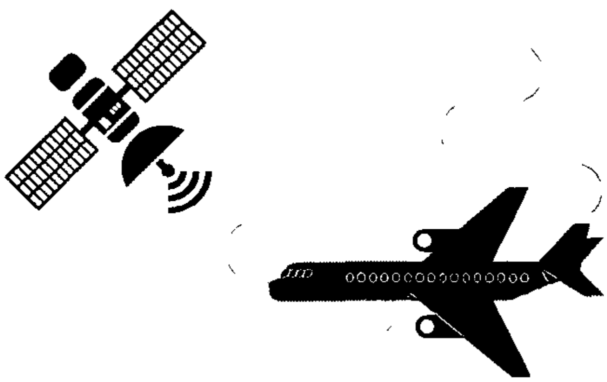

Imagination

Imagination Technologies Group plc
Annual Report 2015

Company Number 2920061

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Financial report

LEADING
alternative for
CPU processor
IP

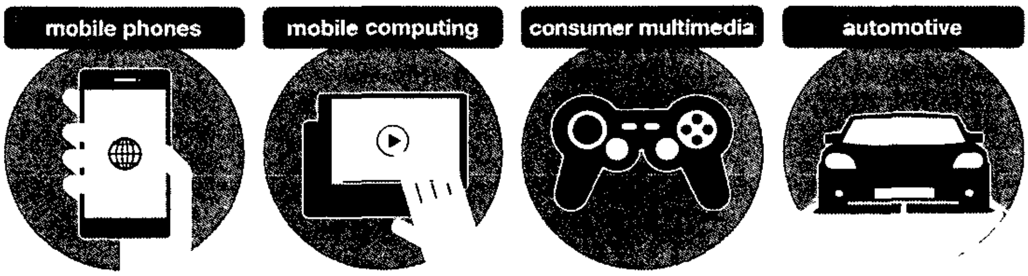
LEADERS
in graphics,
GPU compute
and video IP

LEADING
design IP
company
worldwide

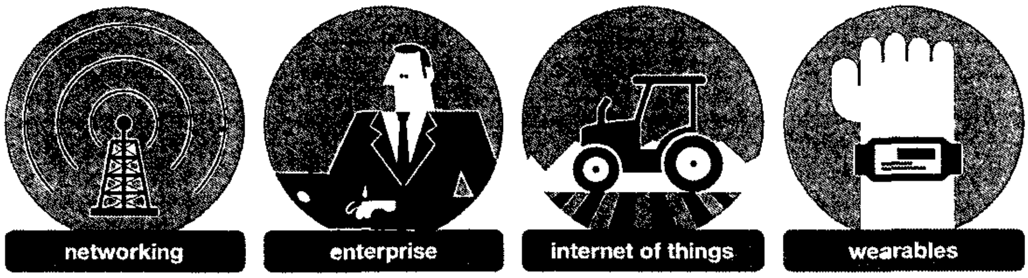
We operate in
15 countries
employing over
1,700 people

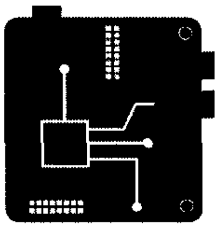
Imagination powers many of the
world's most iconic products

Our latest GPU has
300x
the performance
of first-generation smartphones



Our target markets include:





Creator

Our creator boards help us engage with academic, professional and maker communities

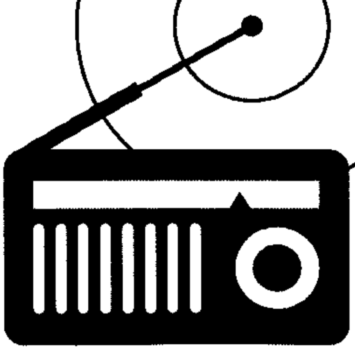
1.3 billion
units shipped in the past year

3.6 million per day

40 per second

FY15
£177m revenue
£21m profit*

*Adjusted operating profit



Our Pure division is a leader in digital audio

and gives us a unique connection to consumers

Strategic report

Chairman's statement

Bert Nordberg
Chairman

I am very pleased to write my first statement since being appointed Chairman of Imagination in March 2015. The business has significant potential and I look forward to working with the Board and the management team to realize this potential over the coming years.

The last year has seen further significant progress in all of the main silicon IP families, PowerVR multimedia, MIPS processors and Ensigma communications. This has resulted in growth in both licensing and royalty revenues during the year.

The PowerVR multimedia family saw the launch of Series7 graphics which takes our class-leading mobile graphics to further levels of performance and efficiency.

The momentum in the MIPS business has continued to develop and we were pleased to report an increase in royalty units in the year. We are confident that the licensing and design wins achieved over the last two years will drive further royalty unit growth in the years to come.

The customer base for Ensigma continues to grow, reflecting the increasing relevance of this technology to the market. A number of new customers have now reached production and we expect this to signal the beginning of a ramp in royalty unit shipments.

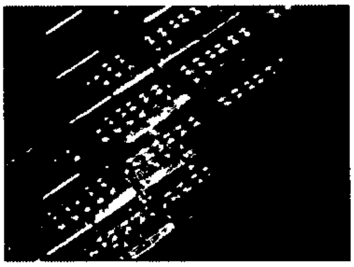
The role of Pure in supporting the Group's strategy continues to evolve with a focus on fewer geographic markets and a tighter product range, and we will continue to refine this.

The past few years have seen significant investment in the Group's three key silicon IP families, and now that this heavy investment phase is largely complete, we have entered a new phase where we expect to see expansion of the operating margins earned by the business. We believe a long term target of 30-40% is an achievable target for our operating margin.

None of this would be possible without the creativity, energy and commitment of our 1,700 employees around the globe and I would like to take this opportunity to thank them for their continued support.

Thank you for your keen interest in and support for the Group.

Imagination



Imagination is one of the world's top three silicon IP companies

Ideas behind ideas

At Imagination we create and license market-leading processor solutions for graphics, video and vision processing, general purpose and embedded processing (CPU & MCU) and multi-standard communications

Our broad range of silicon IP (intellectual property) includes the key processing blocks needed by our customers to create the Systems on Chips (SoC) that power electronic devices

We call these processing engines our 'three key pillars' and we have built strong brands around them PowerVR multimedia, MIPS processors, and Ensigma communications

Imagination is one of the world s top three silicon IP companies (source Gartner 2015) and has been for the past five yeai s (2010)

We've achieved that position because we have a passion for innovation and the drive to develop technologies that deliver leadership for our customers' products, and enrich users' lives Our technologies have not only already been instrumental in key markets such as mobile phone computing, home electronics, handheld multimedia automotive and networking they are also enabling new kinds of devices across the Internet of Things (IoT) wearables and other markets Because of this we believe that the Imagination story is just beginning

With over eight billion units shipped containing our technology there is an Imagination enabled product for everyone on earth – but we regard this as merely the start Our goal is to help create a smarter, more connected world that enriches lives in many ways every day

Difference

Our technology has unique advantages that make it highly desirable both to market leading technology companies who might otherwise develop such technologies themselves and start-up companies who seek to disrupt established markets Our reputation is built on innovation

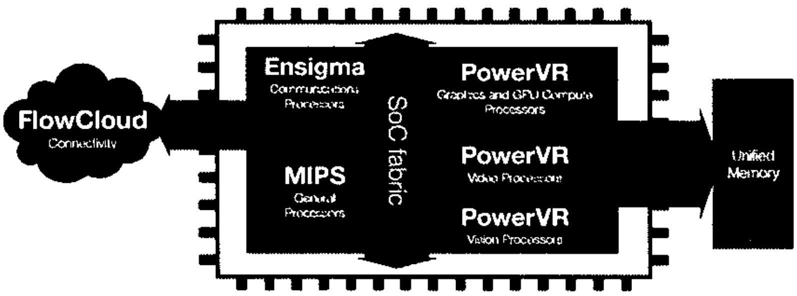
Our focus on low power consumption, the smallest silicon area, and the highest efficiency ai e three key reasons our technology is in demand from leading chip companies These design imperatives permeate everything we do We are also now introducing new areas of profound differentiation such as security

We package our IP in ever more creative ways, from IP cores through subsystem IP platforms, to full reference IP platforms We are also introducing new technologies that enable better SoCs to be made using our IP, such as multi-domain security, advanced design flows, and much more Customers can license just one IP core or take a whole range They can integrate our IP individually, or as pre-verified combined subsystems with their own technology, and if needed rely on us to help in creating their SoC

This makes us unique in the IP business We are the only IP company with a true focus on the solutions our customers require as a springboard to differentiation, best time to market and compelling ROI (return on investment)

Combining our IP cores enables our customers to create their own differentiated platforms

Strategy

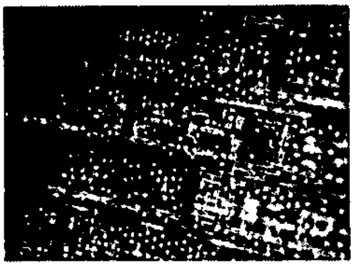


Imagination's long-term strategy is to build, with our customers, solutions of real scale across a wide range of markets, based on some or all of our three fundamental silicon IP families – PowerVR multimedia MIPS processors, and Ensigma communications – and the platforms they enable

These three complementary and essential IP families used in various configurations across every market we address, are central to the Group's overall strategy They

- Individually offer a comprehensive and highly scalable range of IP products that are technology leaders in their respective areas
- Collectively enable the creation of IP platforms addressing a growing range of subsystem and solution needs that form the basis of our customers' differentiated solutions

Imagination is a different kind of IP company We see that the future is about secure heterogeneous platforms that combine our IP with our customers' and partners' differentiating IP to create unique solutions – and we are unique in this area by going much further than anyone else to realize scalable IP platforms to accelerate the path from concept to volume production We believe that each of our IP pillars is better than other point solutions but also that together in a heterogeneous SoC they enable our customers to have opportunities to create solutions faster at lower cost and lower risk



Everything Imagination designs starts from the principle that it must be ultra low power and efficient

The SoCs that power everything in the consumer and embedded electronics space can be constructed from combinations of our unique portfolio of IP cores Combining our IP cores enables our customers to create their own differentiated platforms We also license a number of configurable IP subsystems that show how such IP platforms can be made

Innovation

We have spent the best part of two decades creating a company with the breadth of fundamental technologies and skills required to create advanced heterogeneous platform SoCs Our vision is to constantly be at the leading edge, driving innovation and improving the quality of life of everyone who touches our technologies

Over time, we have enabled mobile graphics to revolutionize user interfaces and gaming, delivered one of the first true RISC processor architectures, created technologies enabling on-chip communications for the IoT era, and driven mobile video quality and efficiency

Innovation and efficiency are in our DNA Everything Imagination designs starts from the principle that it must be ultra low power and efficient and integrated onto a single heterogeneous SoC This is why our technologies are the best for all the markets we serve

Imagination has delivered on a strategy of innovation and diversification that has created a globally recognized technology company Thanks to the long and deep relationships we have with our licensees, strategic partners and our shareholders, we believe the lives of billions of consumers around the world are being enriched by Imagination

Key Licensees

Strategic Partners

The drive to innovate through smart R&D is behind everything we do That innovation has delivered a portfolio of technologies that is innovative in every important field for our target markets multimedia processor and communications Imagination is now focused on ensuring that our innovations reach the widest audience we can

Trust

Our business model is simple We receive a payment when we license our 'pillar' technologies to leading electronics companies and when those companies create products using our technologies we also receive a royalty for each unit shipped

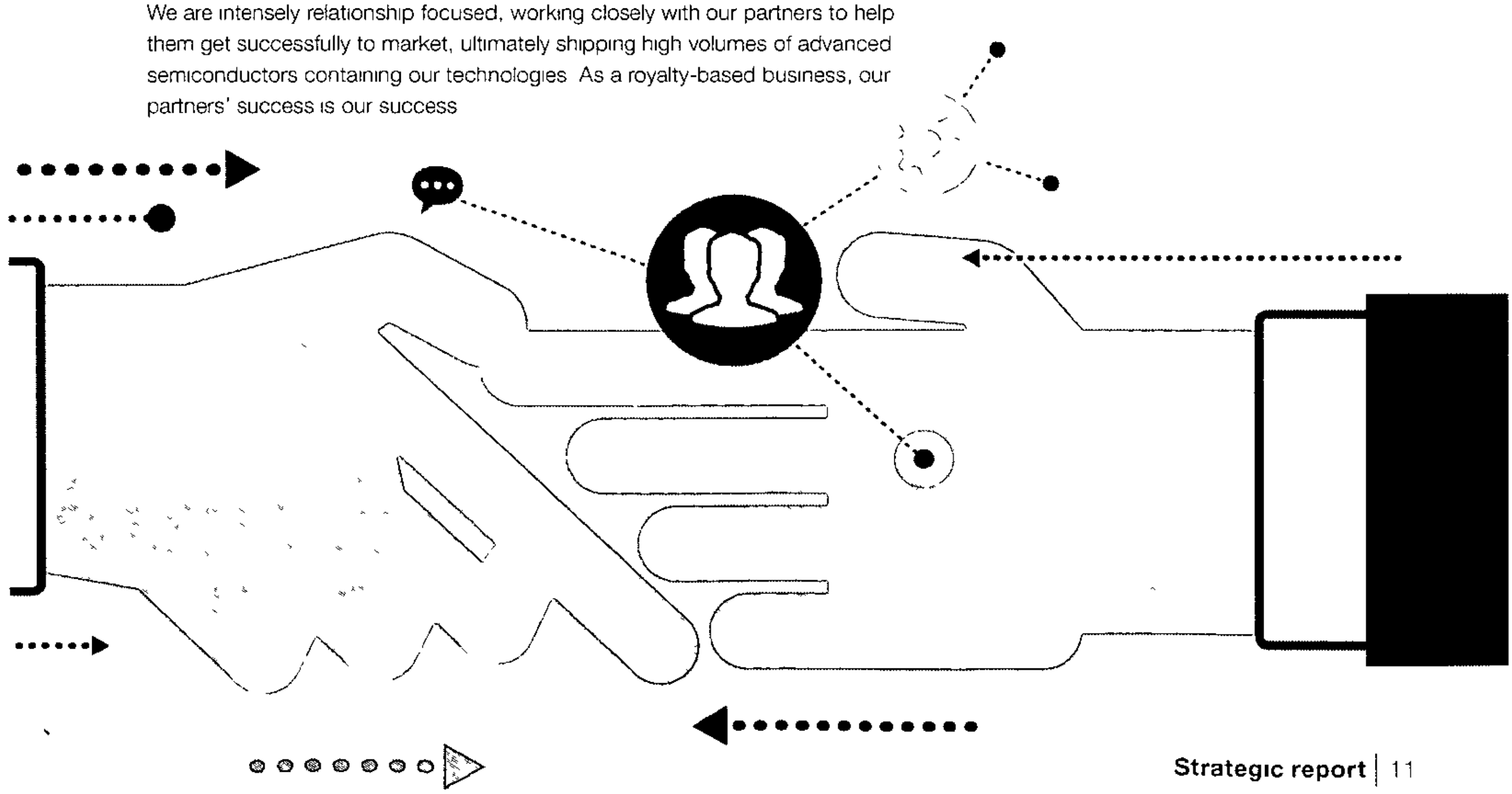
Our licensees include many of the world's leading semiconductor manufacturers, network operators and OEMs/ODMs (Original Equipment/Device Manufacturers) They are attracted to us because we build win-win partnerships that enable our customers to differentiate their products using our IP, and together deliver unique products and businesses

We enable world-class companies to deliver truly life enhancing products, developers to create engaging user experiences, and students and 'makers' to create exciting new applications for education and entertainment

Through our market leading and innovative customers we are in some of the most iconic and culturally important products of the 21st century

We are intensely relationship focused, working closely with our partners to help them get successfully to market, ultimately shipping high volumes of advanced semiconductors containing our technologies As a royalty-based business, our partners' success is our success

Our licensees include many of the world's leading semiconductor manufacturers, network operators and OEMs



We work with thousands of developers who support Imagination-based platforms with the most innovative and exciting content

Our key strategic partnerships include numerous API, operating system, standards and tools organizations as well as many tier-one technology companies, game engine providers and foundries

Our ecosystem communities formalize the ways we work with some partners, providing them with benefits and resources such as education, tools, support, introductions to key partners and access to our best technologies and each other

These communities comprise companies large and small that create software or other products using chips containing our IP Our customers want ecosystems surrounding our IP and that is exactly what we deliver

We work with thousands of developers who support Imagination-based platforms with the most innovative and exciting content as well as with comprehensive tools, middleware and support

Increasingly Imagination s partners are working together in communities that target distinct areas in which we excel including graphics Linux and Android, silicon and embedded software design tools and security as well as key markets such as mobile, computing home electronics, automotive networking, enterprise wearables and IoT

We continue to expand our ecosystem programmes, to help Imagination's licensees and key partners meet and engage with a broad community of developers, middleware providers, foundries, EDA and tool vendors and third party support teams and provide extensive co-marketing opportunities for product manufacturers, content developers and semiconductor companies

Openness

With the emergence of new categories of devices and new use cases for existing devices, there comes a need to support a growing range of operating systems and new software alongside new and developing standards This means that open platforms are critical

Imagination has long been an industry leader in delivering superior implementations of open standards in fields such as graphics, video and communications This approach ensures that our partners can benefit from the value of open source communities and open standards bodies, whilst also leveraging the unique advantages and extended features of our IP solutions

OmniShield, our multi-domain security technology is the latest example of how we bring together the unique benefits of our IP with open standards Our MIPS and PowerVR GPUs are already OmniShield ready, with much more to come as we roll out OmniShield-ready cores across all our products lines In parallel with this we are working with the prpl Foundation to define the open APIs and open source communities needed to access and promote this technology

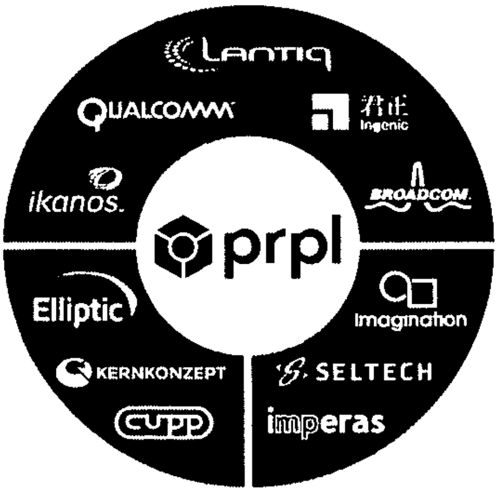
Trends we have observed this year have further strengthened our opinion that open APIs and ecosystems are the best course for driving a competitive electronics industry, enabling the maximum innovation and competitiveness

As an example of our commitment to this, Imagination is a founder of the prpl Foundation, an open-source, community-driven, collaborative, non-profit foundation targeting and supporting the MIPS architecture – and open to others – with a focus on enabling next-generation 'datacentre to device portable software and virtualized architectures

prpl is enabling developers to draw on considerable resources to deliver applications and devices that share open source innovations created by some of the best minds from member companies to many key MIPS markets

To address open security, the prpl Foundation has created a Security PEG (prpl Engineering Group) The prpl Security PEG is focused on defining a security roadmap to enable evolution from today's single secure domain binary' security solutions to multi-domain security enforced by full hardware supported virtualization across all processors (CPUs, GPUs, RPUs, VPUs, NPUs) used in heterogeneous SoCs and systems built on these technologies including connected devices, routers and hubs

prpl's next focus will be on open standards for IoT With the emergence of a diverse set of devices and fragmented markets for IoT, Imagination believes in the need for open protocols and APIs from server to gateway and from gateway to device This is a trend that was central to many of Imagination's discussions with partners this year and is an area where Imagination expects to see significant collaborations developing The prpl Foundation, a leading proponent of an open and secure IoT, will be championing interoperability and security for future generations of devices, and is a key tool for Imagination and its partners to demonstrate leadership in these issues



Imagination is a founder of the prpl Foundation, an open-source, community-driven, collaborative, non-profit foundation

We are known for our smart solutions to difficult challenges

Pillars

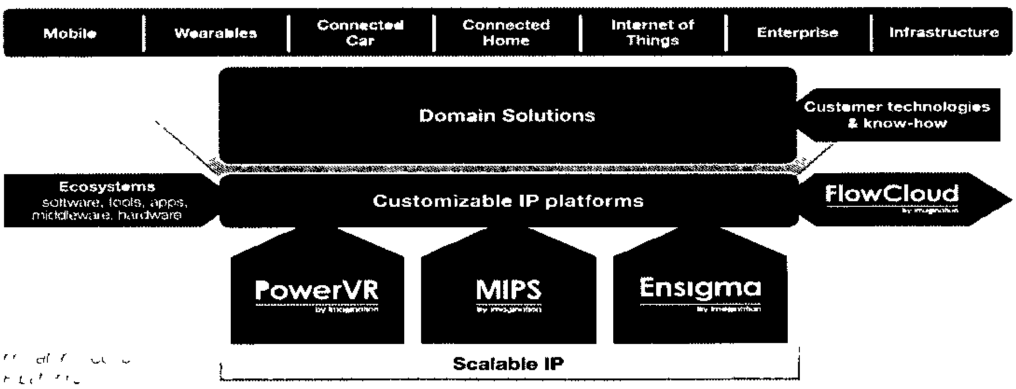
Each of our core IP technologies is built on innovation, whether it is innovative architecture, algorithms, programmability or simply great design

We are known for our 'smart' solutions to difficult challenges, such as the efficiency and multi-threading of our MIPS processors, the tile-based deferred rendering (TBDR) of PowerVR graphics, the disruptive approach of our PowerVR ray tracing IP the efficient combination of fixed and reconfigurable elements in PowerVR video, and the highly programmable data-parallel heart of our Ensigma communications core

With Imagination every customer can be unique All of our IP core families are designed to maximize opportunities for our customers to differentiate their products For example by using some of our extensions to standard APIs, selecting from our wide range of IP cores optimized for different power, performance and cost metrics, combining different MCU and CPU cores in a scalable, power-smart SoC, combining customers hardware and/or software IP with Imagination s, or integrating our IP into our customers' unique SoC architectures

Our business is fundamentally driven by our ability to create a vision of future technologies that accurately anticipates the requirements of tomorrow's consumers

At the heart of our approach we have a simple design philosophy deliver the maximum performance and efficiency per mW of power consumed, while taking up the minimum silicon area possible and ensuring the security of all elements



PowerVR multimedia

The leader in visual IP

Consisting of a comprehensive range of multimedia IP, from GPUs for graphics and GPU compute, to video, imaging and vision PowerVR is the technology that goes from sensor or CPU to screen, delivering stunning images for entertainment, user interfaces and much more

These cores combine perfectly to create uniquely optimizable IP platforms that can incorporate customer IP to create highly differentiated, state of the art solutions for all forms of visual challenges from the latest games to smart IoT cameras

PowerVR graphics (GPU)

The world's leading GPU for the connected era

The PowerVR graphics processor (GPU) family leads the market in architectural and feature leadership, roadmap breadth and ecosystem, setting the benchmark for mobile and embedded GPUs PowerVR graphics IP consists of a broad portfolio of the industry's leading graphics processors, supporting a broad range of applications

PowerVR enables a powerful, power-efficient and flexible solution for all forms of graphics processing including 3D and 2D graphics as well as high-performance GPU compute, all in the same unified engine

Imagination's PowerVR graphics technologies are licensed by world-leading companies to power iconic products delivering the best in smartphone, tablet TV and console apps including the most advanced user interfaces and highest performance gaming

PowerVR is the leading graphics technology because it uses a sophisticated and unique architecture PowerVR's efficiency through tile-based deferred rendering (TBDR) ensures the lowest possible bandwidth usage and the lowest amount of processing cycles per task, and all of this leads to high performance efficiency and the lowest power consumption per frame, outperforming other solutions

PowerVR enables a powerful, power-efficient and flexible solution for all forms of graphics processing

Imagination's PowerVR ray tracing technology represents the next step in graphics technology evolution

PowerVR ray tracing

Transforming the state-of-the-art in mobile graphics

Imagination's forthcoming PowerVR 'Wizard' ray tracing products represent the next significant revolution in graphics technology

PowerVR Wizard ray tracing graphics IP cores raise the bar for ray traced graphics to a dramatic new level, delivering astonishing realism and performance at mobile power budgets for the first time

PowerVR ray tracing will enable more immersive games and apps with real-life dynamic lighting models that enable advanced lighting effects, dynamic soft shadows, and lifelike reflections and transparencies, previously unachievable in a mobile form factor PowerVR ray tracing IP is highly scalable, making it disruptive to many other markets beyond mobile

