measurement convention

The financial statements have been prepared on the historical cost basis except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the good and services. The principal accounting policies adopted are set out below.

Going concern

Notwithstanding net current liabilities of £53,191,000 as at 31 December 2019 and a loss for the year then ended of £27,387,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. The Company is a subsidiary of Imagination Technologies Group Limited that was acquired by CBFI Investment Limited, a vehicle controlled by Canyon Bridge Fund I, LP in 2017. It is the main trading entity in the CBFI Group

As mentioned in the Strategic report, Imagination successfully renewed its partnership with Apple during 2019, signing a multi-year license agreement. These future cash commitments have gone some way to ensuring the viability of the business for years to come.

However, as is the case for other IP vendors within our industry (and all companies generally speaking), market trading conditions are expected to remain difficult for the foreseeable future. There are lots of uncertain variables which could impact expected trading performance of the Group. However, this is alleviated by the financial support offered by the Canyon Bridge Fund I, LP – a parent undertaking.

Since the acquisition of the Imagination Technologies Group by Canyon Bridge on 2 November 2017, Canyon Bridge has promised continued financial support to the Imagination Group. At the date of this report, Canyon Bridge has advanced the Imagination Group $50.2m (2018: $42.0m) and has promised more funding as and when required. This funding would be re-payable on demand to Canyon Bridge. CBFI has no reason to doubt the availability of these future funds from Canyon Bridge, and has received written assurances to this effect.

The Directors have recently reviewed the Imagination Group's strategy and future business and updated its Annual Operating Plan ("the Plan"). This included cash flow forecasts for a period in excess of 12 months from the date of these financial statements. The Plan covers a variety of scenarios, namely quantifying the impact of the recent Covid-19 global pandemic, and the achievement of the current and future years' sales budget, since the cost base is relatively predictable or fixed. Whilst the Plan is robust, the overall conclusion remains that if Imagination significantly miss the new licensing business target set, and/or sales of our customers' SoCs are significantly impacted (which determine our royalty revenues), it is possible the Imagination Group would requiring additional working capital beyond the Imagination Group's current standalone facilities. While ongoing support has been provided by Canyon Bridge, and further financial support has been promised, these facilities are not contractually secured at the date of this report. As a consequence, there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern without Canyon Bridge's on-going support and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Based on the assessment of the Plan and promised support from Canyon Bridge, the Directors' believe that the Company will continue to have acceptable financial resources to meet obligations as they fall due and accordingly have formed a judgement that it is appropriate to prepare the financial statements on a going concern basis. Therefore, these financial statements do not include any adjustments that would result if the going concern basis of preparation is inappropriate.

Revenue

Revenue comprises of; the value of consideration received for sales of licenses to the Company's technology, royalties arising from the resulting sale of licensees' products embedded with the Company's technology, development income, support, maintenance, training, and the sale of goods.

The Company recognises revenue on completion of the transfer of promised goods or services to a customer, and the amount of revenue recognised is the consideration the Company expects to be entitled to in exchange for these goods or services.

IFRS 15 sets out five steps which the Company consider at the outset when a new contract is signed:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price;
- Recognise revenue when or as a performance obligation is satisfied.

Contracts the Company enter into often promise various goods or services, therefore at inception these promises are determined whether they are distinct.

Where an agreement involves several performance obligations, the total fee is allocated to individual performance obligations based on their relative fair value. The fair value is assessed by reference to prices regularly charged for the performance obligation when it is sold separately, or if this cannot be used, then other factors may be considered, such as the excess of similar agreements over the charges of separately identifiable obligations. If the transaction price of an obligation is not determinable, then the total fee is deferred until the such time as it is determinable, or the performance obligation has been delivered to the customer. Where, in effect, two or more performance obligations of an agreement are linked and fair values cannot be allocated to the individual obligations, the revenue recognition criteria are applied as if they were a single performance obligation.