PowerVR video

Making better pixels

PowerVR video IP addresses video codec needs for customers in a diverse range of applications Our differentiated, multi-standard approach has made PowerVR video the most widely deployed video codec IP technology shipping today Our flexible video architecture addresses a wide range of applications including IoT, wearables, ADAS (Advanced Driver Assistance Systems) mobile devices and cameras

By using PowerVR video decoders, our customers are able to build the efficient decoding required for up to 4K broadcasts into their silicon today They can also deliver better image quality using the industry's first complete IP cores with 10-bit colour depth support throughout Multi-standard and multi-stream capabilities are standard across the range

With PowerVR video encoders, our partners can add a wide range of features and solutions, such as deliver the highest possible quality for prosumer video and entry-level broadcast recording, or the highest performance low cost consumer-grade camera, save costs with the ability to record and store more video content in less memory space, reduce upload bandwidth and power required to access cloud video hosting services, minimize the required transmission bandwidth for video conferencing/streaming on a mobile device, enable high-quality, low-latency mirroring for video games on a TV from a mobile device or tablet in real time or ensure the low latency needed for safety critical applications like ADAS

Our innovative PowerVR Raptor cores take camera-based image processing to the next level

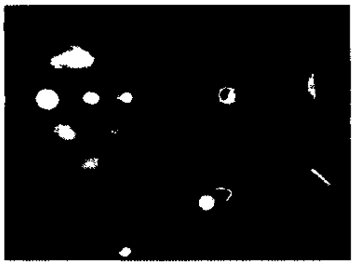
PowerVR vision

The evolution of camera vision

Our innovative PowerVR Raptor cores are low-power, highly-configurable camera image signal processor (ISP) cores designed for SoC integration that take camera-based image processing to the next level

Vision-aware technologies are increasingly incorporated in smartphones IoT devices, automotive, robotics, and other products This year also confirmed the re-emergence of virtual reality (VR) and a growing interest in augmented reality (AR) To create a new breed of SoCs that support smart computer vision, computational photography and new user and social experiences, our customers need processing solutions that go beyond CPU/DSP cores to deliver sustained video-rate processing of HD content

PowerVR vision platforms are unique in that they work with Imagination's other PowerVR graphics and video cores, as well as still image encoders and decoders, to form a complete integrated vision platform that saves power and bandwidth for today's camera applications, and can provide the basis for next-generation context-aware applications such as facial and gesture recognition



MIPS architecture is the industry's most efficient RISC architecture, delivering the best performance and lowest power consumption

MIPS processors (CPU)

The leading alternative mainstream CPU IP

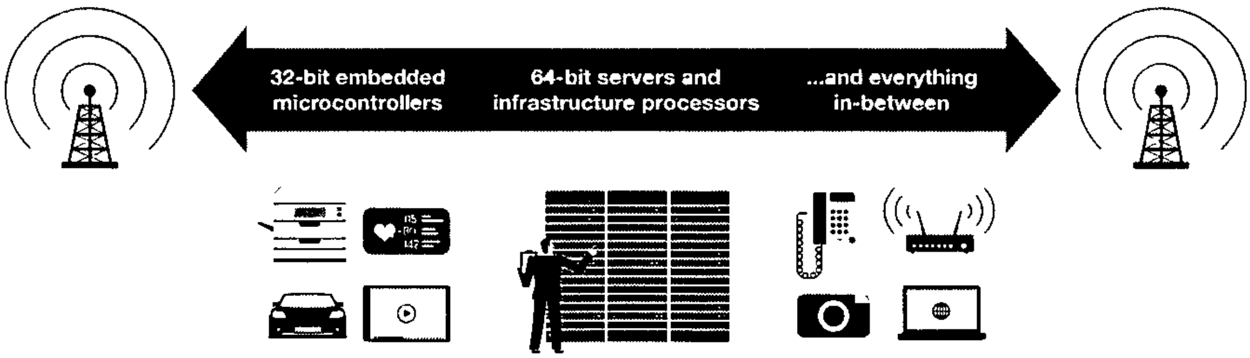
The MIPS family of CPU IP is a comprehensive portfolio of low-power, high-performance 32/64-bit processor architectures and cores, ranging from the ultimate high-performance cores for high-end applications processors down to extremely small cores for deeply embedded microcontrollers

With a strong position in home entertainment, embedded, and networking products and a growing position in mobile, wearable and IoT devices MIPS CPUs power billions of products worldwide and are supported by a broad ecosystem of commercial and open source software, operating systems and tools

Based on a heritage built over more than three decades of constant innovation Imagination's MIPS architecture is the industry's most efficient RISC architecture, delivering the best performance and lowest power consumption in a given silicon area

SoC designers can use this efficiency advantage for significant cost and power savings, or to implement additional cores to deliver a performance advantage in the same power, thermal and area budget

MIPS cores deliver scalable performance through multi-threading multi-core and multi-cluster coherent processing The newest MIPS Warrior family of CPUs includes 32-bit and 64-bit variants with a focus on superior performance efficiency across the range Building on the true 32-bit and 64-bit instruction set compatibility of MIPS Warrior cores provide binary compatibility from the entry-level to the high-end



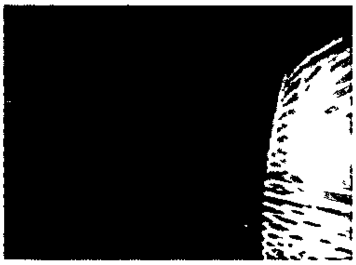
The cores come in three classes of performance and features

Warrior M-class – entry-level ultra low power and ultra small cores for embedded and microcontroller applications

Warrior I-class – highly scalable mid-range, feature-rich cores for mainstream Linux and Android devices

Warrior P-class – high-performance cores for demanding applications

With around five billion MIPS-based products already shipped, and many universities and schools around the world teaching CPU architecture using MIPS as their preferred platform, MIPS is truly the ideal CPU for tomorrow's SoCs, from the highest-performance mobile applications processors to the lowest power connected sensor processors



Today's connected devices are moving away from using separate wireless combo chips toward integrating connectivity

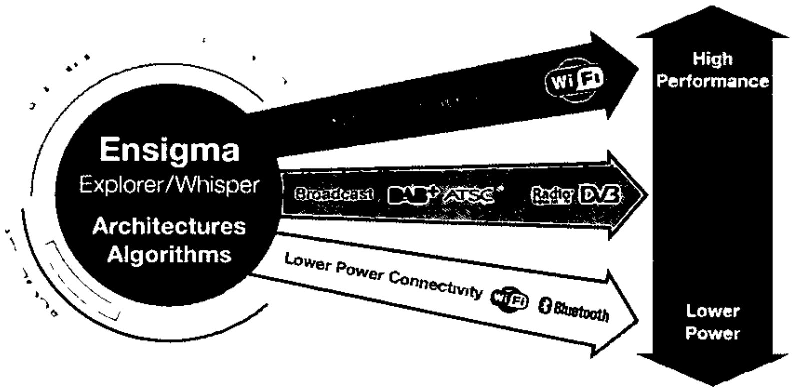
Ensigma communications

Delivering on-chip efficiency in a connected world

Ensigma connectivity, communications and networking IP can, singly or in combination solve the fundamental problems that plague connected devices

- How do I bring communications on-chip ?
- How do I deliver the range of connectivity standards required by almost all devices today – and tomorrow?

Today's consumers expect to be connected wherever they go, with whatever device they choose Ensigma blends programmable and fixed function blocks to deliver a family of highly scalable multi-standard connectivity platforms that offer exceptional performance as well as outstanding silicon efficiency



Ensigma radio processor (RPU)

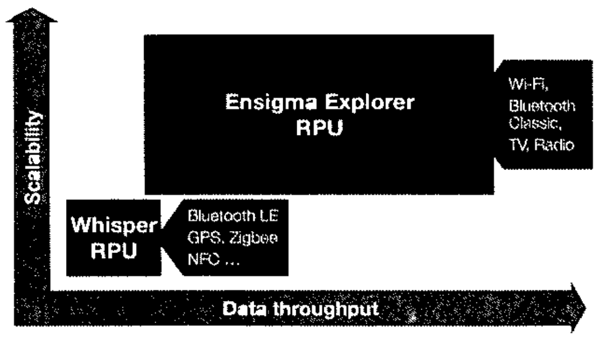
Uniquely flexible communications processor

Our award winning Ensigma programmable radio processing units (RPUs) address the ever-growing challenge of proliferating broadcast and connectivity standards by supporting them all on a single engine, and enabling them to be integrated onto SoCs for the lowest possible system cost.

Traditionally, radio, TV, Wi-Fi and Bluetooth used to have their own chipsets but, as the number of standards to be supported continues to increase, this approach becomes less cost-effective and more power hungry. Today's connected devices are moving away from using separate wireless combo chips towards integrating connectivity onto the main application processor as companies look to reduce power, footprint and bill-of-materials. With their focus on delivering high performance within an ultra-low power envelope, Imagination's Ensigma RPUs can enable companies seeking to make this disruptive leap.

Ensigma Whisper is a flexible ultra-low power sensor and cloud connectivity IP family, designed specifically to enable the integration of low power communications in SoCs targeting wearables, IoT and other connected devices that require exceptional battery life and low cost points.

The Ensigma Explorer RPU family is focused on enabling high-performance on-chip communications with Wi-Fi and Bluetooth connectivity, as well as global DTV, digital radio, and FM receiver capabilities.



FlowCloud

Enhancing devices with cloud based services

FlowCloud is a wide range of cloud-based connected device services. It provides a comprehensive, secure and application-independent platform to enable rapid construction, management and deployment of digital services.

This portfolio of cloud connectivity technologies enables consumer, industrial and embedded products to be fully cloud-connected. With FlowCloud, users can construct highly optimized device-to-cloud solutions for a wide range of applications, including security, health monitoring energy management, content delivery and much more

FlowCloud works brilliantly with our Ensigma RPU and MIPS CPU cores to deliver connected platforms for IoT

FlowCloud technology minimizes the resources required to make a product fully connected, bringing together people, devices and services in a platform for easily building connected applications and businesses

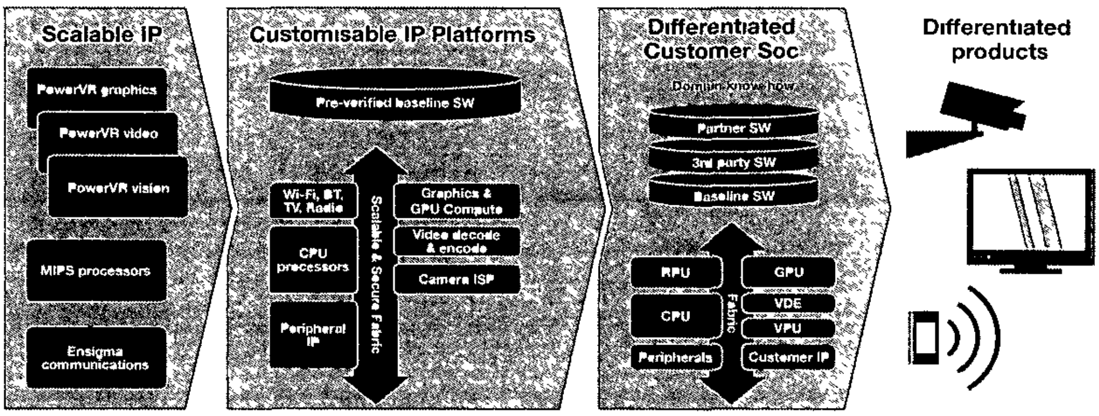
FlowCloud technology features include device and user management, asynchronous messaging services, event logging, data storage facilities, secure transactions and electronic payment services, and much more Our OmniShield security technology and FlowCloud will combine to provide a completely secure solution for connected platforms, from device to cloud

Our IP solutions are complemented by a wide portfolio of software drivers, developer tools and extensive market and technology-focused ecosystems

Platforms

Our silicon and software intellectual property solutions for systems-on-chip are complemented by a wide portfolio of software drivers, developer tools and extensive market and technology-focused ecosystems

Unlike some IP companies, we think from the chip to the system Our close interaction with leading consumer electronics companies, and our own consumer brands such as Pure, Flow, Creator and Caskeid, give us an insight into consumer thinking and market demand that helps us identify and create the right technologies for the future



And it is the success and respect for those technologies that has won us loyal support from a wide community of 'movers and shakers' in the technology world

For example, Imagination understands that a smart healthcare technology company needs to understand how their medical sensors work and what

While we innovate in new processor architectures and their delivery, our customers are free to create new user experiences

algorithms are needed to extract that data and usefully apply it as well as the logistic and legal complexities of deploying a complete wireless system in existing hospitals But there s no point in that company spending time worrying about the processor or connectivity technologies used when they could be focused on the areas where their specialist domain knowledge is most valuable

Imagination is there to supply the processor connectivity and cloud technologies on which that company can build its innovative healthcare application

For companies seeking to produce SoCs for extremely broad and demanding markets, such as mobile or computing, the range of domain knowledge and applications required will be larger but the fundamental principle is the same Such companies deliver value best by focusing on the platform they deliver rather than on the SoC building blocks on which that platform rests

While we innovate in new processor architectures and their delivery, our customers are free to create new user experiences, develop new markets and build strong content and ecosystem propositions

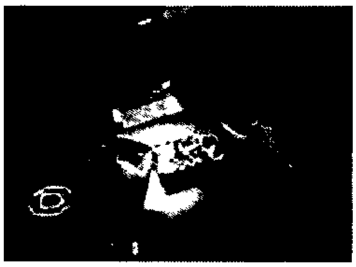
The SoCs that power everything in the consumer and embedded electronics space can be constructed from combinations of our unique portfolio of IP cores Our IP platforms help customers achieve the highest performance at lowest power consumption and silicon area by making full use of our intimate knowledge of each block and how they work together efficiently No one else in our industry has this unique capability across such a broad range of applications

Examples of our IP platforms include

Vision IP platform – Our vision platform is a complete, integrated vision platform combining GPU, video and vision cores, that saves power and bandwidth for today's camera applications, and can provide the basis for next-generation context-aware applications such as facial and gesture recognition augmented reality and more

Connected processor IP platform – Imagination's connected processor platform combines MIPS processor, Ensigma connectivity and FlowCloud platform to deliver a new class of embedded Connected Processor solutions that will power an Internet-everywhere generation of consumer electronics

Caskeid audio IP platform – Our unique audio IP platform contains key technologies needed to build and differentiate high quality audio systems From audio engine to Wi-Fi connectivity patented software and the codecs in-between, this platform delivers outstanding wireless stereo, multiroom and multi-channel playback that sounds as good as a wired system Our Caskeid solution combines multiple licensable technologies, building on MIPS CPU and Ensigma RPU core IP, to deliver a total IP solution powering the ultimate audio experience



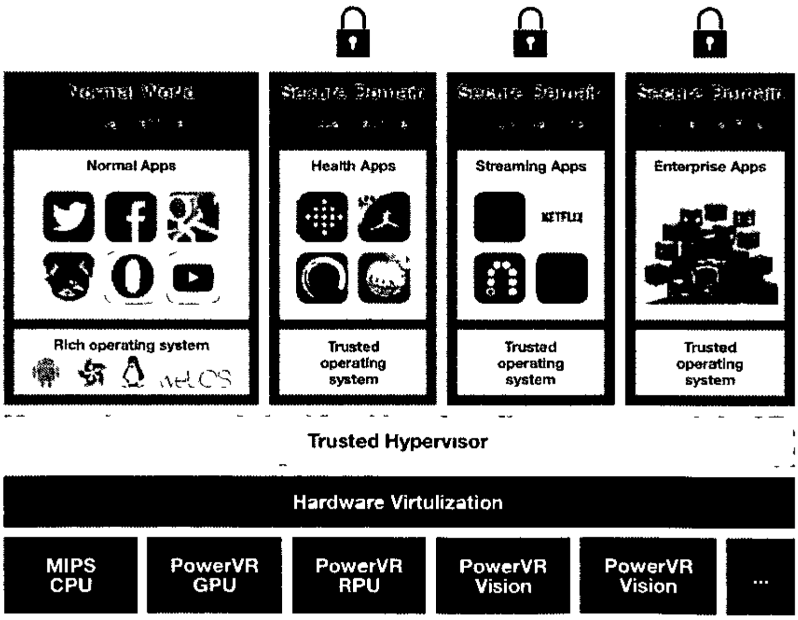
Security

Security is fast becoming one of the most significant differentiators for the future of the electronics industry

While PPA (Power Performance and Area) remains a key metric for silicon IP, today security – across every part of the SoC, including the fabric – is an important area where there is a rapidly growing demand from OEMs and operators for security solutions addressing the new era of multi-application platforms

Connected products must increasingly be designed to support numerous separate applications, various content sources, and in-the-field software updates from service providers and operators, all while ensuring privacy and data protection Applications must be effectively and reliably isolated from each other as well as protected from non-secure applications while still meeting required levels of functionality performance cost and power consumption Today's security solutions simply don t address this

Imagination's new OmniShield security technology is designed to provide the industry's most scalable and secure solutions for protection of next-generation SoCs Imagination is ensuring that customers SoCs and OEMs' products are designed for security, reliability and dynamic software management as use models and services evolve across a wide range of connected devices such as Internet of Things (IoT), gateway routers, IPTV, mobile and automotive



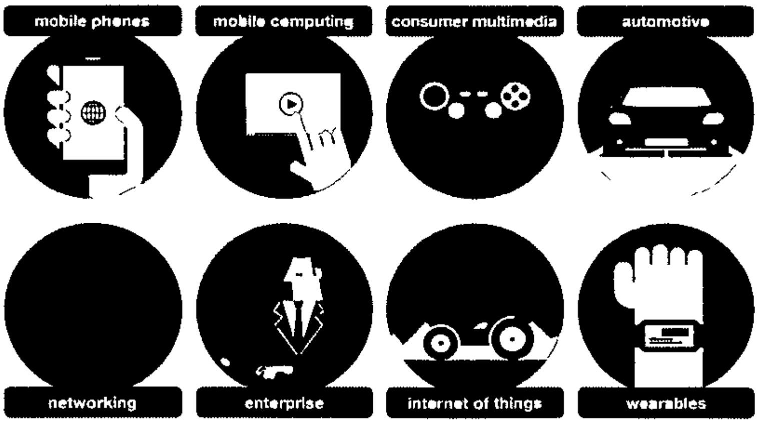
Imagination's new OmniShield security technology is designed to provide the industry's most scalable and secure solutions

We take the initiative to get inside how consumers think about and experience new technology

Todays leading SoCs are heterogeneous, meaning they are enabled by specialized processors for functions such as CPU, GPU, video, and connectivity In heterogeneous architectures, application data and resources will be shared between the CPU and other processors in the system This means that those processors will now face the same level of exposure as the CPU, and must be given the same level of protection – and currently there is no solution in the market today that addresses this security challenge in its entirety OmniShield addresses this by protecting all of the processors in an SoC – including the CPU, GPU and other processors and hardware engines – using hardware-enforced security based on a well-known processor technology called Virtualization

OmniShield creates multiple secure domains, where each secure/non-secure application/operating system can operate independently in its own separate environment For example secure processes such as DRM and payment systems can coexist with non-secure processes such as gaming and web browsing This multi-domain separation architecture not only ensures security and reliability, but also eases development and deployment of applications and services

Markets



Imagination understands market trends and helps our partners navigate the increasing convergence between traditionally separate markets

We focus on key market segments where technology is a driver This translates into a wide array of markets including mobile phones mobile computing, home electronics, handheld multimedia automotive networking, wearables and Internet of Things, (including key IoT areas such as health, smart energy and video and audio-based analytics)

And because Imagination is focused on platforms and solutions, we take the initiative to get inside how consumers think about and experience new technology Increasingly, consumers expect to be able to access the broad range of media and features they use every day no matter what device they are using This 'convergence' means that markets increasingly share common requirements – requirements fulfilled by our IP pillars

Comprehensive support

We provide support for all stages of SoC and product development We have an extensive range of complementary technology offerings that support our customers' SoC designs and help them succeed

A key part of this is IMGworks which helps our customers SoC and software design teams, providing silicon design services, software integration services and support expertise to provide a fast and low-risk path to production

This year we introduced IMGsystems which enables our partners and ecosystem both with Creator boards featuring our technologies and our FlowCloud services IMGsystems will enable Imagination partners to achieve fast time to market in new areas of connected technology and access the most advanced Imagination IP without requiring extensive internal engineering resources

More than B2B

Unlike other IP companies we think about the solutions consumer markets require, and find ways to help our customers leverage our technologies to differentiate consumer products

By developing consumer product brands, like Pure and Creator and technology B2C brands, like Caskeid and ClearCall, we promote the benefits of our technology to consumers and help our OEM partners clearly articulate the unique value of their Imagination IP enabled products

Pure

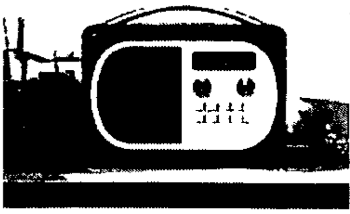
Where innovation and consumers meet

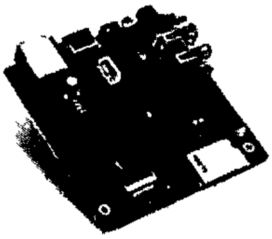
Pure is Imagination's consumer electronics (CE) division, creating products built on the technologies developed by our technology division Pure help keep us solutions-focused with first-hand experience of getting complex products to volume production

Pure raises Imagination's engagement and profile with consumers, helping us to understand deeply every aspect of how to get technology to consumers, including the retail supply chain dynamics, the latest consumer product trends, and how to communicate effectively with consumers and retailers This experience is a significant part of what sets Imagination apart from other IP suppliers

Pure uses chips and technologies from Imagination's partners pathfinding in new markets, promoting the capabilities of our IP and allowing us to experience

We provide support for all stages of SoC and product development





Creator Ci20, is an affordable micro-computer that runs Linux and Android

market and technology conditions as OEMs and consumers do Through Pure we understand fully the OEM experience, which helps us make better licensable technologies

Pure helps to drive our technology business acting as a showcase for our IP It has been key to raising the profile and interest in our Wi-Fi, processor and cloud connectivity technologies as well as the Caskeid audio platform

Pure DAB digital radios showcase our Ensigma receiver technology, while its Jongo wireless speakers showcase both Ensigma and FlowCloud technology as well as the Caskeid multiroom streaming audio experience

Pure is also a vehicle to spearhead our strategic partnerships in the worlds of entertainment and content with companies such as Onkyo, Media-Saturn, 7digital and Universal Music Group

Pure has significantly broadened its market reach to now include broadcast radio, in-car radio and audio and multiroom and internet connected audio

Thanks to Pure Imagination is a leading supplier of DAB radio technologies and a key player in the ongoing transformation of music listening with our wireless multiroom systems and Caskeid technology

Creator

Performance platforms for developers, makers and students

The Creator range is designed to fulfil the growing interest within a broad spectrum of academic, professional and hobbyist developer communities for affordable, fully featured development platforms

Imagination's Creator development board family enables open source developers the maker community system integrators and others to create a wide range of applications and projects, ranging from home automation and gaming to wireless multimedia streaming

The first board in the family, Creator Ci20, is an affordable micro-computer that runs Linux and Android and help developers create applications for fast-growing markets such as IoT, wearables mobile and gaming Creator Ci20 includes two essential ultra-low power technologies from Imagination a dual-core MIPS32 CPU (central processing unit) and a PowerVR SGX540 GPU (graphics processor)

Creator Ci20 has been designed for people who want high performance and advanced features for their development projects and to create access at the software and hardware level to allow creativity to come to the fore

Caskeid

The ultimate platform for wireless multiroom and multi-channel audio

Caskeid is a breakthrough in technology for wireless audio systems

From audio engine to Wi-Fi connectivity, patented software and the codecs in-between, Caskeid forms the platform that delivers outstanding wireless stereo multiroom and multi-channel playback that sounds as good as a wired system

Caskeid is the consumer expression of our audio platform and contains all the key technologies needed to build and differentiate high quality audio systems

Caskeid is content agnostic It works with, and enhances all the major high quality wireless audio connectivity protocols including Apple Airplay, Google Cast for Audio and Spotify Connect as well as multichannel technologies from Dolby and others

Caskeid

Caskeid is a breakthrough in technology for wireless audio systems

ClearCall and FlowTalk

High quality voice and video VoIP

Imagination's ClearCall range of licensable technologies includes everything needed to implement high-quality, power-efficient enhanced WebRTC, Voice over IP and LTE (VoIP, VoLTE), Voice and Video over IP (VoIP) and Rich Communications Suite (RCS 5 0) for multi-mode wireless and wireline devices

Our ClearMediaRTC media engine is designed to deliver a new level of quality to companies building native or browser-based voice and video conferencing services based on WebRTC With our advanced algorithms encapsulated in an off-the-shelf product we are enabling our customers to dramatically improve the WebRTC user experience

ClearCall IP is complemented by the FlowTalk service, which enables customizable, robust high-quality Android/iOS VoIP clients

ClearCall IP products and technologies are already deployed in millions of devices

Through MIPSfpga, Imagination is transforming CPU architecture education in universities around the globe

Communities

Education

Imagination believes there are three fundamental reasons why we must engage with academia

Influence – to help guide future generations

Research – to discover new ideas

Growth – to recruit the brightest talent

We give practical help to academics around the world so they can use our technologies in courses and student projects Our new Imagination University Programme (IUP) was launched this year to further develop the excellent relationships with academia we have built over many years Around the world, from China to the US and all across Europe, the IUP focuses on promoting MIPS PowerVR, Ensigma and FlowCloud into universities IUP fully integrates with our IDP (Imagination Developer Programme) enabling us to engage with members right through their careers

A new IUP website has been launched, giving students a coherent summary of boards software, teaching materials, books and support available

Graduates

Imagination's recruitment team runs a graduate recruitment programme, which targets a variety of universities and colleges throughout the UK Having developed strong relationships with a number of universities including Southampton, Imperial College London, Surrey, Bristol and Manchester the programme is already achieving great depth

We are an active sponsor of the UK Electronic Skills Foundation (UKESF) where we recruit and sponsor scholars every year We sponsor a student each year under UKESF, as well as sponsoring PhD, Master and undergraduate projects

A variety of events are also done on site at Imagination including developer days, open days demo room tours and more As a direct result of all 100+ activities we do in conjunction with universities and students every year we secure around 40 interns each year along with a high number of direct graduate applications and offers

MIPSfpga

This year Imagination has revolutionized CPU architecture education with the MIPSfpga programme which provides free and open access to a modern MIPS CPU

Through MIPSfpga, Imagination is transforming CPU architecture education in universities around the globe by offering them free and open access to a fully-validated, current generation MIPS CPU complemented by a complete teaching package written by leading academics

The MIPS architecture was originally developed at Stanford University in the early 1980s It has been the teaching architecture of choice for decades because of its elegant true RISC design

MIPSfpga is already running in several academic institutions including Harvey Mudd College, Imperial College London, University College London (UCL), and the University of Nevada, Las Vegas (UNLV)

Schools

We have also been increasing science, technology engineering and maths (STEM) activities at school level over the last few years providing talks and attending career fairs Many schools visit Imagination to get an insight into the work we do We also have involvement with other STEM schemes including Go4SET and The Brilliant Club, where we have sponsored a maths and physics chair

Government

Imagination believes that it is essential that the UK does everything possible to strengthen its strategic position on the world stage, achieve scale and participate in every stage of the value chain Through our interactions with government in the UK we are creating opportunities for the UK electronic systems community, government, and academia to work together to make a substantive and sustainable difference to the UK's global competitiveness

As well as continuing to play a key role in ESCO (Electronic Systems Community) Imagination has a wide range of touch-points with government providing advice on policy, influencing change, supporting governmental organizations, such as UK Trade & Investment (UKTI), the National Microelectronics Institute (NMI), TechUK, and the International Electrotechnical Commission (IEC), as well as working closely with the Department for Business Innovation & Skills (BIS)

Culture

At Imagination we want to succeed and make a real difference We are extremely proud of what we do Our success ensures that we can do the things we want to do and care about

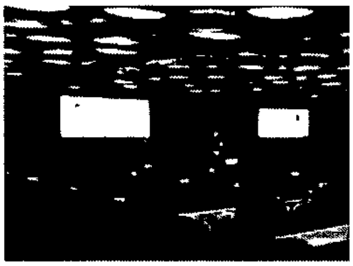
The success of a company like ours relies in major part on its employees and we work to create a culture that promotes innovation and staff retention

We have over 40 nationalities working for Imagination and we strive to create a welcoming cross-cultural workplace

Within our offices, sports and social activities expand work into a broader social experience We support charity and our local communities, and we reward employees who do the same Benefits for staff are seen as some of the best in the industry

The success of a company like ours relies in major part on its employees and we work to create a culture that promotes innovation and staff retention

Imagination has over 1,700 employees across more than a dozen countries



As a result of our nurturing of an Imagination culture we have staff that are customer focused, committed, responsible, agile, smart and, most importantly, fixated on the company's success

Global

Established in the UK in 1985, Imagination has a long history as an IP provider, with partners amongst the world s top-20 semiconductor and OEM companies We are a British company with a world outlook

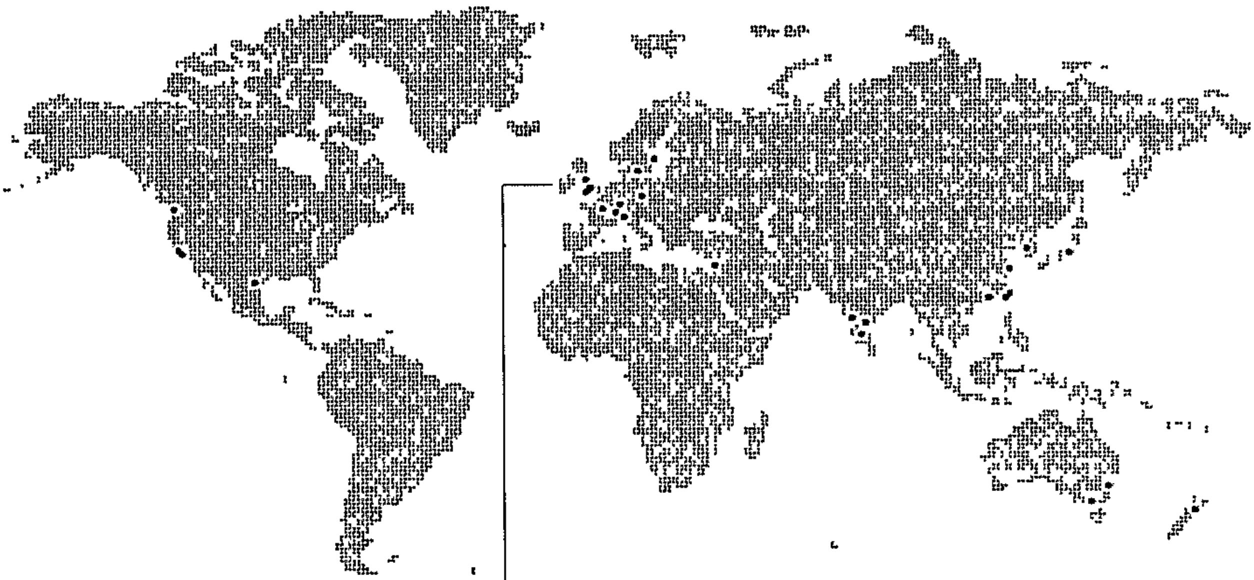
Imagination has over 1,700 employees (May 2015), and growing, across more than a dozen countries

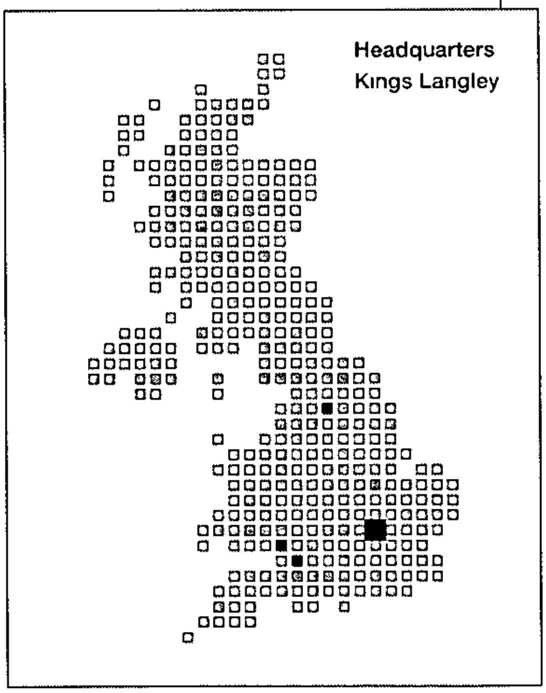
Our headquarters and primary R&D base is in Kings Langley (near London) with major R&D centres across the UK as well as in Europe, USA, China and India

We keep close to our technology customers and partners with sales and support offices worldwide

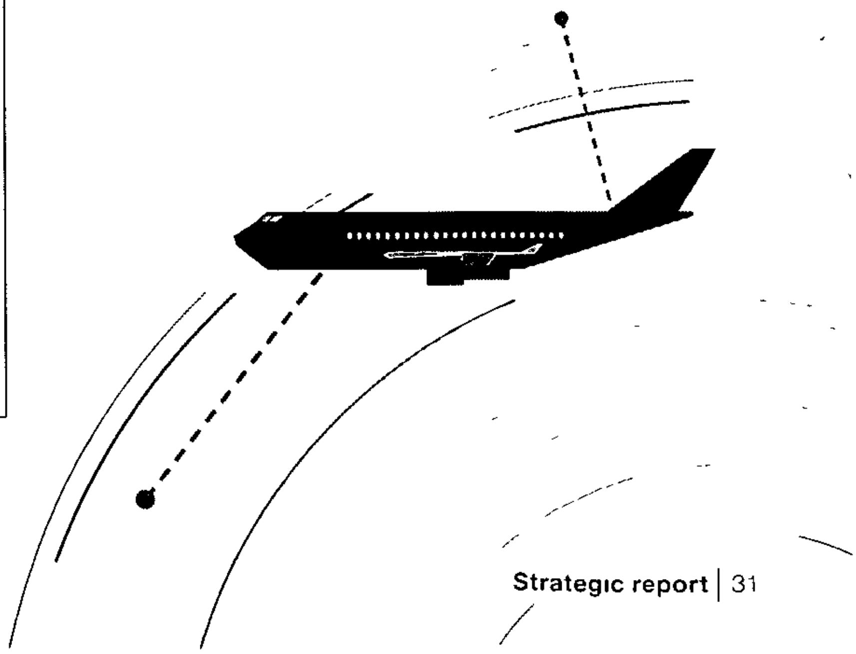
Our growing support and sales teams are located in all our key regional markets to ensure that customers always have access to experts who speak their language in their time zone Our R&D centres are in strong technology regions, which offer highly developed skills and academic excellence

Each year we run a wide range of our own events as well as attending major trade shows such as CES and MWC, reaching thousands of people around the world Our Imagination Executive Events bring together key influencers in our core territories while our Imagination Summit events series now reaches six cities in the USA Japan, China and Taiwan and delivers an in-depth conference covering Imagination and our partners





R&D	Sales
Australia	China
China	France
India	Germany
New Zealand	Israel
Poland	Italy
Sweden	Japan
UK	South Korea
US	Taiwan
	UK
	US



Chief Executive's review

Sir Hossein Yassaie
Chief Executive

Overview

Imagination has continued to exploit and innovate in its three fundamental silicon IP families PowerVR multimedia, MIPS processors, and Ensigma communications The three IP families are central to the Group's overall strategy and they

- offer a strong and comprehensive range of IP-level products that address each key and specific area very well and
- enable solution-centric IP platforms that can efficiently address all key existing and new markets

FY15 saw a year of robust licensing activity across all three IP families, in diverse markets from Internet of Things (IoT) and wearables, through mobile, Digital TV, and automotive to networking and enterprise segments, with 121 licenses signed in the year (2014 115)

Significantly, for both PowerVR and MIPS technologies, new and strategic multi-year deals with high volume/tier-one mobile players were concluded These new agreements reiterate the continued strength of PowerVR graphics and demonstrate the accelerating design-win traction for MIPS in this high volume market These design-wins will further drive the unit shipment growth of these IP families in the medium term as the relevant partners complete their SoC designs and begin shipment The momentum of Ensigma communications adoption continued during the year driven by demand to integrate such functions in SoCs

Another key trend during the year was the substantial growth compared to the previous year, of multi-IP and IP platform engagements with partners The emerging demand for a solution-centric IP model is a clear industry trend, which is driven by the overall supply-chain evolution Our strategy to both take advantage of the unique strength and leadership of each of our technologies and also address the overall changing needs of the market towards solution-centric offerings is both effective and relevant

During the year we launched PowerVR Series7 which has seen strong licensing For the first time we launched cores across the full performance range from the outset and we have seen significant licensing of both the high performance XT and the area and power optimized XE cores Together these products cover all markets from entry level smartphone through performance mobile, HD and UHD TVs and STBs to very high-end solutions requiring in excess of 1TeraFlop (TFLOP) processing capabilities

The progress with MIPS continues with strong licensing as well as a record year of unit shipments The positive customer response to the MIPS offering is evidenced by more than 100 licenses being signed since the acquisition This recognizes both the need for choice of processor IP in the market, but also the unique features provided by the MIPS product range Further licensing of the Warrior family of products together with the first customers now shipping products based on the Warrior family illustrate the progress made in the last two years The record shipments show the confidence of the customer base and the growth potential in the markets that MIPS targets

The customer base for the Ensigma communications technology continues to develop steadily with many more customers evaluating this disruptive technology New customers have started shipping products using Ensigma IP with more to follow

Following the refocus of the Pure business towards the end of FY14 which included narrowing both product lines and geographical presence, we have started to see improvements in the underlying performance of the business in its key markets Additional action has been taken to further refine this focus, in particular the way in which the music service is delivered, and this will drive further improvement in the profitability of this division

The rate of investment in group-wide R&D has been reduced as the important scaling activities have now been completed We continue to invest in R&D to drive the future growth of the business but this investment is growing at a lower rate than experienced over the last few years, as we look to drive expansion of the operating margin The Group's capital investment programme continued with the final phase of the three-phase Kings Langley redevelopment now in progress and due for completion during FY16 The value of assets created by this programme over the last four years is now in excess of £60m

Financial Review

Revenue

Group revenue for the period ending 30 April 2015 increased by 4% to £177 0m (2014 £170 8m)

Licensing revenue increased 2% to £39 0m (2014 £38 3m) The high levels of licensing activity also helped to increase the licensing backlog during the year

Royalty revenue increased by 9% to £118 9m (2014 £109 0m) Partners' chip shipments (excluding MIPS) were stable at 530m (2014 530m) units MIPS partner shipments increased by 9% to 797m units (2014 729m) The average royalty rate, excluding MIPS, increased due to a better mix

Following the refocus of the Pure division last year, it has been trading in a reduced number of territories and across a tighter product set As a result revenue was down on previous years at £18 4m (2014 £23 2m)

While there were significant movements in the sterling/dollar rate during the year, overall the average dollar rate was not materially different in FY15 compared with FY14

Profit and operating expenses

Group gross profit was up 6% to £159 3m (2014 £150 4m) with overall gross margin increasing to 90% (2014 88%)

Underlying Group operating expenses were tightly controlled growing at a lower rate than previous years and were £138 2m (2014 £126 4m)

Underlying expenses are those expenses incurred before calculating adjusted operating profit and exclude

- non-cash share-based incentives charge of £12 0m (2014 £13 2m)
- amortization of intangibles from acquisitions of £9 1m (2014 £8 6m),
- impairment of investments of £5 1m (2014 £2 6m),
- gain on investments of £nil (2014 £0 3m),
- acquisition related costs of £1 4m (2014 £1 3m),
- onerous supplier contract provision of £2 5m (2014 £nil),
- Group restructuring costs of £0 7m (2014 £0 4m),
- a credit relating to the release of a customer contract obligation of £0 8m (2014 £nil), and
- a credit relating to releases of contingent acquisition consideration of £0 4m (2014 £1 6m)

Details of how the adjusting operating items listed above are apportioned between Research and Development expenses (£18 1m 2014 £18 5m) and Sales and Administrative expenses (£11 5m 2014 £5 6m) are contained in note 2

Adjusted operating profit* for the Technology business was £27 1m (2014 £31 4m) The adjusted net operating margin for the technology business was 17% (2014 21%)

For Pure the revised focus resulted in a lower adjusted operating loss of £6 0m (2014 loss £7 4m) This reflects the benefit from the cost reduction activities undertaken in FY14 offsetting the reduction in gross margin resulting from the lower revenue

Earnings and taxation

The Group's adjusted operating profit* was £21 1m (2014 £24 0m) The reported operating loss was £8 5m (2014 £0 1m)

Net tax was a charge of £1 1m (2014 credit £1 1m) The deferred tax asset on the Group balance sheet to be utilized against future UK profits is £4 9m (2014 £4 9m)

The Group's adjusted earnings per share was 6 3p (2014 8 1p) The Group s reported loss per share is 4 9p (2014 earnings of 0 3p)

Balance sheet

Goodwill at 30 April 2015 was £59 8m (2014 £59 8m)

The investment balance reduced to £19 9m (2014 £21 1m), reflecting the movement in share prices of the publicly traded investments and a provision against the carrying value of Orca, offsetting the new investment in Atomos

Property, plant and equipment was £69 0m (2014 £63 6m) reflecting the capital expenditure of £12 2m (2014 £22 3m) less depreciation of £6 7m (2014 £4 4m) The primary element of the capital expenditure is the redevelopment of the Group's property facilities in Kings Langley

Trade and other receivables were £81 8m (2014 £53 9m) The majority of the increase is due to the timing of royalty receipts from customers

Trade and other payables were £40 6m (2014 £37 5m)

Corporation tax payable was £0 5m (2014 £0 2m)

Interest bearing loans and borrowings were £29 9m (2014 £24 3m) The increase relates to the short term utilization of the Revolving Credit Facility at the end of the year

The deferred tax liability was £15 0m (2014 £17 1m)

Cash generated from operations before movements in working capital was £24 7m (2014 £27 9m)

The cash balance decreased to £2 7m during the year (2014 £19 2m) primarily due to royalty receipts for the March 2015 quarter being received just after 30 April, whereas in 2014 there were significant amounts received just before 30 April At the year end Group net debt was £27 2m (2014 £5 0m)

* Adjusted profit is used by management to measure the performance of the business year on year by excluding non-recurring items (items which typically do not occur every year), items relating to acquisitions and investments, non-cash based share incentive charges, and amortization of intangible assets acquired from acquisitions The reconciliation from reported results to adjusted results is set out in note 2

Technology Business

Licensing

- Acceleration of licensing in the second half of the year resulting in record licensing revenues
- 121 licenses including 52 for PowerVR multimedia, 47 for MIPS CPU, 15 for Ensigma comms and 7 System-level/support IP (including FlowCloud VoIP, and Caskeid)

- Significant agreements with over 40 partners during the year including Ali, Atomos, Avago, Broadcom, Celeno Elvees, Fujitsu, HiSilicon, Ineda, InfoTM, Intel JCI, Lantiq Loongson, MediaTek Pioneer, Renesas Sigma, Spreadtrum, Texas Instruments Toshiba, Toumaz and Yokogawa
- Licenses signed for new IP across all key IP families (including Series7 GPU, Warrior MIPS cores and Ensigma RPU/NPU)
- New, significant and strategically important licensing deals with high volume/ tier-one mobile players for both PowerVR graphics and MIPS processors
- Increasing number of licenses signed involving IP from multiple families There is a growing and general trend towards demand for IP sub-systems or solutions combining multiple IP cores, an aspect that our strategy is designed to fully support

Partner chip shipments and SoC design-wins

- Partner chip unit shipments grew to 1,327m units (2014 1,259m)
- Non-MIPS shipments were stable at 530m (2014 530m) We have seen an increasing proportion of shipments using Series6 graphics technology and given the design wins achieved during the year we expect this to continue to grow
- MIPS shipments increased strongly to their highest annual level of 797m units (2014 729m)
- The licensing activity in the year has resulted in a significant increase in new committed SoCs with over 60 new SoC design-wins added which will contribute to future royalties

Technology products update

PowerVR Multimedia

The key technologies under this category are graphics, ray tracing video and vision

Graphics – The PowerVR graphics processor (GPU) family continues to lead the market in technological capability roadmap strength and ecosystem and remains by far the most adopted and shipped technology of its kind During the year there were 27 PowerVR GPU licenses across all markets and segments These included a number of licenses to customers using PowerVR graphics in high volume markets, with one licensing PowerVR graphics for the first time

Following its launch in November 2014, PowerVR Series7 has seen strong licensing activity with multiple tier-one customers licensing this class-leading technology With PowerVR Series7, for the first time we launched cores across the full performance range from the outset and we have seen significant licensing of both the high performance XT and the area and power optimized XE cores Together these products cover all markets from entry level smartphone through performance mobile, HD and UHD TVs and STBs to very high-end solutions requiring in excess of 1 Teraflop (TFLOP) processing capabilities

At this year's Mobile World Congress (MWC) Imagination unveiled the PowerVR Series6 G6020 GPU that has been specially designed for graphics efficiency in ultra-compact silicon area and lowest power consumption, whilst delivering optimal device performance and full compatibility with the latest APIs With the PowerVR GX5300 and G6020 GPUs Imagination now covers graphics and UIs from entry-level smartwatches to high-end wearables

At the other end of the performance range the PowerVR Series7 GT7900 continues to lead the market, with 512 ALU cores, and is a super GPU for high-end graphics and compute delivering over 1 5 Teraflops The PowerVR Series7 launched during the period includes many advanced features and significantly fully supports Imagination s recently announced security technology, OmniShield, through built-in virtualization This approach delivers ultimate multi-zone security an area of growing market demand given the importance of data security and the programmability of modern GPUs

Ray tracing – In support of the PowerVR Wizard family of ray tracing IP cores, we have very recently taped out a ray tracing reference chip to enable our partners to fully explore and evaluate the benefits that this disruptive technology can bring The reference system will also be used to support and further develop the important and growing ecosystem

Video – Our PowerVR video decode and encode processor families, which support the latest and emerging formats, continue to see strong volume growth, reaching their highest level of shipments during the year During the year there were 22 video core licenses

Camera Vision Processing – Vision processing is needed to get the best image from a camera sensor and is a key growth area with smart cameras being increasingly used in areas such as automotive, retail, security and traffic management We secured three licenses for this emerging technology during the year

MIPS Processors

MIPS continues to perform ahead of our expectations, with the highest ever annual volume shipments during the year Strong shipments have been recorded across our broad customer base and reflect the confidence that our customers now have in the MIPS product range

Interest in and licensing of the Warrior range of cores, which have been developed since the acquisition, as well as the previous generation Aptiv range, continues to be strong Partners have been attracted by the inherent efficiency and performance benefits of the cores, together with the additional features of multi-threading and next generation security capabilities. As a result customers' engagements and licensing activities have been strong and encouraging with 47 licenses concluded globally for MIPS cores across existing and new customers during the year. Among these there were a number of strategically important agreements including a key license with a tier-one mobile player for a significant embedded subsystem in mainstream mobile application processors.

The Warrior family of MIPS cores continues to expand and is attracting considerable interest and licensing. We have also recently seen the first Warrior based chips entering production with more due to start shipping soon.

The use of hardware virtualization across the Warrior core range, from microcontroller to high-end, to enable the newly announced OmniShield multi-zone security capability, provides partners with a very strong solution to the increasingly demanding challenges of next generation SoC security. Our unique strategy in delivering CPU and GPU cores supporting OmniShield is attracting industry attention and is the foundation for total SoC security. The fact that the prpl Foundation has formed an Open Security working group with members from industry leading companies reinforces the importance of our approach. The prpl Foundation has also been further strengthened with new board members recently appointed from leading semiconductor players.

The strong MIPS roadmap executed so far and being driven going forward, the investment in internal and third party supporting tools, and the growing momentum in the ecosystem through initiatives such as the prpl Foundation and the Creator family of boards, are recognized and supported by many in the industry.

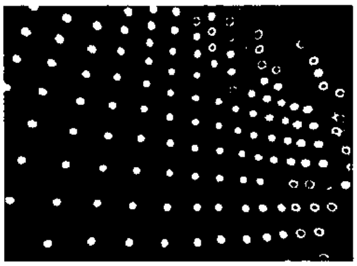
Overall we believe we are now at a stage that new and existing tier-one partners are also beginning to consider MIPS offerings as both technically strong and strategically important to their plans.