Revenue from standard licenses (for 'off the shelf' IP which requires very little customisation) is recognised at 'Point-in-Time' on delivery to the customer, which is when it is considered the above conditions are met.

Revenue associated with rights in license agreements to access unspecified current and future Intellectual property is recognised 'Over-Time' (i.e. straight-line recognition over contract period) following the satisfactory meeting of the following criteria:

- (a) the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights;
- (b) the rights granted by the licence directly expose the customer to any positive or negative effects of the entity's activities identified;
- (c) those activities result in the transfer of a good or a service to the customer as those activities occur.

Revenue on development work is often high value and highly bespoke to the customers precise specifications. Each contact is reviewed in turn and assessed at inception. If a particular fact pattern is established, the Company may consider it most appropriate to recognise revenue 'Over-Time' using percentage-of-completion method over the period from the start of the development to delivery. This is often due to the meeting of criterion IFRS15 35(c) that the Company's performance does not create an asset with an alternative use to the Company, and the Company has enforceable right to payment for the performance completed to date. Examples of potential scenarios for why there is no alternative use could be that the contracted product is so bespoke, or because contractual restrictions preclude the Company from readily repurposing the asset.

The percentage-of-completion is measured using an input method, by monitoring progress compared with the total estimated project requirement. Progress is measured by an assessment of performance against key development milestones.

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 un-invoiced consideration and therefore whether revenue should be recognised. In particular it considers whether there is sufficient certainty that the invoice milestones will be achieved 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 into the Company, taking into account these criteria, revenue is not recognised until there is sufficient evidence that it is probable that the economic benefits associated with the transaction will flow into the Company.

Revenue for maintenance is recognised 'Over-Time', over the period for which maintenance is contractually agreed with the licensee. This is because the customer simultaneously receives and consumes the benefits as the Company performs them.

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. Notification is generally received in the quarter following the shipment of the customer's products.

Revenues from the sale of goods are recognised upon delivery.

Revenue is accounted for net of VAT.

Research and development costs
Costs of basic and applied research, and all development costs, are recognised in the profit or loss in the period in which they are incurred by the company.

Tangible fixed assets

All tangible assets are stated at historical cost less accumulated depreciation less accumulated impairment losses to their estimated residual values over the period of their estimated useful economic lives.

Useful lives and residual values are reviewed at the end of every reporting period, and the depreciation rates applied are:

Freehold land	No depreciation
Freehold buildings	50 years
Leasehold improvements	Equally over the period of the lease
Plant and equipment	3 to 10 years
Motor vehicles	4 years

Intellectual property rights and patents

Intangible assets are stated at cost of acquisition and amortised on a straight line basis over their estimated useful economic lives. The residual values of intangible assets are assumed to be nil. Useful economic lives are reviewed on an annual basis. The amortization rates applied are:

Developed technology	5 to 10 years
Software, patents & trademarks	2 to 15 years

Pension Scheme

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation arising from past events, it is probable cash will be paid to settle it and the amount can be estimated reliably. Provisions are determined by discounting the expected future cash flows by a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a financing cost in the income statement. The value of the provision is determined based on assumptions and estimates in relation to the amount and timing of actual cash flows which are dependent on future events.

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of profit and loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the statement of profit and loss, except when it relates to items charged or credited in total recognised gains and losses, in which case the deferred tax is also dealt with in total recognised gains and losses. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Foreign exchange

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the company operates (its functional currency).
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.

Leased assets

The Company as a lessee
For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:
• the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
• the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
• the Company has the right to direct the use of the identified asset throughout the period of use.
The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.
Measurement and recognition of leases as a lessee
At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).
The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.
At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.
Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

Trade investments

Trade investments are classified as available for sale and are stated on the balance sheet at the fair value at the balance sheet date, with any gain or loss being recognized directly in the statement of comprehensive income. Impairment losses and gains or losses on initial recognition are recognized in the statement of profit and loss. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit and loss account. Where there has been more than one investment made in the same company, each tranche is assessed in isolation to calculate the movements in fair value.