Ensigma Communications

Imagination's Ensigma radio connectivity processors (RPUs) and network processors (NPUs) are vital to servicing the growing demand for communications (connectivity and broadcast) IP cores in key markets including IoT, wearable, mobile, wireless and digital home, automotive and enterprise solutions. Our focus has been and continues to be offering an end-to-end solution for this market as more and more partners encounter the need for integration of these functionalities.

At MWC, Imagination demonstrated a new HDMI streaming device, which is now shipping from a major brand in Asia, from one of its partners using Ensigma high-performance Explorer 802.11 2x2 ac connectivity, and also highlighted its Ensigma low-power Whisper IP that is designed to drive the next generation of wearables, the emerging IoT and other connected devices where ultra-low energy consumption and low-cost design points are essential Whisper RPUs, like their Ensigma Explorer counterparts, are aimed at providing multi-standard support in a single architecture, designed to enable customers to bring Wi-Fi, Bluetooth and in the future NFC, GNSS and other low-power connectivity technologies onto their SoCs

We secured 15 further licenses for Ensigma technology during the year, which is another significant increase over the previous year New customers have also recently entered production which will drive further volume growth



Complementary supportive technologies

FlowCloud technologies – As part of our market engagement and enablement of the emerging IoT opportunities we have developed the FlowCloud software technologies which can help to enable and accelerate easy and quick deployment of our processor and communications IP in these markets FlowCloud in conjunction with the Creator family of microcomputer and development systems, as well as third party boards and modules is enabling a diverse range of applications in the IoT space Early projects in the areas of agriculture, health and energy are underway with partners We are also working on industry initiatives on the key areas of security and interoperability that are gaining traction

VoIP – our family of video and voice over IP (VoIP) products including platform agnostic SDKs, constitute an important element in our IP offering with relevance to both general internet-based communication including some of the key emerging IoT devices needing voice communication and the arrival of 4G/Long Term Evolution (LTE) networks which require VoIP over LTE (VoLTE) We are seeing serious and significant opportunities with Mobile Virtual Network Operators (MVNOs) who wish to use Voice over IP An example of a partner who has licensed our technology to enable further innovation is Japan Communication Inc (JCI) The rising importance and relevance of voice in connected IoT devices is creating new opportunities for this technology in conjunction with our processor and connectivity platforms

Caskeid – With the growth of smartphones and tablets and the migration to streaming content, the demand for wireless streaming of audio is set to grow Caskeid is Imagination's targeted solution combining our patented low delay and low latency audio distribution technology with our processor and connectivity IP cores The Caskeid audio platform is designed to address the growing demand for wireless audio including home music distribution as well as multi-channel applications such as home cinema Through the effort initiated by Pure we are engaged with licensing partners including significant players and expect to see strong deployment of this technology over the next 12 months

Pure business

Pure's activities have continued to be strongly focused on core areas that are of direct strategic significance or financial relevance for the Group These include key markets or ecosystems that are highly relevant to one or more of our three fundamental IP areas The current focus areas are

- The DAB product line-up where Pure is a market leader and supporting/driving the adoption of digital radio internationally and in automotive
- Strategic engagement in support of key players interested in our wireless and multiroom speaker technologies These systems use much of Imagination's underlying IP including MIPS processors Ensigma communications processors and FlowCloud technology and are paving the way for the connected home revolution This is an on-going activity with significant potential for the Group
- Helping to build development boards and systems in support of our IP offerings and Platform solutions The launch of the well-received Creator Ci20 development system earlier in the year and our ongoing work in developing the IoT ecosystem are examples of where we see a growing contribution from Pure

Several key products were launched in line with the Group's strategic objectives The Pure business continues to develop its range of wireless speakers with the launch of the new Jongo X Series based on our Caskeid multiroom technology, and the Voca rechargeable Bluetooth speaker Pure was the first digital radio manufacturer to receive the digital radio tick mark for its complete current range of radios including new launches such as the Evoke D2 and D4 Mio, stereo Evoke D6, and the new Pop family which recently won the prestigious Red Dot design award A designer variant of this range has also just been announced, Pop by Mini Moderns

As part of Pure's tighter focus, and to further improve financial performance whilst maximizing reach we are exploring opportunities with a number of third parties to use a licensing model for the Pure brand, as well as products in certain categories We have successfully trialled such an approach in two limited scenarios and believe the approach merits further follow-up

Current trading and outlook

We expect to see growth in licensing revenue in FY16 consistent with the 10% long term growth rate This will be driven by the increase in the backlog at the close of FY15 together with the strength of the sales pipeline The pipeline strength is in part driven by the introduction of new products such as Series7 graphics and 64-bit processor cores complemented by our new security offering OmniShield

Royalty unit shipments are expected to increase with growth in both MIPS and non-MIPS categories

The momentum we have seen in the core markets for the refocused Pure business will drive an increase in revenue for Pure in FY16 This is expected to result in a further reduction in the operating loss for the Pure division

We continue to tightly manage the investment across the Group and as a result we expect the increase in adjusted operating costs to be lower than previous years and between 5%-10%

Fundamentally our multimedia (graphics and video) business is very strong with ray tracing and camera vision elements offering new and significant opportunities for the future MIPS is meeting our expectations with next generation technology well-underway with growing customer endorsement and commitment Our Ensigma connectivity activities are now moving from investment to mass market exploitation

The Group s ability to provide the comprehensive and complementary range of IP cores across these key areas is increasingly enabling us to offer solution-centric IP platforms in support of the new industry trends and requirements The market opportunities that are addressable by our comprehensive IP both individually and in combination, have huge potential

The progress made to date in the product lines and their exploitation combined with the effective operating cost management gives us confidence that the Group will be able to also make significant financial progress over the next few years with an expected rise in profitability in FY16 We continue to believe a 30%-40% operating margin range is a realistic target for the longer-term

As a result the Board remains confident that the Group is on track to deliver continued progress

H Yassaie

Sir Hossein Yassaie
Chief Executive

29 June 2015

Key performance indicators

The key performance indicators used in the business are summarized below The performance of the business in terms of these indicators is considered in the Chief Executive's review on pages 32 to 41

	Year to 30 April 2015	Year to 30 April 2014	%
Technology business			
Licensing revenue	£39 0m	£38 3m	2%
Partner chips shipped			
MIPS (units)	797m	729m	9%
Non-MIPS (units)	530m	530m	–
Royalty revenue	£118 9m	£109 0m	9%
Adjusted operating profit	£27 1m	£31 4m	(14%)
Pure business			
Revenue	£18 4m	£23 2m	(21%)
Adjusted operating loss	(£6 0m)	(£7 4m)	19%
Income statement			
Revenue	£177 0m	£170 8m	4%
Gross profit	£159 3m	£150 4m	6%
Adjusted operating profit*	£21 1m	£24 0m	(12%)
Loss before taxation	(£12 0m)	(£0 3m)	–
Balance sheet			
Net debt	(£27 2m)	(£5 0m)	–
Net book value of tangible fixed assets	£69 0m	£63 6m	–

*The reconciliation from reported profit to adjusted profit is set out in note 2

Principal risks and uncertainties

The Group places great importance on the identification and effective management of risk Our approach to risk management helps us to deliver our objectives and maximize the returns of the Group

The following table describes the risks that the Board considers to have a potential material impact on the Group They are specific to the nature of our business notwithstanding that there are other risks that may occur and may impact the achievement of the Group's objectives

The Board discussions on risk have focused on these risks and the actions being taken to manage them

Risk or uncertainty and potential impact	How we manage it
Competitive Environment The business operates in a highly competitive market and needs to be able to respond rapidly to competitive threats	Drive and deliver new product developments and enhancements which differentiate us competitively Monitor and understand our competitors Focus on being responsive to customers and improving the quality and delivery of our products Seek out new market opportunities and pioneer unexploited sectors
Intellectual Property Patent-related threats from third parties seeking to use patents as an alternative way of generating revenue	Build a portfolio of strategically important patents across our IP portfolios 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
Customer Concentration The business currently has a large portion of revenue related to specific customers and technologies Consolidation within the industry could drive this further and increase the Group s dependence on a limited number of customers Market concentration is a concern with significant exposure to the smartphone market	Build a portfolio of technology that appeals to a broad range of customers and market segments Develop sales strategies and 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
Change in Customer Dynamics A change in the business environment or business models employed by our customers could have a detrimental impact on our financial performance	Establish trusted relationships with customers to ensure we fully understand their strategic direction Adapt a flexible approach to different business models Develop further engagement with Chinese companies and explore opportunities in Latin America

Risk or uncertainty and potential impact	How we manage it
Supporting Business Growth With the significant growth expected in the business there is a need to effectively scale the infrastructure people and processes to capitalize on the opportunities	Continue to develop procedures and processes to support the growing business Add resources in key areas Long term planning undertaken across the business to identify requirements
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	Establish a defence by deploying the latest generation of firewall protection Ongoing improvement in the rigour of authentication processes including wider use of single sign on Improve protection of confidential data on portable computers Develop process of system patching to close security loopholes
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 with a corresponding impact on financial performance	Put in place Business Units to manage and monitor customer requirements Close project management, including using project management systems Checks throughout the project to ensure the expected outcomes including specification and timing will be achieved Thorough roadmap planning process including discussion with key customers for each Business Unit Additional R&D resources allocated to key projects
Macro-Economic Developments Changes in global economic conditions can have a significant impact on our partners and customers and therefore may affect the financial performance of the business	Broad customer, engineering and products base to balance risk Flexible in responding to changing demands Effective forecasting of business performance Foreign exchange hedging strategy implemented
Effective Management of People In a complex, geographically diverse and fast moving business it is critical that we employ effective management capabilities This is necessary to deliver on customer requirements maintain an entrepreneurial and dynamic culture and attract develop and retain key personnel	Ensure competitive remuneration package is designed to attract, retain and reward employees with ability and experience to execute group strategy Invest in management development training Ensure adequate succession planning is performed and documented for all key personnel Identify behaviours to support the development of company culture

Corporate and social responsibility report

Corporate and social responsibility

The Group recognizes that it has responsibilities to all stakeholders, including the interests of employees and their families, the need to foster the Group's business relationships with partners customers, suppliers and others and the impact of the Group's operations on the local communities and surrounding environment where it operates Our employees are highly regarded and valued, and their employment and rights are respected All employees are required to act honestly fairly and with integrity The Group is committed to the important principle of equal opportunity which is reflected in the Group's recruitment, graduate recruitment, disciplinary and grievance policies The Group is dedicated to supplying products of the highest quality to meet its customers' requirements in a manner that is consistent with high environmental and ethical standards The Group makes a contribution to local charities and communities in areas where it operates its business

Environmental impact and energy use

As a Group we feel our environmental impact on the whole is low, with our main business being the development of intellectual property which helps customers develop the most power efficient products possible Our emissions come mainly from the use of electricity in our offices and business travel In the UK we currently have eight offices, four at the Group headquarters in Kings Langley, one datacentre and three offices at other locations in the UK We also have a number of overseas sites

The Group continues to review the supplies of its electricity and tariffs and the number of sites with a green renewable energy tariff continues to increase with four moving in the financial year Further buildings will move over to this tariff as current contracts expire The intention is that all electricity used is from renewable tariffs by the end of 2015

Redevelopment of site and environmental impact

The Group began redeveloping its headquarters site in Kings Langley in 2011 Two of the three buildings are now complete Construction of the third building will be complete at the end of 2015 All of the buildings are designed along the principles of sustainable design and will exceed the building regulations requirements for buildings of this nature, the first building has achieved a BREEAM rating of 'Excellent' and the intention is that the remaining new buildings will too

In addition to reducing each building's energy consumption, a sustainable approach has been adopted when handling other issues which will contribute towards a truly sustainable building Such issues include the selection of materials, construction technologies and the operation management and maintenance of the completed building The main methods by which a fully sustainable building with the aspired BREEAM rating of 'Excellent' will be achieved are

- Introducing the sustainable aspects of the construction process at an early stage of the design and collaborating as a team to achieve the sustainability goals,
- Considered and intelligent design of fenestration The main emphasis in the design and specification of the glazing and solar shading devices will be to reduce operational energy usage in terms of heat loss and solar gain whilst maximizing levels of daylight within the office space, thus reducing reliance on artificial lighting,
- The provision of facilities such as secure bicycle storage and changing facilities to encourage staff to use sustainable modes of transport,
- Water saving technologies (such as flow restrictors, low flow rate water fittings, etc) will be applied to the building to minimize portable water demand and to achieve further CO_2 emissions reductions while saving a precious natural resource
- Selection of construction materials and technologies that minimize site wastage using locally sourced materials where possible,

- Responsibly sourcing materials used in structural and non-structural elements Third-party certification will be required to show that the timber has come from a sustainability managed source for example, Forest Stewardship Council (FSC),
- Using the Green Guide to Specification to ensure that where possible materials have 'A' rating,
- Recycling construction waste using off-site sorting including a dedicated space for recyclable materials on site,
- The provision of dedicated recyclable waste storage facilities, and
- Incorporating SUDS (Sustainable Urban Drainage) such as permeable paving on the surface car parks and water attenuation to control surface water run-off and minimize watercourse pollution

As part of the redevelopment of the headquarters the Company focused on the core functions required of a high quality office development whilst being conscious of its environmental responsibilities in this vein we are promoting the ecology of the area by introducing a native boundary structure and new habitats within the canal race area Where applicable native tree shrub and herbaceous plants have been introduced to encourage indigenous species in the more decorative areas of the scheme

New datacentre

To meet the Group s considerable IT requirements, a dedicated datacentre was constructed and became operational in 2014 It contains two highly efficient data halls, the first of which is in current use and the second hall will come online in the future to meet business needs as the Group grows

The data halls are supported by a highly efficient electrical distribution system that utilizes state of the art static UPS systems that have multiple modes of operation to maximize energy efficiency A low energy cooling solution has also been adopted that provides both a water and air cooled solution that makes use of free cooling when ambient conditions allow

Pure division

Our Pure division has spent considerable time looking into ways to reduce its environmental impact and it remains committed to ethical and environmentally sustainable design and manufacture Pure recognizes that its main environmental impact comes through the products themselves in manufacture, transport and predominantly in use by consumers, and so it continues to reduce the power consumption of its products, with a programme in place to exceed the requirements of the tightened Energy-Using Products (EuP) Directive which came into force in January 2013

The Pure division also ensures through its own due diligence programme that all third-party factories comply with the following health, environmental and ethical requirements

- EC Regulation on chemicals and their safe use (EC 1907/2006) known as Registration, Evaluation Authorization and Restriction of Chemical substances (REACH),
- Use of Certain Hazardous Substances in Electrical Equipment Regulations 2005 (RoHS),
- Batteries & Accumulators directives and
- SEDEX or SA8000 – Pure is committed to the ethical treatment of its staff and contractors, and to that end all third-party factories are audited via the SEDEX or SA8000 programmes to ensure compliance with local and national laws particularly on working hours and conditions health and safety, rates of pay, terms of employment and minimum age of employment

The Pure division through their own functions ensures compliance with the following

- The EC Directive on Waste Electrical and Electronic Equipment (WEEE) through the producer compliance scheme REPIC – this is aimed at minimizing the impact of electrical and electronic goods on the environment, and

- The EC Directive on Packaging and Packing Waste (94/62 EC) obligations through their membership of the compliance scheme Biffpack

The Pure division use a compliance solutions company to meet their obligations under the Packaging Waste Regulation obligations

Recycling

We encourage our employees to recycle their day to day waste We do this by ensuring there are 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, toner cartridges, surplus packaging and paper

Imagination House the headquarters at Kings Langley has an on-site restaurant and we work to ensure that as much waste as possible is recycled All cardboard, wooden boxes, drink cans and plastic bottles are currently recycled

Greenhouse gas emissions

Imagination is required to report the quantity of greenhouse gas (GHG) emissions from activities from which the Group is responsible, in accordance with the GHG emissions reporting requirements of The Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 for GHG emissions

We have adopted a financial control approach to defining our organizational boundary and therefore the data used reflects our material global operations The methodology used to compile this data is in accordance with the requirements of the following standards DEFRA's Environmental Reporting Guidelines Including mandatory greenhouse gas emissions reporting guidance (June 2013) Our reporting period for GHG emissions is in line with our financial reporting year to 30 April 2015 This marks our baseline year and will be used for comparative purposes in the future

Our gross carbon emissions have decreased by 786 t/CO2e from 2014, due to a more efficient use of energy

Our material GHG emissions from our business activities in FY15 amounts to 6 033 tonnes of CO_2e, consisting of

Carbon emissions	2014 Tonnes of CO_2e	2015 Tonnes of CO_2e
Scope 1 CO_2e from the Combustion of fuel and the operation of any facilities	304	305
Scope 2 CO_2e from the purchase of electricity, heat, steam or cooling by the Company for its own use	6,515	5 728
Total	**6,819**	**6,033**

Our Group chosen intensity measurement is square foot	2014 Emissions intensity	2015 Emissions intensity
Scope 1		
Tonnes of CO_2e per Sq ft	0 00	0 00
Scope 2		
Tonnes of CO_2e per Sq ft	0 02	0 01

Where data was incomplete GHG emissions were extrapolated from the available information

The Group's employees

Our people are our most valuable asset and the Group recognizes that its reputation and success depends upon their efforts, integrity and commitment Across the Group there is considerable value placed on the involvement of employees in the decision making process To this end regular departmental meetings are held to discuss strategy and future developments and any significant outputs are then communicated to senior management This helps the flow of ideas through the Group and allows employees to see their contributions are valued

Employee engagement with the whole Group is highly prioritized and there are a number of communication channels in place to help employees develop their knowledge of the business These channels include regular presentations by the CEO and CFO to staff covering the Group's performance, strategy, vision and operational developments

There is a quarterly Group magazine 'Imagineer' which is used to report events and activities to all employees worldwide covering the opening of new offices around the globe, different departments explaining their specific functions, introducing new starters to the Group, recreation activity of employees, the arrival of children of employees and retirement tributes to employees

Furthermore employee ownership is encouraged across the Group to align the interests of our employees and our shareholders and to enable our employees to share in the success of the Company The Group runs an employee share plan under which all employees globally receive share awards on a bi-annual basis There is no qualifying period and no performance conditions on share awards below the Executive Management Board (EMB) and Board The Company continues to develop its employee share schemes and launched a Share Incentive Plan (SIP) in 2014 offering Free shares, Partnership and Matching to our UK employees

Graduate recruitment and internship programme

We remain focused on bringing young people into engineering, the Group runs a graduate recruitment and internship programme with universities and colleges throughout the UK We have developed strong relationships with a number of universities including the University of Southampton Imperial College of London, the University of Bristol and the University of Manchester As a direct result of our programme we have welcomed around 40 undergraduates on internship each year most of whom convert into permanent graduate hires

Academic outreach and sponsorship

We have linked up with universities which reflect our technical skill set and are supporting and developing these into centres of excellence for students in line with our intellectual property activities around the Group We currently sponsor five PhDs at key universities in areas of technical relevance to the Group's activities In 2013 we began sponsoring labs and providing development kits to universities for teaching purposes and we and pleased to continue this programme through 2015

The Group offers a wide range of other incentives to young people varying from the sponsorship of electronic courses at local schools, giving scholarship awards to students at University to promote opportunities at the Group and financial awards to exceptional successful interns with the intention that the students come to work for the Group in the future The Group invites young people from the local community annually for structured work experience to learn more about and experience some of the careers available in our sector We regularly attend and sponsor events focused on promoting Science and Engineering with our university partners

The Group has committed to donating £25,000 per year for the next 2 years to sponsor a mathematics/physics Chair as a part of the Government's 'Your Life Campaign' to improve the quality of teaching of numerate subjects in schools in the UK

Diversity

The Group acknowledges the importance and contribution of its employees and as a global business, values people from all cultures nationalities, religion and ethnicities irrespective of characteristics such as age, gender, disability or sexual orientation The Group is committed to building a diverse organization to maximize the skills available to us in the jurisdictions in which we operate We ensure that we follow best practice and have adopted employment policies across the jurisdictions based on equal opportunities for all employees these are implemented from the point of recruitment and continue throughout the employees' career with Imagination The Group has a strong demand for highly qualified staff and disability is not seen to be an inhibitor to employment or career development The Group considers diversity as an important issue across the Group, not just at Board level

We have marginally increased the percentage of senior females in the Group and recognize that we must continue to work to increase the proportion of female staff within the Group

	Board of directors	Senior managers	Employees
Male	7	94	1,316
Female	1	12	214
	8	106	1,530

Healthy living

The Group promotes healthy living to its employees For the second year running year we held a Healthy Living week at the headquarters in Kings Langley to raise awareness on nutrition, exercise, mental health and changing habits The Group also provides a range of healthy living benefits to its employees in their respective locations and the Healthy Living week and the programme will be extended more globally across the Group in the coming years, with a focus on empowering employees to access programmes and information available to them to lead a healthy lifestyle

In the UK the Group actively encourages recreation to assist employees to stay fit and healthy by providing 50% of the annual fee for fitness centres and 38% of the UK staff are members of fitness clubs sponsored by the Company The Group also supports the Government's Ride2Work scheme which was launched in 2010 where the Company works in partnership with a national cycle retailer to promote sustainable transport and health of employees The scheme allows the Company to offer bicycle and related safety equipment to employees to be used to commute to work which provide considerable tax savings for the employee as well as health benefits Currently 20% of UK employees participate in the Ride2Work scheme

Healthier staff restaurants

Our headquarters provides superior catering facilities and employees have been overwhelmingly positive with people enthusiastic about the quality freshness and variety of produce The catering firm operating the restaurant also ensures they use only sustainable fish and farm assured meats as standard which is in line with the Group's principles In the past year we have improved the cuisine and regularly have featured days celebrating food from various countries around the world and commemorating special dates during the year

Local community and environmental sustainability

As part of its commitment to the community and environment the Group is engaging with a charity in the local community to help the Group develop multiple areas of owned green amenity space into well maintained landscaped areas

Charitable work in the community

The Group gives charitable donations both locally and nationally Every year employees are consulted to ensure that the donations given by the Group represent all the interests and locations where employees are based Employees get the opportunity to vote on which charities receive the money raised If employees raise money for a charity on the Group selected charity list the Group will double the amount of money raised by the employee This year the Group has given donations to the nominated charities, and also recycled old PCs in return for donations towards these charities

Sports and Social club

Our Sports and Social club was set up in 2000 with the aim of bringing together employees to participate in a variety of activities For a nominal contribution employees can gain membership which provides discounts on all events supported by the club We continue to see considerable uptake with 80% of UK employees members In the financial year there has been a wide range of events, such as visits to the theatre, an event at the Olympic Velodome, opera and many movie nights hosted in the employee restaurant There are also many sporting activities organized by employees and subsidized by the Sports and Social club including badminton, basketball cricket, fitness and martial arts, football, meditation and yoga

Going concern basis

As set out in note 1 Accounting policies, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements

Approval

This Strategic report has been prepared solely to provide additional information to shareholders to assess the Group'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 Strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Imagination Technologies Group plc and its subsidiaries undertakings when viewed as a whole

This report was approved by the Board of directors on 29 June 2015 and signed on its behalf by

Sir Hossein Yassaie

29 June 2015

Directors' report

Board of Directors

Bert Nordberg

Chairman

Appointment Date March 2015 to present
Nationality Swedish

Skills and Experience

Bert joined the board following an executive career spanning 30 years in the technology sector He has a wealth of relevant experience, and was President and CEO of Sony Ericsson from 2009 to 2012 and Executive Vice President at Ericsson from 1996 to 2009 Since 2012 Bert has been Chairman of the Board, the Compensation Committee and the Nomination Committee at Vestas Wind Systems A/S

Board Committees

Nomination Committee (Chairman)
Remuneration Committee

Other current appointments

Vestas Wind Systems A/S – Chairman
AB Electrolux (SE) – Non-executive director
Sigma Connectivity AB (SE) – Non-executive director
Svenska Cellulosa Aktiebolaget SCA (SE) – Non-executive director

Geoff Shingles

Chairman (retired)

Appointment Date 1996 to March 2015
Nationality British

Skills and Experience

Geoff has over 30 years experience within Europe and US in the digital technology industry and extensive knowledge of the semiconductor industry Geoff was Chief Executive and Chairman of Digital Equipment Co Limited Geoff retired from the Board in March 2015

Board Committees

Nomination Committee (retired March 2015)