Impairment analysis is performed with reference to the initial cost or fair value of each shareholding.

The fair value of unquoted investments is made by reference to recent funding rounds or, in the absence of the former, to a discounted cash-flow forecast.

The company is exposed to equity securities price risk on available for sale financial assets. As there can be no guarantee that there will be a future market for securities or that the value of such investments will rise, the directors evaluate each investment opportunity on its merits before committing the company's funds. The directors review holdings in such companies on a regular basis to determine whether continued. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available for sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available for sale financial assets that are equity securities, the reversal is recognized directly in equity.

Impairment of tangible and intangible assets

Assets that are subject to amortization or depreciation are reviewed for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such condition exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, estimates are made of the cashflows of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, estimated future cashflows are discounted to their present value using a discount rate appropriate to the specific asset or cash generating unit.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying value of the asset or cash generating unit is reduced to its recoverable amount. Impairment losses are recognized immediately in the profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses in respect of goodwill are not reversed.

Cash and equivalents

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of less than or equal to three months.

Loans and receivables

Loans and receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Derivative financial instruments

Currency exchange contracts are utilised to manage the exchange risk on actual transactions related to accounts receivable, denominated in a currency other than the functional currency of the business. These currency exchange contracts do not subject the Company to risk from exchange rate movements because the gains and losses on such contracts offset losses and gains, respectively, on the transactions being hedged. The currency exchange contracts and related accounts receivable are recorded at fair value at each period end. The fair value of forward exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The fair value of foreign currency options is based upon valuations performed by management and the respective banks holding the currency instruments. All recognised gains and losses resulting from the settlement of the contracts are recorded within general and administrative expenses in the profit and loss account. The Company does not enter into currency exchange contracts for the purpose of hedging anticipated transactions.

Significant accounting judgements and estimates

In applying the accounting policies described above, management has made the following judgements and estimates that have a significant impact on the amounts recognised in the financial statements:

Revenue recognition

Judgement is involved in determining how many performance obligations are in a licence agreement and how to allocate fair value to these obligations. Revenue recognition on undelivered, highly bespoke customer licenses is determined by percentage of completion. The Company has made estimates on the percentage-to-completion for licensing and development work which affect the amount of revenue recognised in the period. These estimates involve the Company assessing the estimated resource and time required to complete development projects.

Investments

The company has stated trade investments at fair value. Please refer to "Trade investments" above for management's application of accounting for trade investments.

Taxation

A deferred tax asset (note 7) is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference. The company has made estimates on the likelihood that future taxable profit will utilise these tax losses.

Recoverability of debtors

The company regularly reviews any outstanding debtors and monitors the aging profile to determine whether any further action is required by management. There is an element of judgement in determining whether debts will eventually be paid, but where there is significant uncertainty the debt is specifically provided for in full.

Estimation of onerous revenue contracts and onerous lease provisions

In determining the estimated provision for onerous revenue contracts, the company has made certain estimates regarding the total costs that will need to be incurred in the future to fulfil these contracts.

In determining the estimated provision for onerous property leases, the company has made certain estimates regarding the likelihood of future cash inflows from subtenants. These amounts have been netted off against the contractual lease rental payments.

2. Revenue from contracts with customers

(i) Disaggregation of revenue

In the following table, revenue is disaggregated by major product / service lines, primary geographical market, and timing of revenue recognition.

	2019	2018
		Total
	£000	£000
Major product / service lines		
Licencing	**48,901**	14,635
Royalties	**19,184**	71,446
Other	**135**	342
Total	**68,220**	86,423
Primary geographical markets		
USA	**40,946**	63,861
Asia	**24,210**	19,682
Rest of Europe	**1,495**	625
United Kingdom	**1,344**	1,183
Rest of world	**222**	515
Rest of North America	**3**	577
Total	**68,220**	86,443

(ii) Contract balances

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers.

	Note	31 December 2019 £000	31 December 2018 £000
Receivables	12	**16,793**	4,727
Contract assets	12	**5,719**	23,878
Contract liabilities – to be recognised over time		**(8,842)**	(7,368)
Contract liabilities – to be recognised at a point in time		**(1,253)**	(2,411)
	13	**(10,095)**	(9,779)

The contract assets primarily relate to the company's estimate of accrued royalty revenue. This revenue is invoiced (and transferred to receivables) once the quarterly royalty return is formally received from the customer.

The contract liabilities primarily relate to the advance consideration invoiced to customers relating to subscriptions, support & maintenance or licencing revenue – all of which are recognised over time.

The amount of revenue recognised in the current period which relates to performance obligations satisfied in previous periods was £19,184,000 (2018: £71,446,000) – royalty revenue.

(iii) Contract costs

The Company does not incur any material direct costs when securing new contracts.

Revenue from individual customers that represent more than 10% of the Company's total revenue for the period have values of approximately £30,943,000 (2018: £45,263,000). The customer's country of domicile is USA, and these revenues are included in the PowerVR CGU.

All revenue is from external customers, and originates materially from the United Kingdom.
The operating profit, net assets and capital expenditure of the Company materially relate to the United Kingdom.

3. Operating loss

	2019	2018
	£'000	£'000
Operating loss is stated after charging:		
Depreciation and amortisation and impairment of owned tangible and intangible assets	**9,819**	7,804
Operating lease rentals:		
Property*	-	3,022
Other operating leases*	-	4,743
Net foreign exchange gain / (loss)	**864**	864
Auditor's remuneration:		
Audit of these financial statements	**124**	147
Other assurance services	**15**	-
	139	147

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 Limited.

*All leases now considered under the requirements of IFRS 16.

4. Directors' Emoluments

	Total	***Highest paid director***	Total	*Highest paid director*
	2019	***2019***	2018	*2018*
	£'000	***£'000***	£'000	*£'000*
Directors' remuneration	**568**	***568***	799	*174*
Company contributions to money purchase pension plans	**-**	**-**	38	*8*
Compensation for loss of office	**-**	**-**	143	*372*
	568	***568***	980	*554*

	Number of directors 2019	2018
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**0**	3
The number of directors who exercised share options was	**0**	0
The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was	**0**	0

5. Staff numbers and costs

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

	Number of employees	
	2019	2018
Research and development	**449**	440
Administration	**68**	66
Marketing	**21**	20
	538	526

The aggregate payroll costs of these persons were:

	2019	2018
	£'000	£'000
Wages and salaries	**40,932**	37,497
Social security costs	**4,165**	3,830
Pension costs	**2,193**	1,842
	47,290	43,169

6. Financial income / (expense)

	2019	2018
	£'000	£'000
Interest payable on bank loans and overdrafts	**(6)**	-
Interest receivable	**2**	411
FX loss on finance leases	**(42)**	(200)
Finance charge on unwind of leases	**(513)**	-
Movement in fair value of forward contracts	**404**	(1,407)
	(155)	(1,196)

All interest payable and similar charges relates to interest payable and similar on bank loans and overdrafts. No interest was payable to company undertakings.

7. Taxation

	2019	2018
	£'000	£'000
Analysis of tax charge in the period		
Current tax charge		
UK corporation tax	**1,042**	989
Foreign tax	**1,520**	1,319
Total current tax charge	**2,562**	2,308
Deferred tax		
Total deferred tax charge	**-**	-
Total income tax charge	**2,562**	2,308

The total tax charge for the period of £2,562,000 (2018: £2,308,000) is higher (2018: higher) than the standard rate of corporation tax in the UK of 19.00% (2018:19.00%). The difference is explained below:

	2019	2018
	£'000	£'000
(Loss) / profit before taxation	**(24,825)**	1,082
Notional tax (credit) / charge at UK standard rate of 19.00% (2018: 19.00%)	**(4,717)**	206
Tax effect of:		
Income not taxable	**(799)**	(562)
Expenses not deductible for tax purposes	**945**	138
Fixed asset timing differences	**65**	-
Permanent differences	**(289)**	(230)
Deferred tax asset not recognised	**4,796**	(125)
Effect of changes in tax rates (on deferred tax balances)	**-**	573
Group relief	**-**	-
Reversal of tax assets	**1,041**	989
Withholding tax	**1,520**	1,319
Total income tax charge	**2,562**	2,308

Current tax

The company receives significant government tax incentives including Research and Development Expenditure credits ("RDEC") which is shown as an 'above the line' relief. This has the impact of a 'credit' being recorded in operating expenditure of £5,481,000 (2018: £5,208,000) which is then taxed at the prevailing UK corporation tax rate. If the company makes a taxable loss for the period, losses generated by the RDEC claim can be reclaimed in cash from HMRC.

Deferred taxation

The movement on the deferred tax account is as follows:

	As at 31 December 2018 £'000	Recognised in Statement of profit and loss £'000	As at 31 December 2019 £'000
Tax losses	–	–	–
Capital allowances	–	–	–
Gain on foreign exchange contract	–	–	–
	–	–	–

Given the uncertainty of future profit generation, and taking into account the factors discussed in note 1, management have decided not to recognise any deferred tax assets at 31 December 2019. There is a £10.9m unrecognized deferred tax asset as at 31 December 2019.

Factors affecting future tax charge

The Spring Budget announced that the previously enacted decrease in the UK corporation tax rate from 19% to 17% from 1 April 2020 would no longer proceed and that the UK corporation tax rate would remain at 19% for the foreseeable future. The new law was substantively enacted on 17 March 2020.

Tax balances in financial statements with period end dates before substantive enactment of the new law on 17 March 2020 must continue to be prepared on the basis that the rate will decrease to 17% from 1 April 2020. The deferred tax asset on the tax losses and the deferred tax liability on the fixed asset timing differences have therefore been recognised at the main rate of UK Corporation Tax of 17%.

In addition, the Finance Act 2012 introduced the UK patent box regime which provides for an effective tax rate of 10% on certain UK profits from 1 April 2013 (phased in over 5 years). The Company has not made an election into the UK Patent Box regime as at 31 December 2019.

8. Intangible fixed assets

	Developed Technology		Software, Patents & Trademarks		Total	
				Restated		Restated
	Dec 19	Dec 18	**Dec 19**	Dec 18	**Dec 19**	Dec 18
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Cost						
At beginning of year	**17,875**	17,875	**15,267**	12,398	**33,142**	30,273
Additions	**-**	-	**3,298**	2,869	**3,298**	2,869
Disposals	**-**	-	**(1,487)**	-	**(1,487)**	-
At 31 Dec	**17,875**	17,875	**17,078**	15,267	**34,953**	33,142
Amortisation						
At beginning of year	**17,387**	14,463	**6,653**	5,339	**24,040**	19,802
Charged in year	**488**	2,924	**1,354**	1,314	**1,842**	4,238
Disposals	**-**	-	**(818)**	-	**(818)**	-
At 31 Dec	**17,875**	17,387	**7,189**	6,653	**25,064**	24,040
Net Book Value						
At 31 Dec	**-**	488	**9,889**	8,614	**9,889**	9,102