Other current appointments

IS Solutions – Non-executive director

Sir Hossein Yassaie

Chief Executive Officer

Appointment Date 1995 to present
Nationality British

Skills and Experience

Hossein has a BSc in Electronic and Electrical Engineering and a PhD Hossein obtained relevant industry experience at STMicroelectronics/Inmos, where he spent eight years, ultimately becoming responsible for the system divisions including research and development manufacturing and marketing After joining Imagination Technologies in 1992 as Technical Director Hossein refocused the business on advanced technology development and created Imagination s successful silicon IP business model He was appointed as CEO in 1995

Board Committees

Nomination Committee

Other current appointments

7digital Group plc – Non-executive director
Toumaz Holdings Limited – Non-executive director

Richard Smith

Chief Financial Officer

Appointment Date July 2011 to present
Nationality British

Skills and Experience

Richard holds an MBA from Henley Business School has an MA in Economics from Cambridge University, and is a Fellow of the Institute of Chartered Accountants in England and Wales His early career included positions with Porsche Cars and PricewaterhouseCoopers Richard has worked in a number of privately held technology businesses as CFO, and prior to that held senior financial roles at Vodafone He joined Imagination Technologies in May 2011 and was appointed to the Board as Chief Financial Officer in July 2011

Richard has no other current appointments and is not a member of any board committees

David Anderson

Non-executive director and Senior Independent Director

Appointment Date November 2010 to present
Nationality British

Skills and Experience

David has over 30 years investment banking experience including 17 years at Lazard including two years heading up the Lazard business in Asia and six years at JP Morgan Cazenove He spent two years at Vodafone as group corporate finance director from 2000 to 2002 Since 2008 he has run his own corporate finance business, EPL Advisory LLP and also built up a portfolio of board roles He has specific skills in mergers and acquisitions (both domestically and cross-border), restructuring and capital raising He also chairs audit committees at Bibby Line Group Limited and Hibu (previously Yell) He chairs the trustees of the Lazard pension schemes

Board Committees

Audit Committee (Chairman)
Nomination Committee
Remuneration Committee

Other current appointments

Bibby Line Group Limited
Hibu Group 2013 Limited

Gilles Delfassy

Non-executive director

Appointment Date June 2012 to present
Nationality French

Skills and Experience

Gilles has worked in the semiconductor and mobile and wireless industry for more than 35 years He has significant industry experience and is a respected international figure During his 30 years at Texas Instruments Inc he was a key pioneer and driving force behind mobile and wireless initiatives, which helped shape the industry He has also held the position of Chief Executive Officer of ST-Ericsson SA

Board Committees

Audit Committee
Nomination Committee
Remuneration Committee

Other current appointments

Kalray – Chairman
Sequans Communications – Director

Andrew Heath

Non-executive director

Appointment Date August 2012 to present
Nationality British

Skills and Experience

Andrew has a BSc in engineering and an MBA Andrew brings a wealth of international business experience gained through his executive roles over the past 30 years He is currently Chief Executive Officer of Alent plc (FTSE 250) and previously served as a member of the Executive Leadership team and President of Rolls Royce plc Energy He was previously a Non-executive Director of LG Fuel Systems Inc and Oxford BioSignals

Board Committees

Remuneration Committee (Chairman)
Audit Committee
Nomination Committee

Other current appointments

Alent plc – Chief Executive Officer and Director

Ian Pearson

Non-executive director

Appointment Date 1998 to present
Nationality British

Skills and Experience

Ian has over 30 years experience with companies specializing in semiconductor design, manufacturing and management, with industry Director level responsibilities These companies include Inmos and SGS Thompson

Ian is not a member of any board committees and has no other current appointments

Kate Rock

Non-executive director

Appointment Date August 2014 to present
Nationality British

Skills and Experience

Kate holds a BA in Publishing and History Kate has spent her career in corporate communications and has many years of experience providing strategic counsel and business communication strategies to both public and private companies, including several technology businesses She is currently the Conservative Party's Vice Chairman with special responsibility for business relations

Board Committees

Nomination Committee
Remuneration Committee

Other current appointments

Newsbridge Ltd – Non-executive director

Directors' report

The Directors present their report and audited financial statements of the Group for the year ended 30 April 2015 The following additional disclosures are made in compliance with the Companies Act 2006, the Disclosures and Transparency Rules and the 2012 UK Corporate Governance Code

The Board has prepared a Strategic report, including the Chairman's statement (page 7) and the CEO's review (page 32), which provides an overview of the development and performance of the Company's business to 30 April 2015 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 Group Strategic report, pages 32 to 41
- Principle risks and uncertainties, Strategic report, pages 43 to 44
- Disclosures concerning greenhouse gas emissions, Strategic report, pages 47 to 48
- Employment matters, Strategic report, pages 48 to 50

The Corporate governance report set out on pages 62 to 68, Audit Committee report, pages 69 to 72, Nomination Committee report pages 73 to 74 and the Directors' Remuneration Committee report, pages 75 to 97 form part of this report

There have been no significant events since the balance sheet date to disclose

Research and development

The continuing cost of research and development expenditure and advanced technology projects charged directly to the income statement was £123 859,000 (2014 £114,835,000) An indication of likely future developments in the business of the Group and details of research and development activities are included in the Strategic report

Political donations

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

Financial instruments

Details of the Group s financial risk management objectives and policies are set out within note 19 to the financial statements along with details of the Group's exposure to market risk credit and liquidity risk

Share capital

Details of the authorized and issued share capital, together with details of the movements in the Group's issued share capital during the year are shown in note 16, which is incorporated and deemed to be part of this report The Group 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 Group As at 30 April 2015, there were 271,623 108 ordinary shares in issue listed on the London Stock Exchange of which 2,122,071 (2014 1 996,246) were held in trust No person has any special rights of control over the Group s share capital and all issued shares are fully paid

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provision of the Articles of Association and prevailing legislation The Directors are not aware of any agreements between holders of the Group's shares that may result in restrictions on the transfer of securities or on voting rights

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

Authority to allot

At the Annual General Meeting in September 2014, shareholders approved a resolution to give directors the authority to allot ordinary shares up to an aggregate nominal amount of £8,933,891 In addition shareholders provided approval to directors to allot up to an aggregate nominal amount of £17,867,782 in connection with an offer by way of a rights issue in accordance with the Investment Association guidelines The directors have no present intention to make use of the authority sought under this resolution except to satisfy share awards under employee share schemes The authority will expire on the earlier of the 31 October 2015 or at the conclusion of the AGM in 2015 and will be proposed for renewal again at this year's AGM

Purchase of own shares

At the Annual General Meeting in September 2014, authority was granted to the Company to purchase its own shares in the market up to a maximum aggregate number of 26,801,674 shares, being approximately 10% of the issued share capital The directors authorized the purchase of 192,000 shares to put in trust to satisfy future share awards under the Long-Term Incentive Plan The current authority will expire the earlier of the 31 October 2015 or at the conclusion of the AGM in 2015 The Group would like to retain the flexibility offered by this resolution and it will therefore be proposed again at this year's AGM

Dividends

The Directors do not recommend the payment of a dividend

Directors

The membership of the Board and biographic details of the Directors are provided on pages 53 to 55 and are incorporated into this report by reference Geoff Shingles retired as Chairman of the Board in March 2015 and Bert Nordberg was appointed as the new Chairman of the Group on Geoff s retirement Bert has also assumed the role as Chairman of the Nominations Committee from March 2015 and has joined the Remuneration Committee Bert will seek election as Chairman of the Board for the first time at the 2015 AGM to be held on 18 September 2015 Kate Rock was appointed to the Board in August 2014 and her appointment was approved by the Shareholders at the 2014 Annual General Meeting She joined the Remuneration Committee in January 2015 David Hurst-Brown left the Company at the AGM held in September 2014

The rules for the appointment and replacement of directors are set out in the Company s Articles of Association Each new appointee to the Board is required to stand for election and the next Annual General Meeting following their appointment In addition, the Company's Articles of Association require each director to stand for re-election at least once every three years However, in accordance with the UK Corporate Governance Code, all directors wishing to serve again will submit themselves for re-election at the next Annual General Meeting and are recommended for re-election

The Company maintains directors' and officers' liability insurance and all directors of the Company benefit from qualifying third party provisions which were in place during the financial year Article 130 of the Group's Articles of Association provides for the indemnification of directors of the Group 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 year and up to the date of signing the Annual Report

Directors' interests

Interests of the directors in Group shares and share options are set out in the Directors' Remuneration Committee report on pages 75 to 97, together with details of directors remuneration and service contracts

Change of control

The Group's share based incentive plans contain provisions relating to a change of control The Long-Term Incentive Plans, share awards and performance share awards for the CEO and CFO would normally vest and become exercisable on a change of control of the Group subject to the satisfaction of the performance conditions

There are no significant agreements to which the Group is a party that take effect, alter or terminate upon a change of control

Substantial shareholdings

As at 30 April 2015, the Group has been notified under Rule 5 of the FCAs Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company

	Ordinary Shares of 10p	Percentage of issued ordinary share capital (%)
Baillie Gifford & Co Ltd	37,392,752	13 76%
M&G Investment Management Ltd	29 967,315	11 03%
Apple Inc,	23 047 770	8 48%
Newton Investment Management Ltd	22 274,326	8 20%
Majedie Asset Management Ltd	13,794 888	5 08%

Save for the above, the Group has not been notified, as at 10 June 2015, of any interest exceeding 5% of the issued share capital of the Company

Essential contracts

There are a large number of agreements in place with the Group's customers and partners There are no parties with whom the Group has contractual or other arrangements which are essential to the business of the Group

Annual General Meeting

The 2015 AGM of the Group will be held at Imagination House, Home Park Estate, Kings Langley, Hertfordshire WD4 8LZ commencing at 11am on 18 September 2015 The Notice of Annual General Meeting with full description of the business to be conducted is set out at www imgtec com

Information presented in other sections

For the purposes of compliance with LR 9 8 4C R, the information required to be disclosed by LR 9 8 4 R can be found in the following locations

Section	Requirement	Location
1	Interest capitalized	Not applicable
2	Publication of unaudited financial information	Not applicable
4	Details of long-term incentive schemes	Remuneration report, 95 to 96
5	Waiver of emoluments by a director	Remuneration report, 93
6	Waiver of future emoluments by a director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Non pre-emptive issues by a major subsidiary undertakings	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	Directors report 58
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waivers of dividends	Not applicable
13	Shareholder waivers of future dividends	Not applicable
14	Agreements with controlling shareholders	Not applicable

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare Group and parent company financial statements for each financial year Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards

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 Group and parent company and of their profit or loss for that period In preparing each of the Group and parent company 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,
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business

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

Under applicable law and regulations the directors are also responsible for preparing a Strategic report, Directors' report, Directors Remuneration Committee report and Corporate Governance Statement that complies with that law and those regulations

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

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

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy

Going concern

The directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adapt the going concern basis in preparing the financial statements

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 Group'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 Group's auditor is aware of that information

Independent auditor

The Group's independent auditor, KPMG LLP (KPMG) have expressed their willingness to continue in office and resolutions for their reappointment and to authorize the directors to determine its remuneration will be proposed at the forthcoming AGM

KPMG has been the Group's external auditor since 1994 Whilst the Group has not formally tendered the audit since then, the Audit Committee undertakes an annual review of the independence, objectivity and effectiveness of the audit firm in considering whether to recommend the reappointment of the external auditors at the AGM The current partner at KPMG was appointed as Group Audit Partner in 2010 and under the requirement to rotate this position every 5 years is due to rotate off the Group's audit after completing the 30 April 2015 financial year audit engagement Further information on the Group's approach to audit tendering can be found in the Audit Committee report on page 72

For and on behalf of the Board

Anthony Llewellyn
Company Secretary

29 June 2015
Company number 2920061

Corporate governance report

Chairman's introduction

It is with pleasure that I present my first Corporate governance report

I was delighted to take over the role as Non-executive Chairman on 20 March 2015 having joined the Board as Chairman designate on 9 February 2015

During the year the Board considered the overall framework of governance which included the composition and work of the Board and its committees We have discussed, managed and identified significant risks to the business with considerable input from the Executive Management Board (EMB) We have also reviewed how the Board and its committees engage with shareholders how we respond promptly to any matters raised by shareholders and explain how we are going to deliver our strategy to shareholders

The Board and the Group as a whole believe in strong governance, a high standard of ethics and our corporate responsibility It is my role to ensure we regularly review and continue to develop our corporate governance arrangements in line with the best practice guidelines provided by the Financial Reporting Council The Board actively focuses on pursuing the success of the Group, developing its strategy and monitoring its implementation whilst at the same time maintaining a strong relationship with all stakeholders, including shareholders, customers, partners and our employees

At our Board meetings we have open and frank discussions on the structure of our meetings to ascertain how we utilize the time of the Board to improve the business operationally and to deliver the strategy of the Group In 2014 we used Independent Audit Limited to perform a Board effectiveness evaluation and there were some positive actions from this process to engage the Board to run more smoothly going forward As I joined the Board in March 2015 I am keen to develop a robust board effectiveness evaluation over the next 12 months

This report explains how the Board and its Committees function to provide appropriate guidance and support to the business while behaving within the letter and spirit of good corporate governance principles

The membership of the Committees have continued to change in the past year and we have embraced the new provisions and guidelines from the Companies Act 2006 the Disclosure and Transparency Rules and the UK Corporate Governance Code 2012

The Board has worked closely with the EMB to identify the principle risks to the business and how we can mitigate these risks going forward to best align with the Group's strategy This is outlined in more detail in our Strategic Report on pages 43 to 44 The Board has further improved its approach to risk and during the year some risks have been expanded, some new risks added and we have deleted one risk We have concentrated largely on the risks that could impact our business by greater than £10 million or may cause significant reputational damage

On page 64 of this Report we give detail of compliance with the Code, the structure and composition of the Board and Committees the responsibilities of the Board as a group and for individual roles, the Board meeting structure and the date of our AGM

Changes to the Board and succession planning

As part of the continuing evolution of the Board there have been a number of changes to the Board

In February 2015 the long standing Chairman Geoff Shingles stepped down and I was appointed as non-executive Chairman With recommendation from the Nomination Committee, the Board appointed a third party to assist in my recruitment and they conducted an extensive search led by the Senior Independent Director In August 2014 we appointed Kate Rock as non-executive director and at the AGM in September 2014 David Hurst-Brown retired from the Board On behalf of the Board I would like to express our deep appreciation to both Geoff Shingles and David Hurst-Brown for their contributions during their tenure We offer our sincere thanks and wish them well for the future The Board continues to reflect a balance between technology sector, commercial, public relations, financial and general business skills, and is supported by a highly experienced international team leading the business in both executive and non-executive roles

Reports from the various Board Committees and details of their composition are covered in more detail in their respective section of this report More details of the appointments to the Board are given in the Nomination Committee report on pages 73 to 74

During 2014/15, the Board played an important role in managing the Group through a time of consolidation after a number of years of acquiring companies in particular MIPS and monitoring the performance of the Group in the challenging and competitive economic environment

The Board also provided clear strategic direction and ensured that the Group s standards of conduct met its expectations The skills and specific expertise of the current members of the Board are set out in the Biographies section on pages 53 to 55

Diversity

The Board recognizes there is a gender imbalance among the Group's employees, as there are with many organizations in the science, engineering and technology sectors The Board believes in the benefits of greater gender diversity at board level and is actively supportive of measures to achieve this without putting quotas in place We suggested in last year's corporate governance report that we were about to appoint a female to the Board and we were delighted to welcome Kate Rock to the Board The Board recognizes that diversity is important to the role for a successful Board and focuses on attracting the right talent and skills irrespective of gender or ethnicity and considers all appointments on merit The Board noted the publication of Lord Davies' Review into Women on Boards in February 2011 and the proposals published by the European Commission in November 2012 (the latter includes an objective that 40% of non-executive directors should be women by 2020) We believe that diversity should be considered broadly and should not just focus on gender We will continue to select candidates based on their relevant skills, experience and knowledge and in keeping with the business needs The current structure of the Board comprises of two executive directors, a non-executive Chairman, and five non-executive directors At the end of the year the diversity composition was represented by 87 5% male and 12 5% female

The Group's strategy

The Group is still consolidating its position after going through enormous change both organically and by acquisition in recent years as part of the Group's strategy In December 2014 and April 2015 the Board and EMB along with other key employees attended offsite strategy meetings The next strategy meeting is set for December 2015 and will continue to develop the long-term strategy of the business More detail is given in our Strategic report on pages 7 to 51

Ethics

All executives and employees are required to comply with the Group s Code of Conduct The Company's Anti-Corruption and Bribery Policy is communicated to all employees to ensure all employees worldwide are aware of the UK Bribery Act 2010 and carry out their duties with honesty and integrity

I believe that the Group benefits from a strong Board and we will continue to look for opportunities to further strengthen and diversify It is early days for me at the Company and I am continuing to meet institutional shareholders and more of our key employees, we need to maintain our focus on risk management and continue to review and develop our strategy We will continue to review our governance framework annually to ensure shareholders are clear of how we will deliver our strategic objectives

Bert Nordberg
Chairman

29 June 2015

Corporate governance compliance

Statement of compliance with the UK Corporate Governance Code

The Group has complied with the provisions of the UK Corporate Governance Code 2012, both the main principles and the supporting principles throughout the year and to the date of this report We explain in the reports below how we applied the provisions and principles of the Financial Conduct Authority Listing Rules, the Disclosure and Transparency Rules, and the UK Corporate Governance Code 2012 Further explanation on how the main principles have been applied is set out below and in the Audit Committee report and the Directors' Remuneration Committee report

The role of the Board

The Board is accountable to shareholders for the proper conduct of the business and ensuring its long-term success It has ultimate responsibility for the activities of the Group including its overall direction, strategy, risk management, governance and performance In order to meet that responsibility it ensures that the necessary financial and human resources are in place, and that it is supported in its activities by its various Committees, EMB and senior managers The authority delegated by the Board to the Audit, Remuneration and Nomination Committees to carry out certain tasks, are defined in each Committees Terms of Reference Further information on the responsibilities of the Audit, Nomination and Remuneration Committees are set out in their respective reports on pages 69 to 97

Matters specifically reserved for the Board to make decisions on include, but are not limited to, the following

- Group long-term strategy
- Group major business decisions,
- Group-wide business and financial review including annual budget,
- major capital expenditure, acquisitions, disposals and investments,
- review of the internal financial control and risk management systems,
- consider recommendations of the sub-committees of the Board,
- the approval of interim and annual financial statements, and
- treasury management

The Board will delegate other operational matters to the EMB for its review with other senior managers of the business to enable them to make appropriate divisional decisions

The composition of the Board

The Board currently consists of eight members, the non-executive Chairman, the CEO, the CFO and five non-executive directors

Division of responsibilities

The Group has a traditional Board structure with a unitary Board comprising the non-executive Chairman, executive and non-executive directors The Audit and Remuneration Committees are made up of independent non-executive directors and they, together with the Nomination Committee, report to the Board The EMB reports to the CEO and the divisions and functions report to the EMB

In accordance with the Code there is a clear division of responsibilities between the Chairman and the CEO which have been set out in writing and agreed by the Board The written roles are available to view on the Group's website

Role of Chairman

Bert Nordberg became the non-executive Chairman in March 2015 He is undertaking a review of the business and this involves meeting senior employees at the Company along with institutional shareholders The Chairman is responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role He sets the agenda for the Board and ensures that the Board receives accurate, timely and clear information, giving sufficient time to review all agenda items thoroughly including strategic issues He promotes a culture of openness, debate and facilitates constructive relations between executive and non-executive directors He is also responsible for ensuring that the views of shareholders are communicated to the Board as a whole In order for him to effectively discharge his duties he works closely with the Company Secretary He is Chairman of the Nomination Committee The Chairman's other professional commitments are listed on page 53 and the Board are satisfied that they do not interfere with the performance of his duties for the Group

Role of Chief Executive Officer

The Chief Executive Officer, Sir Hossein Yassaie, is responsible for proposing, developing and implementing the Group s strategy and commercial targets as agreed by the Board He is responsible for the day-to-day management of the business He carries out his duties in consultation with the Chairman, the Board and EMB which in turn are responsible for the commercial and operational activities of the Group He holds weekly meetings with the CFO and EMB to ensure the Group is actively managing the overall strategy of the business He regularly holds meetings with the Group's customers, potential customers and partners for executive discussions on current and future business He is also responsible with the EMB for implementing the decisions of the Board and its Committees

Role of the Senior Independent Director (SID)

David Anderson acts as a sounding board for the Chairman and serves as an intermediary for the other directors when necessary He is also the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees He led the search for a replacement for the Chairman Further detail on this appointment is given in the Nomination Committee Report on page 73 He also makes himself available to shareholders if they have concerns where contact through the normal channels of Chairman, CEO or CFO has failed to find a resolution, or where such contact is inappropriate During the year he met with some of the larger institutional shareholders of the business

Role of the Company Secretary

The Company Secretary under the direction of the Chairman ensures good flow of information within the Board and its Committees and to senior management He is also responsible for advising the Board on all governance matters and is on hand to offer advice and services should any director require it The Company Secretary attends all Board and Committee meetings The Board as a whole decides on the appointment or removal of the Company Secretary

Role of non-executive directors

The non-executive directors have a wealth of experience, business knowledge and are appointed to constructively challenge senior management and provide input to meet agreed goals, objectives and to ensure the integrity of financial information The role is described in more detail within the Financial Reporting Council Code

During the year the Board considered the independence of each on the non-executive directors against the criteria specified in the Code and took particular care to assess the independence of Ian Pearson Ian was appointed as non-executive director of the Company in 1998, and has therefore been connected with the Group for more than 9 years The Board acknowledged that he does not meet the independence criteria specified by the Code but agreed that he continues to contribute significantly through his individual skills and considerable knowledge of both the Group and the industry The Board believes that he provides continuity and overall balance whilst continuing to demonstrate a strong independence of management in the manner in which he discharges his responsibilities as director Following a performance review the rest of the Board believes that he remains independent in character and judgement and that he will continue to be effective and demonstrate commitment Accordingly, the Board considers that Ian Pearson is an independent non-executive director The Board agrees that the remaining non-executives meet the independence criteria specified in the Code Furthermore, no institutional investor has raised concerns over their independence

Induction and professional development

The existing induction process has been formalized following a recommendation from the Board effectiveness evaluation in 2014 The induction procedure for all new appointments to the Board is designed to enhance the directors knowledge of the industry in general and their understanding of the Group's operations and performance, and importantly the Group culture

The induction programme consists of the following

- one-to-one meetings with the Chairman, CEO and CFO and meetings with the remaining Board members,
- meetings with EMB and senior management to discuss Group operations,
- meeting with shareholders, where appropriate,
- attendance of strategy meetings, and
- visiting regional and international offices

In accordance with the Code the Chairman regularly reviews and discusses the development needs with each director Each director is fully aware that they should take responsibility for their own individual development needs and take the necessary steps to ensure they are wholly informed of regulatory and business developments

Activities of the Board

The Board holds regular scheduled meetings throughout the year which are supplemented by unscheduled meetings which are held when urgent business decisions are required, such as relating to acquisition activity The Board papers are circulated electronically in advance of each meeting

At each meeting certain regular reports are presented which are

- CEO delivers a full business update with focus on the semiconductor market, a business summary for each division, the Group's relationships with current and potential partners, licensing updates, units shipped potential acquisitions and key business issues and actions,
- CFO gives the year to date financial results, latest financial projections, investor relations activity and market forecasts,
- The Board reviews the status of the Group's long-term strategy and
- Company Secretary provides updates covering governance share price data, share schemes management, risk management reporting and shareholder analysis

In addition the Board meets periodically with senior management from the Group's Technology and Pure divisions in order to review the strategic direction of the business The main objectives of the strategy session are to assess and decide upon the key technologies, products and markets for the business to develop by assessing the potential returns against the risks The result is a common vision of the future aspirations of the business and an understanding of the function and goals that each division has to achieve the strategy Divisional business plans are built around executing the strategic plan

The CEO and CFO attend weekly and monthly meetings of the EMB, where each member provides an up to date operational report in which progress against plan is reviewed to ensure that this is in line with the Group's strategic and business targets They will then provide feedback to the Board at the next scheduled meeting on any areas of significant interest

Activities during the year

During the year in addition to the above the Board was actively involved in monitoring

- progress as the business transitions from a period of heavy investment in strategic product lines to a position where the core products are able to generate income
- the on-going redevelopment of our headquarters in Kings Langley and other regional offices,
- a review of efficiency and operations in the Group resulting in a reduction of base cost, and
- investments in partners

Appointment to the Board

There is a formal, rigorous and transparent procedure for the appointment of new directors to the Board More detail is given In the Nomination Committee Report on pages 73 to 74

Commitment

During the year, the directors committed sufficient time to the Group to discharge their responsibilities effectively

Board evaluation

In early 2014 the Board undertook its first external Board evaluation on its effectiveness carried out by Independent Audit Ltd and have taken action to implement a number of considerations including

- the size, composition and mix of the Board,
- succession planning both within the executive team and the non-executive directors,
- the number, scheduling, duration and location of Board meetings,
- increased visibility of progress against the strategic objectives,
- more active involvement with members of the EMB who will present regularly to the Board to ensure the Board are fully aware of the status of the operational divisions, and
- a continuing programme of development sessions/teach-ins for the non-executive directors in order to provide them with a more detailed appreciation of possible strategic and technological developments

There was no formal Board evaluation carried out in 2014/15 although the Board continued to implement the recommendations from the independent review in 2014 The new Chairman is undertaking a review of the board and its effectiveness and will lead the Board evaluation process in 2015/16

The Board believes individual Board members are satisfied that the Board works well and operates effectively in an environment where there is constructive challenge from the non-executive directors They are also satisfied with the contribution made by their colleagues and that Board Committees operate properly and efficiently

Conflicts of interest

All directors have a duty under the Companies Act 2006 to avoid a situation in which they have, or can have a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Group The Group has put in place procedures for the disclosure and review of any conflicts or potential conflicts of interest which the directors may have and for the authorization of such conflict matters by the Board In deciding whether to authorize a conflict, or potential conflict, the directors have regard to their general duties under the Companies Act 2006 The authorization of any conflict matter, and the terms of authorization, may be reviewed at any time and are reviewed formally by the Group on an annual basis There have been no conflicts of interest raised in the year

Board and Committee meeting attendance

	Tenure (years)	Board	Audit Committee	Remuneration Committee	Nomination Committee
Bert Nordberg[1]	1	1/1	n/a	1/1	n/a
Hossein Yassaie	20	8/8	n/a	2*	4/4
Richard Smith	4	8/8	5*	2*	2*
Andrew Heath	3	7/8	5/5	5/5	4/4
Gilles Delfassy	3	7/8	5/5	5/5	4/4
David Anderson	4	8/8	5/5	5/5	4/4
Kate Rock[2]	1	5/6	n/a	1/1	2/2
Ian Pearson	17	8/8	n/a	n/a	n/a

*Denotes attendance by a director, who is not a member of the Committee, at a Committee meeting, as requested by the Chairman of the Committee

[1] Bert Nordberg was appointed in March 2015 and was eligible to attend one board meeting and one remuneration committee meeting

[2] Kate Rock was appointed in August 2014 and was eligible to attend six board meetings one remuneration committee meeting and two nomination committee meetings

Audit Committee report

Dear Shareholder

I am pleased to present the report for the Audit Committee for 2014/15 The Audit Committee is appointed by the Board and is established to monitor the integrity of financial information and to provide assurance to the Board that the Group's internal financial controls and risk management systems are appropriate and regularly reviewed Its terms of reference are agreed annually by the Board and are set out on the website

The Audit Committee continues to focus on ensuring that the Group's systems and controls are operating effectively and are evolving in line with the Group's growth

A fuller insight into the role, activities and composition of the Audit Committee is provided below

D J L F Anderson

David Anderson
Chairman of the Audit Committee

29 June 2015

Role of the Audit Committee

The main duties of the Audit Committee include but are not limited to the following

- to ensure that the financial statements of the Group are fair, balanced and understandable,
- consider annually whether there is a need for an internal audit function,
- review the Group's internal financial controls and risk management systems,
- develop and implement the policy on the engagement of the external auditor,
- make recommendations to the Board in relation to the external auditors regarding approval of their remuneration, terms of engagement, appointment, reappointment or removal,
- review and monitor the external auditors' independence and objectivity and effectiveness of the audit process
- to report to the Board on how it has discharged its responsibilities
- monitor the Group's whistleblowing procedures to ensure that appropriate arrangements are in place for employees to be able to raise in confidence matters of possible impropriety, with suitable subsequent follow-up action, and
- ensure director's expenses are of a reasonable business nature and authorized appropriately

In the financial year, the Audit Committee fulfilled its duties under its terms of reference and discharged its responsibilities primarily by

- reviewing the Group's draft half-yearly and full year results prior to Board approval,
- reviewing the draft trading updates during the year,
- assessing the external auditors' independence and objectivity
- reviewing the external auditors' plan for the audit of the Group's financial statements, which include key areas of scope of work terms of engagement and fees
- reviewing the external auditors report on the results of their year-end audit,

- reviewing the structure of the Group following the acquisitions of the past few years,
- reviewing the Group's arrangements for the security and patent protection of its intellectual property,
- reviewing the Group s system to identify and manage risk,
- reviewing the effectiveness of the Group's internal risks over financial reporting, and
- reviewing and updating the Audit Committee's terms of reference

The full written terms of reference of the Audit Committee can be located on the Group s website www imgtec com

Committee composition

The composition of the Audit Committee was unchanged during the year and consists exclusively of independent non-executive directors

The Audit Committee comprised the following directors

- David Anderson (Chairman)
- Gilles Delfassy
- Andrew Heath

The Audit Committee met five times in 2014/15 The primary purpose of each of the meetings was to plan the annual audit process to discuss the changes required in financial reporting, to review the half-year accounts and to review the full year accounts Other matters were dealt with as necessary

Attendance at meetings is shown on page 68

The external auditors KPMG the Chairman of the Board the Chief Executive, the Chief Financial Officer and key members of the Group finance team are also invited to attend meetings

In accordance with UK Corporate Governance Code provision C 3 1 the Board should satisfy itself that at least one member of the Audit Committee has recent and relevant financial experience The Board has considered this requirement and, taking into account the financial background of the Chairman of the Audit Committee, David Anderson, it is satisfied that this requirement has been met and that the Audit Committee has sufficient experience to fulfil its obligations in an effective manner

Significant issues that the Audit Committee considered in relation to the financial statements

The Audit Committee considered the key accounting judgements underlying the preparation of the financial statements focusing specifically on

Significant Issues

Issue	Description	Work performed by Audit Committee
Revenue recognition including non cash revenue	Revenue recognized is determined by percentage of completion achievement of milestones and schedule of invoicing Some contracts are signed in exchange for equity in the customer s business rather than cash	The Audit Committee reviewed the internal procedures performed by management to ensure revenue is recognized appropriately and in accordance with applicable standards
Valuation and classification of investments	The Group continues to hold strategic investments required to be considered for correct accounting treatment as a trade investment and impairment regularly	The Audit Committee has considered the classifications and any need for impairment at the year end based on current factors

Other Issues

Issue	Description	Work performed by Audit Committee
Valuation of goodwill	Goodwill is material to the Group and require impairment reviews regularly	The Audit Committee has reviewed the forecast and the assumptions used in the impairment review when considering the need for impairment
Valuation of inventory	The Pure division holds significant stock balances at the year end The inventory needs to be assessed for risk of obsolescence	The Audit Committee has satisfied itself with the internal procedures performed by management to ensure stock provisioning at the year end is appropriate and has reviewed stock movements since the year end to validate the level of provision held
Accounting for share based payments	Share based payments is a complex and technical area which we engage specialists to assist in calculating the fair values to attribute to the awards granted	The Audit Committee has reviewed the findings of the specialists engaged to perform the current year share based payment work
Recoverability of debtors	The nature of the Group s business means that the Group continues to hold significant debtors at any point	The Audit Committee has satisfied itself with management's regular assessment of outstanding debtors and how they manage the relationship with those outstanding debtors as required The Audit Committee has also reviewed the history of collection of overdue debts to validate the position

Risk management and internal control

The Audit Committee have conducted a review of the effectiveness of the Group's risk management and internal control systems as part of the annual risk review The Audit Committee reviewed the process to identify the risks and mitigating actions and performed a detailed review of the findings The findings were then presented to the Board for further consideration

Internal audit

In addition under the Code the Audit Committee is required to monitor and review the effectiveness of internal audit activities The Group does not have a separate internal audit function and the Audit Committee reviewed whether this was still suitable in the financial year During this review the Audit Committee determined that the Group was now of sufficient size and complexity to warrant an internal audit function As such steps are underway to create an internal audit function in the business

External audit process

At the start of the audit cycle, KPMG presented their audit strategy, identifying their assessment of the key risks for the purposes of the audit and the proposed scope of their work

KPMG reports to the Audit Committee at both the half and full-year setting out their assessment of the Group's judgements and estimates in respect of these risks and the adequacy of the reporting The Audit Committee meets with KPMG in private at least once a year

The Audit Committee is satisfied that the scope of the audit is appropriate, all significant accounting judgements have been challenged robustly and the audit has been effective

The Audit Committee is responsible for overseeing the Group's relations with the external auditor During the year the Audit Committee approved the terms of engagement and remuneration to be paid to the external auditor and agreed the scope and approach of the audit

Non-audit services and maintaining auditor independence

The Group currently has a policy in place for the provision of non-audit services provided by the external auditor The policy highlights the importance of independence and objectivity and states that non-audit services can only be provided where these are guaranteed In the financial year KPMG did not perform any non-audit work

To fulfil its responsibility regarding the independence of the external auditor, the Audit Committee considered the auditor's overall work plan including the role of the senior statutory auditor and key audit staff and the overall extent of non-audit services In order to assess effectiveness the Audit Committee reviewed the arrangements to maintain auditor independence and the auditor's fulfilment of the agreed audit plan including that the proposed resources to execute the plan were consistent with the scope of the audit engagement The Audit Committee has reviewed and is satisfied with the effectiveness and independence of the external auditor

Audit tendering and proposed reappointment of auditor

KPMG has been the Group's external auditor since 1994 Whilst the Group has not formally tendered the audit since then, the Audit Committee undertakes an annual review of the independence objectivity and effectiveness of the audit firm in considering whether to recommend the reappointment of the external auditors at the AGM

The Audit Committee has been monitoring the debate on external audit tendering and has noted the changes to the UK Corporate Governance Code introduced by the FRC in September 2012 and, in particular, the requirement contained in the Guidance on Audit Committees to put the external audit contract out to tender at least every ten years The new Code became effective for the Group on 15 September 2013 The Audit Committee has also considered the subsequent proposals of both the UK Competition Commission and the European Commission, in particular the transitional arrangements which require KPMG to stand down in 2020 The Audit Committee will continue to monitor developments in this area

Aside from the Commission rules above there are no contractual obligations currently restricting the current or future choice of external audit firm

Tudor Aw was appointed as Group Audit Partner in 2010, and under the requirement to rotate this position every 5 years, will now rotate off the Group's audit after completing the 30 April 2015 financial year audit engagement A new individual will be proposed as Group Audit Partner

Having considered all these matters the Audit Committee concluded that it would recommend to the Board that KPMG should be reappointed as auditors at the forthcoming AGM

Evaluation of the work of the Audit Committee

The work of the Audit Committee was reviewed as part of the Board evaluation by Independent Audit in 2014 Independent Audit made various recommendations in particular addressing the level of executive attendance at meetings, the role of the Company Secretary in supporting the Committee and the number of issues which the Audit Committee needs to address These recommendations have now been addressed and the Audit Committee believes that the Committee works in a more effective way as a result

Nomination Committee report

Dear Shareholder

I am pleased to present my first report for the Nomination Committee I was delighted to join the Board in March 2015 as Chairman after Geoff Shingles indicated his intention to retire from the Board having served for over 19 years as Chairman Geoff was keen to ensure that an orderly succession took place and did not indicate a timescale only stepping down once a suitable candidate was found The Nomination Committee led by the Senior Independent Director, David Anderson, facilitated the search for a suitable candidate to replace Geoff An independent consultancy EgonZehnder Consulting LLP, were appointed to conduct the search after a competitive tender process EgonZehnder supported David Anderson and the Committee and after due process I joined the Board in March 2015

At the 2014 AGM, David Hurst-Brown stepped down from his position as a non-executive director having served for over 14 years on the Board The Nomination Committee reviewed and evaluated the skills and experience of the board and concluded that upon recommendation from members of the Board, Kate Rock had the right balance of skills, knowledge and experience to complement the Board Kate was appointed as a non-executive director in August 2014

Roles and responsibilities of the Nomination Committee

The role of the Nomination Committee is to lead the process for new appointments to the Board, to ensure there is a formal procedure for the appointment and induction of new directors for the Group

During the year, the Committee continued to develop its succession plans for executives and non-executive directors The Committee initiated the recruitment process for the two appointments, mentioned above As part of this process we have taken into account the respective tenures of office, analysing the skills which were either missing or could be missing in future and how different personalities would fit the Board

The Nomination Committee has, during the year, reviewed and confirmed to the Board that it remains satisfied, that all of the non-executive directors are independent in that they have no business or other relationship with the Group that might influence their independence or judgement

The main duties of the Committee include but are not limited to the following

- Review the size, composition and structure of the Board and the Board committees,
- Review succession planning for the Board and senior levels within the Group and ensure an appropriate balance of skills, knowledge, experience and diversity,
- Oversee induction plans for directors,
- Evaluate the balance of skills, experience, independence and knowledge of the Board, and
- Consider diversity issues

Composition of the Committee

- Bert Nordberg – Chairman
- David Anderson
- Gilles Delfassy
- Andrew Heath
- Hossein Yassaie

The Committee had four meetings during the year, the attendance of which is given on page 68

The Committee continues to support the Group's management and leadership development programme for the executives and senior management It is considered essential in support of the Group's strategy and continued development Hossein Yassaie is a Committee member in order to ensure that there is a balance between executive and non-executive directors on the Committee

We are satisfied with the current composition of the Board and ensure we will continue to assess that the Board has the requisite skills and experience as our markets develop

Bert Nordberg
Chairman of the Nomination Committee

29 June 2015

Directors' Remuneration Committee report

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Committee report for 2015 This report outlines the Directors' Remuneration Policy (the Policy) applied by the Board for the executives and non-executive Directors of the Company The report is divided into two sections A policy report which sets out the approach to remuneration and a remuneration report which details what has been paid to the directors during 2014/15 When considering remuneration for our senior executives, the Directors Remuneration Committee (the Committee) has used the policy framework approved by shareholders at the AGM in September 2014

We continue to listen and take into consideration shareholders' and institutional views regarding our Policy This year we are proposing to implement minor amendments to the Policy which in our opinion further aligns executive remuneration with the interests of shareholders These include an adjustment to the annual bonus with the addition of a malus and clawback clause, consistent with the Long-Term Incentive Plan (LTIP) with a tightening of the target parameters of the annual bonus, the inclusion of executive directors in a newly introduced Share Incentive Plan (SIP), and the ability for executive directors to receive cash in lieu of pension payments (more detail of these minor amendments are on pages 78 to 80) Any major changes to the Policy would only be made after consultation and approval from shareholders The Policy is designed and produced to comply with the principles of the UK Corporate Governance Code and amendments to the Companies Act 2006 regarding remuneration

The Committee will continue to monitor the market competitiveness of the remuneration policy in order to ensure we are able to retain and attract the best talent During the year the Committee reviewed the overall remuneration package of the executive directors to ensure that each director is retained and motivated to promote and achieve the strategic objectives of the Group

We have no changes to the LTIP scheme that was introduced in 2013 Both the annual bonus and the LTIP schemes will be reviewed over the next 12 months against emerging best practice and to determine their ongoing suitability

Executive director salaries

In order to retain the calibre of management necessary to deliver the Group s long-term strategy, our policy is to ensure that base pay for executive directors is competitive with the market and recognizes personal performance The Committee reviewed the salaries of both executive directors during the last year The CEO's salary was increased in line with the average employee increase in the UK of 4 03% Following a review of the CFO's performance and remuneration relative to the market, it was felt appropriate by the Board to increase his salary by 11 32% (more detail is provided on page 86 of this report) This increase was a result of the Committee bringing the CFO's salary in line with the Remuneration Policy with the aim of paying market median base salaries In future it is anticipated that the CFO's salary increase will be in line with the average increase across the Group subject to market conditions

Annual bonus outcome

The annual bonus plan measures both in-year business performance targets and progress against personal and strategic objectives An important principle of the annual bonus plan is that no bonus can be paid unless the Group has achieved a base level of business performance The Group performance in 2014/15 was sufficient to trigger a bonus payout, the first in three years The business achieved 92% of the Group budget for adjusted operating profit and 98% of budget for Group revenue In addition this meant that the personal objective element of the bonus was also paid The CEO will receive an annual bonus amounting to 76% of actual basic salary with the CFO receiving 61% of actual basic salary (further details of the annual bonus are on page 92)

Long-Term Incentive Plan (LTIP) outcome

The LTIP takes into consideration the performance of both the Group and its share price, and is designed to act as an incentive to motivate executives to achieve the long-term growth plans of the Group Under the LTIP the performance period is three years and executives are required to retain a percentage of shares after vesting in order to build up a shareholding value worth more than their annual salaries The LTIP will be tested on the third anniversary of grant which will be September 2016 and October 2017, and so no payments will be made to the executives under the LTIP in this financial year

Share dilution

In 2006 shareholders granted approval for the Group to use 1 5% of its issued share capital for employee share schemes per annum i e 15% in any 10 year period Under this authority the Group has granted 40 million shares to employees and continues to grant discretionary share awards to all employees twice per year Of the 40 million shares only 2 million of them have been granted to executives and the remainder to employees

During the past nine years the Group has grown considerably with the number of employees increasing from 300 to 1,700, with over 250 employees based in the US In all markets we face increased competition for high calibre talent and this is particularly acute in the US

Our remuneration package at Imagination is atypical, in that we do not currently pay cash bonuses to all employees but believe that share awards to all employees aligns their interest with that of shareholders and the Group s continued success At Imagination we have built a culture that encourages a broad-based employee ownership in the Group, and we believe that this builds strong loyalty and alignment with both the Group's fortunes and the interests of shareholders We wish to build on this culture and as such increase the number of shares available for award to employees and we are proposing an increase in the number of shares we can allocate to employees for future awards under the Group's share plans It should be noted that share awards to executive directors under the LTIP are mainly purchased in the market so it is not anticipated that they would benefit from this proposed increase

We have consulted with our major shareholders on this issue and we understand they are supportive of our proposal Accordingly a resolution to amend current share plan rules to this effect is included in the AGM notice

Activities of the Remuneration Committee during 2014/15

During the last financial year, amongst other things, the Committee

- considered and agreed the potential outcome for the cash bonus for 2013/14 financial year,
- set 2014/15 annual bonus targets and performance targets for the LTIP 2015-2017,
- considered a benchmarking report in support of the executive salary review
- reviewed executive directors' base salary levels and approved increases as detailed in the report,
- advised on salary adjustments and share awards to senior management reporting to the Executive Directors
- considered the projected out-turns for the 2014/15 annual bonus,
- agreed the remuneration terms for the appointment of Bert Nordberg who was appointed as non-executive chairman
- considered and agreed the remuneration terms for Kate Rock who was appointed a non-executive director,
- reviewed appropriateness of all current employee share schemes, in particular share dilution limits under all plans and the introduction of a Share Incentive Plan (SIP),
- reviewed executive directors participation in the all employee SIP instead of discontinued Save As You Earn (SAYE) scheme and to propose to amend the Remuneration Policy accordingly at the AGM to allow the executive directors to participate,

- considered the statutory reporting regulations in respect of executive remuneration policy and in drafting the remuneration report,
- recommended the approval of the 2014/15 remuneration report to the Board, and
- reviewed its own terms of reference

We believe our current remuneration practices are set out in line with the reporting regulations and we welcome the structure and transparency this brings Overall we believe that our remuneration policy is aligned with delivering the Group's strategy and long-term value to shareholders

As part of the 2014 board review, the effectiveness of the Committee was considered by the external reviewers, Independent Audit I was pleased to note its view that they commended the Committee on its process and structure to proceedings and in trying to ensure that management are clear both on the responsibilities of the Committee and those of management in supporting the Committee We are considering other suggestions that were put forward and we will follow through on these in 2015/16

I look forward to the on-going support of the Imagination shareholders on both the advisory vote for the executive remuneration arrangements as they were operated this past year, as well as the resolutions on the remuneration report the remuneration Policy and the minor amendments to the Policy to enable executive directors to participate in the SIP which is the subject of approval at the AGM in September 2015

Yours sincerely

Andrew Heath

Andrew Heath
Chairman of the Remuneration Committee

29 June 2015

Remuneration Policy

The Directors' Remuneration Policy was approved by shareholders at the Annual General Meeting in September 2014 and applies for three years from that date We will be making minor amendments to align executive remuneration with the interests of shareholders (further details are given in the table below) and asking shareholders for approval to the revised Remuneration Policy at the AGM in September 2015 The policy applies to the executive directors at the date of this report and is intended to apply to any new executive directors who may be appointed during this three year period

Remuneration Policy table

A summary of the Remuneration Policy is set out below

Alignment with strategy and purpose	Operation	Maximum potential value	Performance framework
Base salary Recognizes experience responsibility and performance Supports recruitment and retention to deliver the Group's strategy	Salaries are reviewed annually Salary increases for executive directors are set out on page 86 Increases are generally applied from April each year In its annual review the Committee considers the following • Pay levels at companies of a comparative size and technology sector (by reference to market capitalization and revenue) on a geographical basis • External market conditions • Market median salaries • Pay increases for all employees in the Group • Individual performance skills expertise and potential • Corporate performance on social environmental and corporate governance matters	Base salaries are set at an appropriate level for each role taking into account the factors illustrated in this table Generally salaries are no higher than market median although higher salaries may be paid if necessary to recruit externally or to retain key executives In normal circumstances base salary increases will be no more than the average increases for employees across the Group Greater increases may be approved if there is a substantial change in a director s role or responsibilities or if the salary is significantly below the current market rate In such circumstances increases may be phased over a number of years and be conditional on performance	The overall performance of each executive director is considered by the Committee when reviewing base salaries No recovery provisions apply
Pension To provide pension contributions to enable directors to plan for retirement	Defined contribution plan (with Company contributions set as a percentage of base salary) There are no special arrangements for executives	The Company will make a pension contribution of up to a maximum of 7 5% of base salary which may require an equivalent executive contribution ***New to the Policy*** ***Alternatively a cash equivalent allowance can be paid in lieu of a pension contribution***	None No recovery provisions apply
Other benefits To provide competitive benefits in line with market practice to enable the Group to recruit and retain high calibre executive directors	Other benefits are provided as appropriate to the location of the executive director and include car allowance or car and fuel allowance long term sickness and disability insurance death in service benefit and private health and travel insurance for the executives and family	Reasonable market cost of providing benefit The Committee reserves its discretion to provide such situation-specific benefits as may be required in the interests of the Group s business such as relocation	None No recovery provisions apply

Alignment with strategy and purpose	Operation	Maximum potential value	Performance framework
Annual bonus plan **Delivery of in-year financial performance and key business imperatives**	Bonus if earned is paid wholly in cash after the post year end Preliminary Announcement Bonus payments are not pensionable Individual performance measures are focused on objectives that are specific to each executive director and relate to clear strategic operational or relationship imperatives	The target award level is 100% of salary for the CEO and 75% of salary for the CFO For performance in excess of target a maximum bonus of target can be paid The bonus is self funding No bonus is paid if the Group does not achieve 85% of the adjusted operating profit target	Performance is assessed by the Committee using financial and non financial measures The targets are 1 Group revenue budget (25%) 2 Adjusted operating profit (50%) and 3 Individual performance (25%) The measures (1) & (2) have the following linear calibration **% of budget achieved** **% of target bonus payable**  The Committee will apply judgement in assessing individual performance based on quantitative and qualitative results The Committee retains discretion to adjust bonus targets to reflect intervening events such as acquisitions or disposals These will be disclosed accordingly ***New to the Policy*** ***The Committee has the discretion to apply the malus provision on an individual or group basis and amend or withdraw the bonus before payment. If the Company can demonstrate that individuals have acted in an improper manner Malus and/or clawback provisions may apply in exceptional cases such as material misstatement of results, a material failure of risk management, serious reputational damage serious individual wrongdoing such as gross misconduct***
Long-Term Incentive Plan **To incentivize executive directors to achieve performance objectives directly linked to the Group s long term financial and strategic goals** **To align executive directors interests with those of our shareholders through the performance conditions and share retention obligation**	LTIP awards may take the form of nil-cost options conditional share awards, or restricted shares at the discretion of the Committee Additional shares may be accrued in lieu of dividends and awarded on any shares which vest Awards vest on the third anniversary of grant subject to the performance conditions and provided the Director remains in office with the Company	The maximum award level is 250% of salary for the CEO and 175% of salary for the CFO In exceptional circumstances the maximum opportunity is 600% This was put in place in case there is a need to recruit a highly experienced executive To date we have not used the 600% and there are no plans to increase the opportunity levels for the current executive directors	The vesting of share awards under the LTIP will depend on three performance conditions 1 Adjusted earnings per share (50%) 2 TSR growth relative to the FTSE All World Technology Index constituents (25%) and 3 TSR growth relative to the FTSE 350 Index constituents (25%) The Committee retains discretion to adjust LTIP targets to reflect intervening events such as acquisitions or disposals These will be disclosed accordingly **Malus** The Committee has discretion to reduce a share award including to zero prior to vesting where there are exceptional circumstances which include a material mis statement in the Company s published results misconduct by the executive director that is deemed to have initiated or contributed to a material loss as a result of reckless negligent or wilful actions or inappropriate values or behaviour **Clawback** The Committee has discretion to clawback shares and executive directors have an obligation under the rules of the LTIP to transfer shares or pay over the proceeds of a share sale in exceptional circumstances (as described above) If sold at less than market value the obligation is to pay market value at the date of disposal Clawback would be less any income tax and national insurance paid or due to be paid The Committee has discretion to set the length of the clawback period which would normally be two years from acquisition of the shares