9. Tangible fixed assets

	Freehold Land and Buildings		Leased properties and related assets		Plant and equipment		Total	
						Restated		Restated
	Dec 19	Dec 18	**Dec 19**	Dec 18	**Dec 19**	Dec 18	**Dec 19**	Dec 18
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Cost								
At beginning of year	**12,961**	12,961	**824**	824	**26,020**	24,772	**39,805**	38,557
Additions	-	-	**29**	-	**677**	1,248	**706**	1,248
Right To Use assets		-	**21,803**	-	**2,048**	-	**23,851**	-
Disposals	**(1,267)**	-	-	-	**(545)**	-	**(1,812)**	-
At 31 Dec	**11,694**	12,961	**22,656**	824	**28,200**	26,020	**62,550**	39,805
Amortisation								
At beginning of year	**1,364**	1,130	**668**	515	**17,869**	14,690	**19,901**	16,335
Charged in year	**623**	234	**2,724**	153	**3,714**	3,179	**7,061**	3,566
Disposals	**(328)**	-	-	-	**(543)**	-	**(871)**	-
At 31 Dec	**1,659**	1,364	**3,392**	668	**21,040**	17,869	**26,091**	19,901
Net Book value								
At 31 Dec	**10,035**	11,597	**19,264**	156	**7,160**	8,151	**36,459**	19,904

	2019	2018
	£'000	£'000
The net book value of freehold land and buildings comprises:		
Land	**1,101**	1,266
Buildings	**8,934**	10,331
	10,035	11,597

Contained within Leasehold improvements are leases under IFRS 16 with a net book value of £19,210,000 (2018: £0).
Contained within Plant and equipment are leases under IFRS 16 with a net book value of £3,880,000 (2018: £3,781,000).

10. Investments in subsidiary undertakings

	2019	2018
	£'000	£'000
Shares in subsidiary undertakings		
Net book value at beginning of period	**2,883**	2,501
Additions	**1**	382
Provision	**-**	-
Disposals	**-**	-
Net book value of subsidiary undertakings at end of period	**2,884**	2,883

During the period the company provided a capital investment of £862 (EUR 1,000) to its newly incorporated subsidiary, Imagination Technologies Romania S.R.L.

Shares in subsidiary undertakings

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	**Address of registered office**	**Class of shares**	**Ownership 2019**	Ownership 2018
Imagination Technologies GmbH	Hansenweg 54, 60599 Frankfurt am Main, Germany	Ordinary	**100%**	100%
Imagination Technologies India Private Limited	1st, 2nd and 3rd floor, Bhalerao Towers, Plot No. 36, CTS No.1669-1670, Shivajinagar, Pune 411005 India	Ordinary	**99%**	99%
Imagination Technologies Pty Limited	9 Help Street, Level 4, Chatswood, NSW 2067, Australia	Ordinary	**100%**	100%
Imagination Technologies KK	AIOS Gotanda Annex Bldg 3F, Tokyo 141-0022, Japan	Ordinary	**100%**	100%
Imagination Technologies Hyderabad Private Limited	3rd & 4th floors, Tower A Plot No. 39, Ananth Info Park, Madhapur, Hyderabad 500081 India	Ordinary	**100%**	100%
Imagination Technologies B.V. (Netherlands)	Kabelweg57, Unit 1, 06.05 A, 1014 BA Amsterdam, Netherlands	Ordinary	**100%**	100%
Imagination Technologies (Shanghai) Co. Ltd	Room 1711-1712 Shui on Plaza, 333 Huai Hai Zhong Road, Huangpu District, Shanghai 200021,China	Ordinary	**100%**	100%
Imagination Technologies LLC (US)	8 The Green, Suite A, Dover, Delaware 19901, USA	Ordinary	**100%**	100%
Imagination Technologies Romania S.R.L.	First Floor, No2 Strada Martin Luther, Timisoara 300054, Romania	Ordinary	**100%**	N/A

11. Trade Investments

	2019 £'000	2018 £'000
Current asset investments		
Trade investments classified as available for sale	-	4,695

Movement in the carrying value of each of the Company's equity holdings during the period is analysed below.

	% of shares held as at 31 December 2019	Carrying value at 31 December 2018 £'000	Increased holding in investments £'000	Disposal £'000	Fair value movement during period: Income statement £'000	Fair value movement during period: Statement of comprehensive income £'000	Carrying value at 31 December 2019 £'000
Atomos	0%	4,695	–	(5,786)	3,302	(2,211)	–
Total		**4,695**	–	**(5,786)**	**3,302**	**(2,211)**	–

Atomos – In July 2019 Imagination's entire shareholding in Atomos was sold for cash of £5.8m. This created a gain of £3.3m, including a balance of £2.2m held in Revaluation reserves, which were subsequently recycled through the statement of other comprehensive income into the consolidated income statement.