Alignment with strategy and purpose	Operation	Maximum potential value	Performance framework
Save As You Earn (SAYE)			
To encourage share ownership across the broader employee population	Executive directors may participate on the same terms as other employees The option price may be discounted by up to 20% Accumulated savings may be used to exercise an option to acquire shares	The maximum savings amount is currently £500 per month over a three year period This may be increased in accordance with changes to UK legislation as applied to all participants in the plan	No performance conditions are permitted by UK legislation for this type of plan No recovery provisions apply
New to the Policy			
Share Incentive Plan (SIP)			
To encourage share ownership across the broader employee population	*Executive directors may participate on the same terms as other employees.*	*Executive directors will be subject to the same maximums in place for all employees participating in the SIP The above limits may be increased in accordance with changes to UK legislation In addition the Company at its discretion may choose to award matching shares in any ratio of up to 2 1*	*No performance conditions are permitted by UK legislation for this type of plan* *No recovery provisions apply*

Legacy Long-Term Share Plans (Awards No Longer Made)

Alignment with strategy and purpose	Operation	Maximum potential value	Performance framework
Employee Share Plan (ESP) including Tax-Efficient Employee Share Plan **(in respect of years up to and including 2013)**	ESP restricted share awards vest on the third anniversary of grant subject to achievement of the performance measure and provided the Director remains in office with the Company	100% of salary	Vesting is based 100% on the percentage growth in the price of a share in the Company compared to the percentage growth of the FTSE techMARK All Share Index (Index) over the 3 year period commencing on the date of grant Awards have the following linear vesting schedule
Employee Share Plan (ESP) **(in respect of one-off share award for CEO in 2009)**	One off award in 2009 when the Board considered it necessary for retention and motivation purposes	2 25 million shares awarded	Vesting is based on the annual cumulative growth in the Company's share price over the third fourth and fifth year from the date of grant Awards have the following linear vesting schedule

ESP (years up to and including 2013) vesting schedule:

Out-performance of Index	% of shares vesting
< 125%	0%
125%	50%
≥150%	100%

ESP (one-off share award for CEO in 2009) vesting schedule:

Cumulative share price growth	% of shares vesting
< 7 5%	0%
≥7 5%	100%

The number of shares vested to date
December 2012 – 750 000
December 2013 – 278 000
December 2014 – 0

Selection of performance measures and the target setting process

Annual bonus plan

Performance measures for the Annual Bonus Plan are set annually Each year the Committee considers the most appropriate metrics to apply for the following financial year These metrics are currently Group revenue budget and adjusted operating profit A performance multiplier is then applied related to the achievement of the financial elements The annual bonus also includes a 25% element based on personal performance Each executive director is set a number of personal objectives in relation to clear strategic, operational, or relationship imperatives aligned to the Group's overall strategy The Committee is of the opinion that the financial targets and personal objectives for the Annual Bonus Plan are commercially sensitive and as such it would be detrimental to the Group to disclose them in advance of or during the relevant performance period Business targets are set as predefined ranges around budget and individual targets are set taking account of strategic priorities under the control of the executive

Long-Term Incentive Plan

Performance measures for the LTIP were selected after careful consideration and following consultation with larger shareholders and advisory bodies The Committee believes that the use of both TSR and EPS measures provides the best measure of the success of the execution of the Group's strategy and encourages reinforces and rewards the delivery of sustainable shareholder value

The TSR element (which accounts for 50% of awards) considers the Group s performance against two relevant comparator groups (sector and size-based) to reward sustainable shareholder value creation relative to alternative investment opportunities for our shareholders Targets are in line with typical market practice, requiring ranking at median to deliver threshold vesting increasing on a straight-line basis to full vesting for ranking within the upper quartile

The normalized EPS growth performance condition (which accounts for 50% of awards) has been set following independent analysis by the Group's advisors and brokers Based on this analysis the compound annual growth in EPS targets were set for 2014/15 as follows

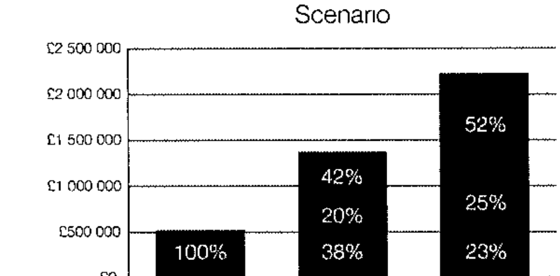
- 0% pay out below 10% growth,
- 25% pay out at 10% growth,
- 100% pay out at 20% growth or greater, and
- Linear progression between 25% and 100% thresholds

The Committee intends to review the performance targets and best practice guidelines annually Changes will be made only if the targets become inappropriate due to changing market conditions

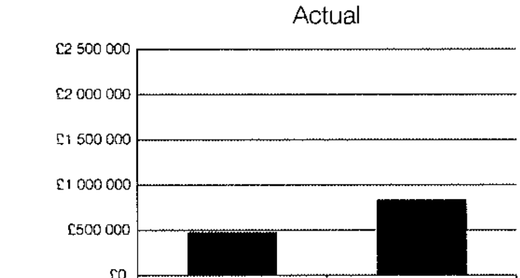
Illustration of the remuneration policy for 2015/16

The graph below illustrates the level of remuneration that could be achieved by the CEO and CFO through the operation of our remuneration policy for 2015/2016 and the actual total remuneration paid in 2013/14 and 2014/15 The graphs show the proportion of total remuneration made up of fixed pay (salary, pension and other benefits), annual bonus and the LTIP and the pay outcomes for three performance scenarios

Chief Executive Officer

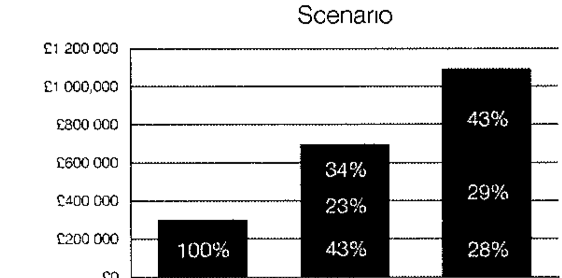


	Minimum	Target	Maximum
■ LTIP	£0	£580 000	£1 160 000
■ Annual Bonus	£0	£273 760	£547 520
■ Total Fixed Pay	£519 472	£519 472	£519 472

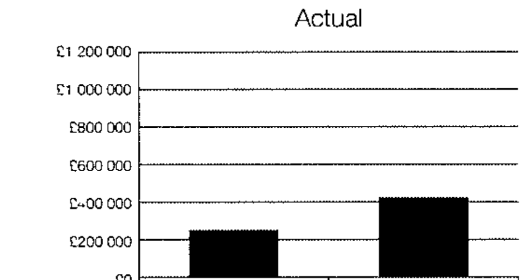


	2013/14	2014/15
■ LTIP	£0	£0
■ Annual Bonus	£0	£339 552
■ Actual Fixed Pay	£478 163	£494 766

Chief Financial Officer



	Minimum	Target	Maximum
■ LTIP	£0	£236 250	£472 500
■ Annual Bonus	£0	£159 300	£318 600
■ Total Fixed Pay	£301 250	£301 250	£301 250



	2013/14	2014/15
■ LTIP	£0	£0
■ Annual Bonus	£0	£148 907
■ Actual Fixed Pay	£249 897	£274 196

* No LTIP was due to vest in 2014/15

The following assumptions have been used

Minimum this represents fixed remuneration consisting of current annualized salary pension and an estimate of other benefits based on the 2014/15 disclosed value

Target this represents fixed remuneration as detailed above plus 50% of the maximum bonus opportunity and vesting of 50% of the maximum LTIP award

Maximum this represents fixed remuneration together with the maximum annual bonus opportunity and vesting of 100% of LTIP award

In accordance with the regulations, share price appreciation and dividend accrual are not taken into account SAYE awards are also excluded

As seen by the charts above, at target levels of performance, around 62% of the CEO s total pay, and around 57% of the CFO s total pay, arises from performance-related elements rising to over 70% at 'stretch' levels at which point total pay is capped The Committee is satisfied that there is a strong incentive for the prudent management of risk, and that there are no perverse incentives created by the remuneration policy

Development of the Group remuneration policy

Consideration of executive remuneration with the wider Group

When making remuneration decisions for the executive directors the Committee considers the wider economic environment and conditions within the Group In particular, the Committee considers pay and employment conditions across the wider workforce and carefully considers the broader employee salary increase budget when making reward decisions for executive directors The Committee considers wider industry benchmarking material in the context of monitoring its overall position on director and employee pay

Consideration of shareholders views

The Committee welcomes an open and transparent dialogue with shareholders and seeks the views of significant shareholders when any major changes are being made to remuneration arrangements The Committee will continue to engage with shareholders going forward and will aim to consult on any material changes to the application of the approved remuneration policy or proposed changes to the policy itself

Recruitment remuneration arrangements

When determining the appropriate remuneration package for a new appointment, the Committee will take a number of factors into account These typically include the candidate's experience and calibre their personal circumstances, external market influences and arrangements for existing executive directors The on-going remuneration package offered to new directors will only include those elements listed within the policy table, which may include specific relocation benefits On-going variable pay awards will be subject to the limits as set out in the policy table Full details of the recruitment package for any new executive directors will be set out in the next Annual Report on Remuneration

In addition to the on-going elements of the remuneration package the Committee reserves the right to 'buy-out' awards being forfeited elsewhere through accepting a role at Imagination The Committee will give consideration to any relevant factors when determining the value of such awards, including the form of the award (eg , cash or shares), the proportion of the performance/ vesting period outstanding and the potential value of the forfeited remuneration, including performance conditions attached to the awards, the likelihood of those conditions being met and the timing of any potential payments It is the intention that such buy-out awards will be made through use of the exceptional LTIP limit However, the Committee may rely on the relevant Listing Rule exemption if necessary for the purpose of making a buy-out award in the event that the Group hire an executive director and need to match or pay-off shares they held with their previous company Where an executive director is appointed from within the organization, the Committee has the power to honour legacy arrangements in line with the original terms and conditions

In the event of the appointment of a new non-executive director remuneration arrangements will be in line with those detailed on page 91

Service contracts

Our policy is for notice periods for executive directors to be six months duration and each of the executive directors service contracts reflect this These agreements also contain restrictive covenants for periods of three to six months following termination of employment relating to non-competition, non-solicitation of the Group's customers, no-dealing with customers and non-solicitation of the Group's suppliers and employees In addition, each service contract has an express obligation of confidentiality in respect of the Group's trade secrets and confidential information and provides for the Group to own any intellectual property rights created by the directors in the course of their employment

The dates of the service contracts of each person who served as an executive director during the financial year are as follows

	Contract Date	Notice period
Sir Hossein Yassaie	31 March 1998	6 months notice by director or Company
Richard Smith	3 May 2011	6 months notice by director or Company

The non-executive directors do not have service contracts and are not eligible to participate in bonus or share incentive arrangements Their service does not qualify for pension purposes or other benefits, and no element of their fees is performance related No payments are due on loss of office

Service contracts for the executive directors and Chairman and appointment letters for the non-executive directors are available to view at the office of the Company Secretary at the registered office address

It is the Group's policy to allow executive directors to hold non-executive positions at other companies and to receive remuneration for their services The Board believes that experience of the operations of other companies and their Boards and Committees is valuable to the development of the executive directors

Termination of employment

The Committee maintains a discretionary approach to the treatment of leavers, on the basis that the facts and circumstances of each case are unique When considering a departure event, there are a number of factors which the Committee takes into account in determining appropriate treatment for outstanding incentive awards These include

- the position under the relevant plan documentation
- the individual circumstances of the departure,
- any mitigating factors that might be relevant,
- the appropriate statutory and contractual position,
- the performance of the Company/individual during the year to date,
- the nature of the handover process, and
- the requirements of the business for speed of change

In some cases, the treatment is formally prescribed under the rules of the relevant plan Where there are 'good-leaver' circumstances, awards which would otherwise lapse by default, will vest either on the normal vesting date or on cessation of employment These circumstances include death, injury ill-health, disability, redundancy or sale of the Company or business If the executive dies or leaves due to ill health or injury, awards which have less than 12 months of the performance period remaining or LTIP awards which have less than 12 months of the deferred period to run, vest automatically on leaving In other leaver circumstances the Committee has discretion to determine when, and to what extent awards vest The Committee considers the leaver circumstances along a continuum, ranging from 'bad leaver' scenarios such as termination of employment for gross misconduct or resignation, through to the 'good leaver scenarios outlined above Accordingly the Committee may apply (or dis-apply) such performance conditions or time pro-rating awards vesting in these circumstances, as it considers appropriate

Annual bonus

In a departure event, the Committee will typically consider whether any element of annual bonus should be paid for the financial year Any bonus if paid will be limited to the period served during the financial year in which the departure occurs

Long-Term Incentive Plans

The default position is that an unvested ESP or LTIP award lapses on cessation of employment, unless the Committee applies discretion to preserve some or all of the awards This provides the Committee with the maximum flexibility to review the facts and circumstances of each case allowing differentiation between good and bad leavers and avoiding payment for failure

Compensation for loss of office and past director payments

No payments were made during 2014/15 to former executive directors by way of compensation for loss of office, or pay in lieu of notice There are no payments to be disclosed in respect of past directors

Relative importance of pay spend

The following table summarizes the major cash distributions during the year as set out in the notes to the financial statements on page 119, compared to the total pay spend for the Group

	2014/2015 £'000	2013/2014 £'000	% change
Total pay spend	95,817	87,516	9 49

Total employment costs for Group are £95,817,000

Dividends and share buybacks

The Company has not paid any dividends or performed any share buybacks in either financial year

Remuneration Committee report

Composition

Andrew Heath chairs the Remuneration Committee made up of independent non-executive directors which met four times during the year Both Bert Nordberg and Kate Rock joined the Committee in March and January 2015 respectively The membership and meeting attendance is set out below In addition to the Committee members the Chief Executive Officer and Chief Financial Officer may be invited to attend meetings, except in instances where their own remuneration is discussed, or other circumstances where their attendance would not be appropriate

Committee members

	Meetings	
	Eligible to attend	Attended
Andrew Heath (Chair)	4	4
David Anderson	4	4
Gilles Delfassy	4	4
Bert Nordberg	1	1
Kate Rock	1	1

Given their diverse business experience, the independent non-executive directors who made up the Committee in 2014/15 offer a fair and balanced view in relation to remuneration matters for the Group

Responsibility

The Committee determines the remuneration policy and rewards for the executive directors and, in his absence the Chairman The Committee also reviews the remuneration packages of those at the next most senior level of management and has regard to levels of pay across the Group

Salaries and fees

Our policy is to set salaries in line with market median, when comparing similarly sized companies, and individual performance The Committee is of the view that the salary of the CEO is consistent with this policy The CEO consequently received a salary increase of 4 03% in April 2015, which mirrored the average employee increase in the UK However, for the CFO, his basic salary is in the lower quartile compared to the market and the Committee decided that it is necessary to increase the CFO s salary in line with market median The Committee and the Board are pleased with Richard's performance during a time where the Group has expanded considerably and that he is the right person to ensure the Group are able to execute its strategy After taking these factors into account the Committee has increased Richard's salary by 11 32% with effect from 1 April 2015

External Committee advisers

The Committee has access to independent professional advice on remuneration matters Towers Watson were appointed by the Committee in 2012 and Committee members continue to be satisfied that their advice is objective and independent and their fees are in line with market practice Access to their global database and expertise is an important factor in considering remuneration matters across the EMB and senior management team Work undertaken by Towers Watson in 2014/15 included advice on the salary benchmarking for executive directors, fees benchmarking for non-executive directors, fee benchmarking for the new non-executive chairman and assistance in amendments to the Remuneration Policy for which total fees of £54,000 were paid The Committee also received advice from J P Morgan Cazenove who provided independent verification of the Total Shareholder Return (TSR) calculations for the LTIP

Voting at the 2014 Annual General Meeting

The key activities of the Committee during the year are set out in the letter to shareholders on pages 75 to 77 of this report As previously noted shareholder support at the 2014 AGM was high with 99 01% of shareholders voting in favour of the Remuneration Report The following table summarizes the details of votes cast in respect of Directors' remuneration the binding vote on the Directors' Remuneration Policy and the advisory vote on the Directors' Remuneration Committee report at the 2014 Annual General Meeting

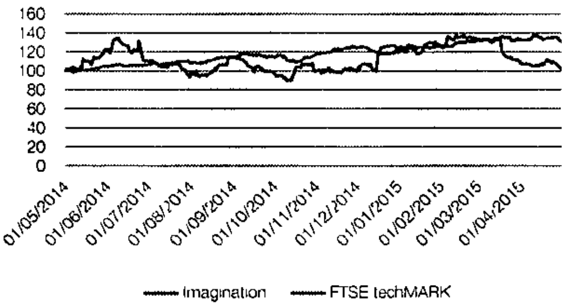
Resolution	Votes for (and % of votes cast)		Votes against (and % of votes cast)		Proportion of share capital voting	Votes which were withheld
Remuneration policy	170,076 223	98 57%	2 466,605	1 44%	64 20%	324 190
Remuneration report	170,839,650	99 01%	1,706,227	0 99%	64 20%	321 141

Performance graphs

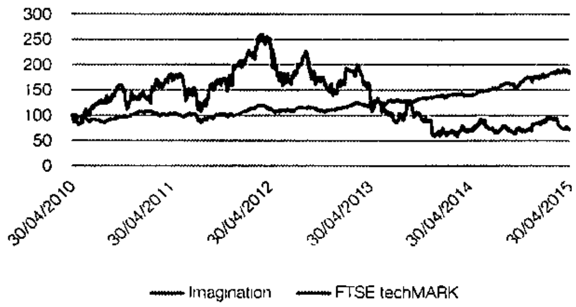
The performance graphs show the Group's one year and five year TSR together with the TSRs for the FTSE All-World technology Index from 1 May 2010 is shown below TSR for the Company's shares was 2 66% over the financial year compared with 31 01% for the FTSE All-World technology Index for the same period

The Committee considers the FTSE All-World Technology Index to be an appropriate choice as the index contains companies from the US, Asia and Europe and therefore reflects the global environment in which the Group operates In addition the Index includes many companies that are currently the Group's customers, as well as companies that use Imagination technology in their products

One year



Five year



Share price

The market value of Imagination Technologies Group plc shares on 30 April 2015 was 196 5p The highest and lowest market share price of the ordinary share in the year was 265 125p and 171 75p respectively

Remuneration in 2014/15

CEO's pay for the last five financial years

The following table summarizes the total remuneration for the Chief Executive over the last five years

Year	2010/11	2011/12	2012/13	2013/14	2014/15
CEO's total single figure £'000	2,053[1]	6,400[2]	3,639	935[3]	835
CEO's unexercised share awards £ 000	0	0	3 011[4]	459[5]	0
Actual bonus as a percentage of maximum opportunity	0	66%[6]	60%[7]	0%[8]	65%[9]
ESP/LTIP shares vesting as a percentage of the initial award	50%	100%	100%	37%	0%

In 2011 50% of the initial award vested, the CEO exercised 500,000 shares

[2] In 2012 the CEO exercised 802 000 shares, using the sale proceeds of £3 5m from this transaction to pay income tax and national insurance The CEO retained 227,000 shares

[3] The total single figure includes the value of 459,200 shares at the date of vesting These shares remain unexercised

[4] The total single figure includes the value of 750,000 shares at the date of vesting These shares remain unexercised

[5] The total single figure includes the value of 278,000 shares at the date of vesting These shares remain unexercised

[6] In 2011/12 the annual cash bonus of 60% represents the portion of the pool of £250,000 the maximum opportunity paid to the CEO the remaining 40% was paid to the CFO and the pool was distributed in full The bonus related to the 2010/11 financial year

[7] In 2013 the annual cash bonus of 66% represents the portion of the pool of £250,000, the maximum opportunity paid to the CEO the remaining 34% was paid to the CFO and the pool was distributed in full The bonus related to the 2011/12 financial year

[8] In 2013/14 no bonus was paid

[9] In 2014/15 the annual cash bonus of 65% represents a payment of £339,552 with the maximum opportunity being £526,000

Increase in pay and benefits from 2014 to 2015 for the CEO compared to employees

	CEO	Employees
Base Salary	4 03%	4 03%
Benefits and pension	0%	0%
Bonus	100%	N/A

Share dilution

In 2014/15 the Group continued to manage dilution within the context of maintaining award levels within a 15% limit over 10 years, the limit that has applied since it was approved by the shareholders in 2006, this authority will expire in 2016 The Group has issued share awards in the past nine years totaling 13 8% and with lapsed shares returning, the dilution is currently 10 28% of issued share capital

As outlined in the Chairman's letter on pages 75 to 77 the Remuneration Committee has reviewed the appropriateness of this dilution level in 2015 and subject to shareholder approval at the 2015 AGM we will propose to increase the overall limit on dilution to 10% over 5 years for future all employee share awards To satisfy executive share awards we will largely buy shares in the market

Employee Share Plan (ESP)

The ESP is the primary Long-Term Incentive Plan that is offered to all employees For executives, the incentive plan is subject to performance conditions

	Date of grant	Share price on grant £(p)	At start of year	Granted during year	Exercised during year	Lapsed during year	At end of year	Vesting date	Lapse date
Geoff Shingles	03/10/2011	425 3	131,250	–	–	–	131,250	03/10/2011	03/10/2016
Sir Hossein Yassaie	22/12/2009	227 5	2,250,000[1]	–		(1,222,000)	1 028 000	22/12/2012	22/12/2019
Richard Smith	06/10/2011	428 1	50 000[2]	–		(50 000)	0		06/10/2014

[1] The CEO's award of 2,250,000 shares granted on 22 December 2009 is subject to performance conditions The award vested in three equal tranches of 750,000 shares commencing on 22 December 2012 The first tranche of 750,000 shares vested on 22 December 2012 and these shares were not exercised Of the second tranche 278 000 shares vested on 22 December 2013, in accordance with the performance conditions, these shares have not been exercised The balance from the second tranche of 472,000 shares was retested on the third anniversary and as a result of the performance conditions not being achieved did not vest and were lapsed The third tranche of 750,000 shares did not vest due to the performance conditions not being achieved The performance conditions were related to the annual cumulative growth in the Group's share price over the third, fourth and fifth year from the date of grant If the annual cumulative growth of the Group's share price is less than 7 5%, no part of the award will vest, if the annual cumulative growth of the Group's share price is more than 7 5% and less than 15% the performance target will be satisfied pro-rata on a straight line basis and if the annual cumulative growth of the Group's share price is 15% or more, 100% will vest

[2] The award of 50,000 shares to CFO did not vest due to the performance conditions not being achieved as noted below for the TEESP

The price of a share in the Group for these purposes will be the average mid–market closing price as derived from the Official List of the London Stock Exchange for each business day in the period of three months preceding the grant date and the third anniversary of the grant date The value of the index will be the average value of the Index for each business day in the three months preceding the grant date and the third anniversary of the grant date as appropriate

The highest and lowest share prices in the year are set out on page 87

Tax Efficient Employee Share Scheme (TEESP)

Share awards with joint ownership between the executives and a beneficial interest held with the Company Employee Benefit Trust were granted on 22 January 2013 The number of share awards and beneficial interest is determined by the share price on exercise