Netspeed – In 2019, Imagination received a further £499,000 proceeds following the sale of its holding in Netspeed Systems Inc. in 2018. An amount of money from the purchase of all shares was held in escrow for a period of time. This final amount was then released to shareholders, which included Imagination in 2019, and was recognised in the consolidated income statement.

Imagination Technologies Limited also has trade investments in Ineda Systems, Inc. and Orca Systems, Inc., representing shareholding of approximately 8% and 9% respectively. At 31 December 2019 these both have a carrying value of £nil, following impairments in prior years.

All Gains and losses for the period recognised in the consolidated income statement are included within the operating expenses row in the consolidated income statement. All gains or losses for the period recognised in other comprehensive income are included within the 'change in fair value of assets classified as available for sale' row within the consolidated statement of comprehensive income.

Fair value hierarchy

The Company measures the fair value of available for sale investments using the following hierarchy that reflects the significance of the inputs used in making the measurement:

Level 1: Quoted market price (unadjusted) in an active market for an identical financial instrument.

Level 2: Valuation techniques based on observable inputs, such as market prices for similar financial instruments.

Level 3: Valuation techniques using unobservable inputs which can have a significant effect on the instrument's valuation.

The following table analyses investments, measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Dec 2019 £'000	Dec 2018 £'000
Level 1	–	4,695
Level 2	–	–
Level 3	–	–
	–	4,695

12. Debtors

	2019 £'000	2018 £'000
Trade debtors	16,793	4,727
Prepayments and accrued income	9,231	28,081
Amounts owed by subsidiary undertakings	142	72
Other debtors	8,364	10,462
Assets held for resale	600	-
	35,130	43,342

Other debtors includes £4,440,000 relating to an R&D tax credit (2018: £7,361,000) all of which is due within one year, and other items such as deposit on head office buildings. Intercompany receivables are non-interest bearing and repayable on demand.

13. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	**2,459**	2,100
Amounts owed to parent undertaking	**93,317**	56,238
Amounts owed to subsidiary undertakings	**7,388**	6,564
Amounts owed to fellow subsidiary undertakings	**1,913**	1,772
Financial instrument liability	-	164
Taxation and social security	**1,016**	1,071
Accruals & deferred income	**27,288**	21,008
	133,381	88,917

Intercompany balances are non-interest bearing and repayable on demand.

Contained within accruals and deferred income is £4,096,000 (2018: £2,327,000) due within 12 months relating to liabilities owed under IFRS16 leases. The corresponding asset has been identified and disclosed in note 9.

There are no material differences between any carrying values and fair market values.

14. Creditors: amounts falling due after one year

	2019 £'000	2018 £'000
Other creditors	**16,826**	981

This balance relates to liabilities owed under IFRS16 leases.

15. Provisions

	2019	2018
	£'000	£'000
Onerous revenue contract provision	**2,055**	3,707
Other	**1,741**	1,795
	3,796	5,502

	Onerous revenue contract provision £'000	**Other £'000**	**Total £'000**
At 1 January 2019	**3,707**	**1,795**	**5,502**
Additional provision required	-	**432**	**432**
Release of provision	-	**(244)**	**(244)**
Net utilisation of provision	**(1,652)**	**(242)**	**(1,578)**
At 31 December 2019	**2,055**	**1,741**	**3,796**

Onerous revenue contracts relate to expected losses on specific customer contracts. The provision is based on the estimated costs to complete exceeding the total contract revenue, and therefore full provision has been made for the expected loss.

Other provisions include those for specific employee benefits and legal costs.

Also included in other provisions are onerous property provisions that principally relate to onerous lease contracts due to empty office space created by the ongoing review and rationalisation of the Company's property portfolio. Utilisation of the provision will be over the anticipated life of the leases or earlier if exited.

The Company does not consider that discounting of these amounts to be material based on the expected maturity profile of the provisions.

Of the total amount provided, £660,000 (2018: £756,000) is expected to fall due after more than one year and has shown as a non-current liability.

16. Capital and Reserves

Called up share capital	**2019**	2018
	£'000	£'000
Allotted, called up and fully paid		
14,161,291 (2018: 14,161,291) ordinary shares of £1 each	**14,161**	14,161

17. Commitments

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

	2019	2018
	£'000	£'000
Authorised and contracted	**248**	619

18. Subsequent events

Subsequent to the balance sheet date, there has been widespread recognition of a global pandemic impacting lots of businesses. Imagination is keeping up-to-date with all developments regarding Covid-19. This is a non-adjusting event as at the balance sheet date 31 December 2019 and no adjustments to the financial statements have been made. The Directors note that the group has performed above its pre-COVID 19 budget underlining the limited impact that this event has had on the company.

During 2020, the group corresponded with the Committee on Foreign Investment in the United States (CFIUS) regarding Canyon Bridge's acquisition of Imagination Technologies Group Limited (formerly Imagination Technologies Group plc) in 2017 providing further information regarding certain disclosures made at that time. The group has also corresponded with the Foreign, Commonwealth and Development Office (FCDO) Select Committee providing a number of written responses in relation to the inquiry into the FCDO's role in blocking foreign asset stripping in the UK. The Board considers that it has provided full and transparent disclosure in respect of the enquiries made and does not consider these to have any significant impact on the preparation of the financial statements for the year ended 31 December 2019.

During 2020, the group was notified that a former Director has filed a claim with an employment tribunal regarding unfair dismissal. The Board has assessed the particulars of the claim and has considered, amongst other matters, whether any additional liabilities should be recorded in the financial result for the year ended 31 December 2019. Based on the enquiries performed, the Board considers that the particulars of the claim do not have any significant impact on the preparation of the financial statements for the year ended 31 December 2019.

On the 30th November 2020, Imagination Technologies announced the sale of its Ensigma Wi-Fi development operations and Wi-Fi IP tech assets. This enables Imagination to focus on the world-leading graphics, vision, and AI processing technologies that represent the majority of its business. Imagination's strategy is to align its IP to the high-growth and high-value segments that are driving semiconductor demand now and in the future.

19. Related parties

	2019	2018
	£'000	£'000
Income Statement		
Revenue – Ineda*	-	856
Revenue – Atomos*	(327)	73
Operating expense – Orca*	(136)	(401)
Operating expense – Netspeed*	-	(199)
Operating expense – Canyon Bridge**	(528)	(683)
Operating expenses – Close family of key management personnel	(106)	-
	(1,097)	(354)
Statement of Financial Position		
Trade Debtors – Atomos*	379	805
Trade Debtors – Ineda*	-	262
Trade Creditors – Canyon Bridge	(35)	-
Accruals – Canyon Bridge**	(35)	(149)
	309	918

* The above entities are viewed to be related parties under IAS24 due to the shareholding that Imagination Technologies Group Ltd has in these entities (see note 10).

** Relates to 3rd party costs in respect of services provided to the Company, incurred by Canyon Bridge, and recharged to the Company.

20. Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of Imagination Technologies Group Limited, who in turn are a subsidiary undertaking of CBFI Investment Limited, which is the parent company whose 31 December 2019 financial statements the results of Imagination Technologies Limited are consolidated. No other group financial statements include the results of the company. The consolidated financial statements of this Group are available to the public from Imagination House, Home Park Industrial Estate, Station Road, Kings Langley, WD4 8LZ.

The ultimate parent company at the date of this report is China Venture Capital Fund Corporation Limited, a company incorporated in China.