	Date of grant	Share price on grant (p)	At start of year	Granted during year	Exercised during year	Lapsed during year	At end of year	Vesting date	Lapse date
Sir Hossein Yassaie	22/01/2013	461 30	40,656	-	-	-	40,656	22/01/2016	22/01/2022
Richard Smith	22/01/2013	461 30	20,725	-	-	-	20,725	22/01/2016	22/01/2022

Vesting of the share awards is based 100% on the percentage growth in the price of a share in the Group compared to the percentage growth of the FTSE techMARK All-Share Index (the 'Index') over the 3 year period commencing on the date of grant The Company share price must exceed the Index by over 125% for the award to vest 50% of the award will vest if the Group share price exceeds 125% of the Index, between 125% and 150% the award will be vest on straight line basis 100% of the award will vest for the achievement of 150% of the Index The price of a share in the Company for these purposes will be the average mid–market closing price as derived from the Official List of the London Stock Exchange for each business day in the period of three months preceding the grant date and the third anniversary of the grant date The value of the Index will be the average value of the Index for each business day in the three months preceding the grant date and the third anniversary of the grant date as appropriate

Annual report on remuneration

Executive single figure table (audited)

The following table summarizes the remuneration received by the executive directors in respect of the financial years ended 30 April 2014 and 30 April 2015

	Total amount of salary and fees £ 000		All pension-related benefits £'000		All taxable benefits £ 000		Annual incentive payments £'000		Long-term incentive payments £ 000		Total single figure £'000	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Executive												
Sir Hossein Yassaie	446	428	28	32	22[1]	16	339	459[2]	0	0	835	935
Richard Smith	245	222	18	15	12	12	149	0	0	0	424	249
Total	691	650	46	47	34	28	488	459	0	0	1,259	1,184

[1] This taxable benefit includes £5,672 as an allowance paid in lieu of pension contributions due to Hossein exceeding his annual pension allowance

[2] This incentive figure includes the value of 278,000 shares at the date of vesting, these shares remain unexercised

Chairman and non-executive fees

	Total amount of salary and fees		All taxable benefits		Total Single Figure	
	2015	2014	2015	2014	2015	2014
Non-executive						
Geoff Shingles[1]	£78,750	£78,750	£13,000	£13,000	£91,750	£91 750
Bert Nordberg[2]	£14,833	-	N/A	N/A	£14 833	-
Andrew Heath	£43,333	£43 000	N/A	N/A	£43,333	£43,000
Gilles Delfassy	£38,333	£38 000	N/A	N/A	£38,333	£38,000
David Anderson	£43 333	£43,000	N/A	N/A	£43,333	£43,000
David Hurst-Brown[3]	£14,859	£38,000	N/A	N/A	£14,859	£38,000
Ian Pearson	£38,333	£38,000	N/A	N/A	£38 333	£38,000
Kate Rock[4]	£25,666	-	N/A	N/A	£25,666	-
Total	**£297,440**	**£278,750**	**£13,000**	**£13,000**	**£310,440**	**£291,750**

[1] Geoff Shingles retired as Chairman of the Board in March 2015

[2] Bert Nordberg joined the board as Chairman in March 2015

[3] David Hurst-Brown retired at the AGM in September 2014

[4] Kate Rock joined the board as a Non-Executive director in August 2014

The Chairman and non-executive directors did not receive any other payments

Bert Nordberg was appointed as Chairman from March 2015 Bert will receive an annual salary of £130,000 per annum

The non-executive directors' fees were increased from 1 April 2015 It was reviewed and recommended that as the non-executive directors had not received a fee increase since 2011, their fee would increase from £38,000 to £42,000 The Chairmen of the committees will receive an additional annual fee of £5,000 for their services

The following table compares salary increases given each year to the executives to those given to Imagination's employees The changes are effective from 1 April each year

Executive director	2013/14 £'000	Increase	2014/15 £ 000	Increase	With effect from 1 April 2015 £ 000
Hossein Yassaie	427	4 32%	445	4 03%	463
Richard Smith	220	10 00%	243	11 32%	270
Average employee		4 32%		4 03%	

Pensions

The Group does not operate its own pension scheme but makes payments into a group personal pension plan with defined contributions For executive directors the Group matches the executive contribution (maximum 4 5%) and contributes an extra 1 2% and after two years of membership the 1 2% is increased by another 1 8% (to a maximum of 7 5%) If an executive reaches their annual or life time pension allowance, the Group will consider whether to pay an allowance in lieu of pension contributions as a taxable benefit

Benefits

For executive directors the Group provides the following benefits

	Car Allowance	Private Medical
Sir Hossein Yassaie	£15,000	£1,054
Richard Smith	£11,000	£879

Annual Bonus Plan

Performance measures for the Annual Bonus Plan are set annually Each year the Committee considers the most appropriate metrics to apply for the following financial year These metrics are currently a Group revenue budget and adjusted operating profit A performance multiplier is then applied related to the achievement of the financial elements The annual bonus also includes a 25% element based on personal performance Each executive director is set a number of personal objectives in relation to clear strategic, operational, or relationship imperatives aligned to the Group's overall strategy The Committee is of the opinion that the numerical values of targets for the Annual Bonus Plan are commercially sensitive because they include budgeted numbers within the range of outcomes and it would be detrimental to the Group to disclose them in advance of or during the relevant performance period

The Committee retains discretion to adjust bonus targets for any financial year to reflect intervening events including acquisitions or disposals No such adjustments were made during the financial year

2014/15 annual bonus

As a result of exceeding the annual operating profit target of over 85% in 2014/2015 and in accordance with the parameters the executives are entitled to receive an annual bonus The targets that applied to the 2015 annual bonus and the achievement against those targets were

Performance measure and weighting	Performance Range (of budget)	Bonus earned (% of target bonus)	
Performance conditions			
Group Revenue Budget (25%)	98% achieved	94 4%	
Adjusted Operating Profit (AOP) (50%)	92% achieved	72 5%	
Personal performance (25%)	CEO	65%	The Committee assessed performance of both the CEO and CFO in relation to their 2014 objectives and determined achievement levels of 65% and 85% respectively
	CFO	85%	

The 2014/15 performance measures weighted to a target bonus of 76% for the CEO and 81% for the CFO

The personal performance element depends on the achievement of predetermined objectives which are reviewed and approved by the Committee each year These include key strategic, operational or relationship objectives relating to each executive s role and responsibilities Performance is reviewed and analysed in detail on an annual basis by the CEO for CFO and by the Chairman for the CEO The assessments are presented to the Remuneration Committee for consideration and for 2014/15 the individual performance includes objectives relating to their specific areas

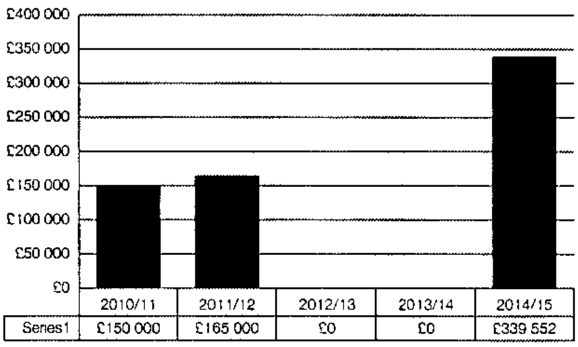
2014/15 annual bonus payout

	Target bonus % of base salary	2014/15 pay-out % of target	Actual Payment (£)	% of Salary
Sir Hossein Yassaie	100%	76%	339,552	76%
Richard Smith	75%	81%	148,907	61%

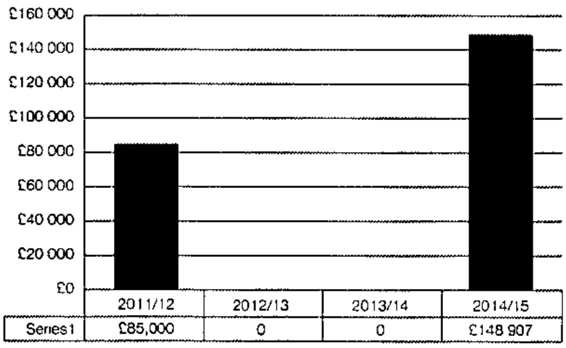
[1]The Directors' Remuneration Committee report was approved on 29 June 2015 Subsequent to this date, the CEO decided to waive £89,552 of his annual performance bonus such that the amount paid will be £250,000 not £339,552 as stated within this report and recorded within the financial statements

Graph illustrating the bonuses paid over the last five years to current CEO and CFO are shown below

CEO Bonus payments



CFO Bonus payments



Annual Bonus Plan for 2015/16

Performance measure and weighting	Performance Range (of budget)	Bonus earned (% of target bonus)
Performance conditions		
Group Revenue Budget (25%)	85%	25% paid
	100%	100% paid
	115%	125% paid
Adjusted Operating Profit (AOP) (50%)	85%	25% paid
	100%	100% paid
	115%	125% paid
Personal performance (25%)	No bonus will be paid if the Group does not achieve 85% of the Adjusted Operating Profit target	
Target bonus achievement		
CEO 100% of salary CFO 75% of salary		
Payment		
Annual assessment of performance conditions	100% of the bonus	Paid in cash

Executive directors are eligible for an annual bonus, as described in the table above, based on adjusted operating profit, Group revenue budget and individual performance The annual bonus is paid in cash

Share Incentive Plans

For 2014/15 there were three key incentive schemes in operation across the workforce as a whole They are as follows

For executives

- LTIP
- SAYE

For all other employees

- Employee Share Plan
- SIP
- SAYE

Option grants to executive directors ceased in 2006 The move away from options to restricted shares for all employees in 2006 has reduced potential dilution and has simplified remuneration arrangements

Shares earned are satisfied through the issue of new shares while some shares have been purchased to satisfy share awards made under the new LTIP for executives

Long-Term Incentive Plan (LTIP)

The LTIP is subject to performance conditions

Name	Date of grant	Share price on grant (p)	At start of year	Granted during year	Exercised during year	Lapsed during year	At end of year	Vesting date	Lapse date
Sir Hossein Yassaie	23/09/2013	349 00	305,444		0	0	305,444	23/09/2016	23/09/2021
	24/10/2014	203 75		546,223	0	0	546,223	24/10/2017	24/10/2022
Richard Smith	23/09/2013	349 00	110,563	–	0	0	110 563	23/09/2016	23/09/2021
	24/10/2014	203 75		208,496	0	0	208 496	24/10/2017	24/10/2022
Total			416 007	754,719	0	0	1,170,726		

The above share awards are subject to the following performance conditions

Performance conditions

(i) The normalized EPS growth performance conditions (which accounts for 50% of awards), has been set following independent analysis by the Group s advisors and brokers The compound annual growth in EPS targets were set for 2014/15 as follows

- 0% pay out below 10% growth
- 25% pay out at 10% growth,
- 100% pay out at 20% growth or greater, and
- Linear progression between 25% and 100% thresholds

(ii) TSR growth relative to the World Technology Index constituents (25%) and the FTSE 350 Index constituents (25%)	25% pay out for median performance 100% pay-out for achieving upper quartile or better

Maximum Value

CEO 250% of salary	CFO 175% of salary	600% exceptional circumstances

Payment

On vesting	50%	Shares can be sold on third anniversary
	50%	Shares to be compulsorily deferred until fourth (25%) and fifth (25%) anniversary of grant date

Actual award levels will be determined by the Committee on an annual basis taking into account a range of factors including performance and share price, however it is intended that annual awards to the value of 250% and 175% of salary will be made to the CEO and CFO respectively The reason for these percentage limits is largely due to the Group operating and competing for high calibre executives and to act as an incentive to retain executives to achieve the long-term growth plans of the Group In exceptional circumstances the Committee wants to be able to make share awards of 600% of base salary This facility was established primarily to facilitate global recruitment of executives, and especially to attract key executives from the US

Linkage of Long-Term Incentive Plan targets to business strategy

The new Long-Term Incentive Plan has a number of targets as described above, which are relevant to the long term strategy of the Group

Our intention is to review these targets on an annual basis, taking into account market conditions and any other relevant factors to ensure that they remain appropriate in the context of the factors set out above The Committee will review their applicability on an annual basis so that in the event that exceptional circumstances arise, such as material corporate activity or substantial changes in market conditions, their impact can be considered against subsequent annual awards If changes are to be proposed for any prospective LTIP award it would be the Committee's intention to confirm any such change to shareholders in advance

Former share option schemes

The executives have no legacy share options

Shareholding requirements

Under the LTIP executives are required to build up and retain shares to a specified percentage of salary, 250% for the CEO and 175% for the CFO Until these targets have been reached, the executives must retain at least half of any shares acquired under the new LTIP (but not taking into account, for these purposes, any shares sold to meet any tax liabilities arising in connection with the new LTIP)

Directors' interests

The beneficial interest of the directors in the ordinary shares of Imagination Technologies Group plc (in addition to interest in share options and awards) are shown below

Director	Total interests	Unfettered Shares	Scheme interests						
			Shares	Nil-cost options					All-Employee Share Scheme SAYE
			With performance conditions	With performance conditions		Without performance conditions			
				Unvested	Vested but unexercised	Unvested	Vested but unexercised		
Geoff Shingles[1]	236 089	104,084	0	0	131,250	0	0	755
Bert Nordberg	35 000	35,000	0	0	0	0	0	0
Hossein Yassaie	2,739 110	816,245	851,667	40,656	1,028,000	0	0	2,542
Richard Smith	348 439	6,113	319,059	20,725	0	0	0	2,542
Andrew Heath	20 677	20,677	0	0	0	0	0	0
David Anderson	8,175	8,175	0	0	0	0	0	0
Gilles Delfassy	0	0	0	0	0	0	0	0
Ian Pearson	42 622	42 622	0	0	0	0	0	0
Kate Rock	10 000	10 000	0	0	0	0	0	0

There have been no further changes in the above interests between 30 April 2015 and 29 June 2015

[1] Geoff Shingles retired from the Board on 20 March 2015

In addition to the interests disclosed above the executive directors have interest in dividend shares that could be awarded under the LTIP, the amount of which will be confirmed once the performance conditions are satisfied

There is no requirement in the Articles of Association for directors to hold shares in the Group

The Directors' Remuneration Committee report was approved by a duly authorized Committee of the Board and signed on its behalf by

Andrew Heath

Andrew Heath
Remuneration Committee Chairman

29 June 2015

Financial report

Independent auditor's report to the members of Imagination Technologies Group plc only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Imagination Technologies Group plc for the year ended 30 April 2015 set out on pages 102 to 149 In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2015 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows

- **Percentage of completion revenue recognition for license contracts (£39,035,000)**

Refer to page 70 (Audit Committee Statement), page 108 (Accounting Policy) and page 114 (financial disclosure)

The risk The percentage of completion method based on costs to complete is used to recognize revenue for license contracts modified to meet specific customer requirements This method of recognizing revenue involves a number of judgements, the main one being an assessment of the extent of progress towards completion of the contract The complexity of the estimation process and the costs to complete assumptions (such as budgeted hours to complete) applied in the Group's revenue recognition policies require significant judgement and could have a material impact on the revenue reported in the financial statements

Our response Our audit procedures included testing the group's controls over the approval of license contracts and monitoring progress of license completion and development We assessed the application of accounting policies to a selection of contracts to ensure these were appropriate and have been applied consistently across the Group We obtained a selection of license contracts based on the magnitude of the individual contract and/or revenue recognized in the year Through discussions with the chief operating officer, we challenged the cost to complete assumptions in particular, the status of contracted licenses, assumptions used in the forecasts (such as budgeted hours to complete), development work in the period, determining the financial and technology status of contracts selected and ensuring that this corresponded with the percentage of completion calculations We also considered the historical accuracy of the Group's percentage of completion estimates and verified completion of contracts through evidencing delivery of completed contracts We have obtained evidence of milestone achievements We considered whether these support the estimates made We also assessed the Group's disclosures about the significant judgements and estimates made in respect of the revenue generated from license contracts

- **Valuation of trade investments (£19,947,000)**

Refer to page 70 (Audit Committee report), page 111 (accounting policy) and page 114 (financial disclosures)

The risk Trade investments are carried at fair value Where investments are not publicly traded this involves valuation techniques using unobservable inputs, which can have a significant effect on the asset s valuation The material investments within this category are Atomos and Ineda The key input for the majority of these is the price paid by investors in recent funding rounds for a share of the company

Our response In this area our audit procedures included obtaining the information upon which the valuations were based and challenging the suitability of this information as the basis for valuation, for example, obtaining the final documentation available in regards to the funding rounds, the number and type of other investors to ascertain whether this is an indicator of a market price

We also considered alternate valuations through the use of other information available such as forecast financial performance to obtain an estimation of the value of the company based on a discounted cash flow model We also compared the forecasts to historical financial performance of the company to assess the reliability of these forecasts We also performed a further comparison of the balance sheet of the companies to obtain an estimation of the value of the company in terms of its net assets We compared these alternate valuations to the carrying value of the investments to determine whether there were any indicators of impairment

We also assessed the group s disclosures about the sensitivity of the outcome of the valuations to changes in key assumptions

3 Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £1,200,000 This has been determined with reference to a benchmark of Group revenue, as it provides a more stable measure year on year than group loss before tax Materiality represents 0 7% of Group revenue

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £60,000 We also agreed to report any audit misstatement below that threshold that we believe warranted reporting on qualitative grounds

Full scope audits for group reporting purposes were performed at the UK and US reporting components These group procedures covered 99% of total Group revenue, 82% of the total profits and losses that made up Group loss before tax and 97% of total Group assets

The audits undertaken for group reporting purposes were performed by the group team to a materiality level of at £1,200,000 for the UK audit and £600 000 for the US audit

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion

- the part of the Directors' Remuneration Committee report to be audited has been properly prepared in accordance with the Companies Act 2006,
- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the information given in the Corporate Governance Statement set out on page 71 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading

In particular, we are required to report to you if

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group s performance, business model and strategy or

- The 'Significant issues that the Committee considered in relation to the financial statements' section of the Audit Committee report does not appropriately address matters communicated by us to the Audit Committee

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' Remuneration Committee report to be audited 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 or
- a Corporate Governance Statement has not been prepared by the company

Under the Listing Rules we are required to review

- the directors' statement set out on page 51, in relation to going concern, and
- the part of the Corporate Governance Statement on pages 64 relating to the companys compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review

We have nothing to report in respect of the above responsibilities

Scope and responsibilities

As explained more fully in the Directors Responsibilities Statement set out on page 59, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities published on our website at www kpmg com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions

Tudor Aw

Tudor Aw
Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
29 June 2015

Consolidated income statement

		Notes	Year to 30 April 2015 £ 000	Year to 30 April 2014 £ 000
Revenue		1, 2	**177,021**	170,835
Cost of sales			**(17,716)**	(20 461)
Gross profit			**159,305**	150,374
Research and development expenses		2	**(123,859)**	(114,835)
Sales and administrative expenses		2	**(43,950)**	(35,603)
Total operating expenses			**(167,809)**	(150,438)
Operating loss		3	**(8,504)**	(64)
Financial income			**137**	168
Financial expenses			**(3,587)**	(418)
Net financing expense			**(3,450)**	(250)
Loss before tax			**(11,954)**	(314)
Taxation (charge)/credit		5	**(1,070)**	1,089
(Loss)/profit for the financial year attributable to equity holders of the parent			**(13,024)**	775
(Loss)/earnings per share	Basic	6	**(4 9)p**	0 3p
	Diluted		**(4 9)p**	0 3p

During this year and the previous period all results arise from continuing operations

The notes to the accounts form an integral part of these financial statements

Consolidated statement of comprehensive income

	Notes	Year to 30 April 2015 £'000	Year to 30 April 2014 £'000
(Loss)/profit for the financial year attributable to equity holders of the parent		**(13,024)**	775
Other comprehensive income			
Items that are or maybe reclassified subsequently to profit or loss			
Exchange differences on translation of the balance sheets of foreign operations		**(3,201)**	4,242
Exchange differences on translation of part of the net investment in foreign operations		**2,781**	(2,206)
Change in fair value of assets classified as available for sale		**(576)**	997
Tax on items that are or may be reclassified subsequently to profit or loss	9	**-**	-
Total other comprehensive (expense)/income for the financial year, net of income tax		**(996)**	3 033
Total comprehensive (expense)/income for the financial year attributable to equity holders of the parent		**(14,020)**	3,808

Consolidated statement of financial position

	Notes	At 30 April 2015 £ 000	At 30 April 2014 £ 000
Non-current assets			
Other intangible assets	7	**49,385**	58 560
Goodwill	7	**59,834**	59 834
Property plant and equipment	8	**69,001**	63,616
Investments	9	**19,947**	21,081
Deferred tax	5	**4,865**	4,928
Corporation tax	5	**932**	811
Other debtors		**2,302**	846
		206,266	209,676
Current assets			
Inventories	10	**7,901**	9,054
Trade and other receivables	11	**37,010**	31,461
Accrued income	11	**44,840**	22 415
Corporation tax	5	**600**	1,555
Cash and cash equivalents	12	**2,651**	19,248
		93,002	83,733
Total assets		**299,268**	293 409
Current liabilities			
Trade and other payables	13	**(40,558)**	(37,514)
Interest bearing loans and borrowings	14	**(8,251)**	(8,561)
Corporation tax payable	5	**(525)**	(240)
		(49,334)	(46 315)
Non-current liabilities			
Other payables	15	**(4,132)**	(6,010)
Interest bearing loans and borrowings	14	**(21,650)**	(15,696)
Deferred tax liability	5	**(14,988)**	(17 062)
Corporation tax	5	**(3,690)**	(3,325)
		(44,460)	(42,093)
Total liabilities		**(93,794)**	(88,408)
Net assets		**205,474**	205,001
Equity			
Share capital	16	**27,162**	26,769
Share premium	16	**101,976**	99 648
Other capital reserve	16	**1,423**	1 423
Merger reserve	16	**2,402**	2,402
Revaluation reserve	16	**1,007**	1,583
Translation reserve	16	**995**	1,415
Retained earnings		**70,509**	71 761
Total equity attributable to equity holders of the parent		**205,474**	205 001

These financial statements were approved by the Board of Directors on 29 June 2015 and were signed on its behalf by

Bert Nordberg
Director
Registered Number 2920061

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Other capital reserve £'000	Merger reserve £'000	Revaluation reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 May 2013	26,571	99,236	1,423	2 402	586	(621)	61,795	191,392
Profit for the year	–	–	–	–	–	–	775	775
Other comprehensive income for the year								
Exchange differences on translation of the balance sheets of foreign operations	–	–	–	–	–	4,242	–	4,242
Exchange differences on translation of part of the net investment in foreign operations	–	–	–	–	–	(2,206)	–	(2,206)
Change in fair value of assets classified as available for sale	–	–	–	–	997	–	–	997
Total other comprehensive income for the year	–	–	–	–	997	2,036	–	3,033
Transactions with owners								
Share based remuneration	–	–	–	–	–	–	13,179	13 179
Tax credit in respect of share-based incentives	–	–	–	–	–	–	(2 713)	(2,713)
Purchase of shares for LTIP	–	–	–	–	–	–	(1,106)	(1,106)
Issue of shares at nil cost	169	–	–	–	–	–	(169)	–
Issue of new shares	29	412	–	–	–	–	–	441
At 30 April 2014	26,769	99 648	1,423	2,402	1,583	1,415	71,761	205,001
At 1 May 2014	**26,769**	**99,648**	**1,423**	**2,402**	**1,583**	**1,415**	**71,761**	**205,001**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(13,024)**	**(13,024)**
Other comprehensive income for the year								
Exchange differences on translation of the balance sheets of foreign operations	**–**	**–**	**–**	**–**	**–**	**(3,201)**	**–**	**(3,201)**
Exchange differences on translation of part of the net investment in foreign operations	**–**	**–**	**–**	**–**	**–**	**2,781**	**–**	**2,781**
Change in fair value of assets classified as available for sale	**–**	**–**	**–**	**–**	**(576)**	**–**	**–**	**(576)**
Total other comprehensive income for the year	**–**	**–**	**–**	**–**	**(576)**	**(420)**	**–**	**(996)**
Transactions with owners								
Share based remuneration	**–**	**–**	**–**	**–**	**–**	**–**	**11,963**	**11,963**
Tax credit in respect of share-based incentives	**–**	**–**	**–**	**–**	**–**	**–**	**430**	**430**
Purchase of shares for LTIP	**–**	**–**	**–**	**–**	**–**	**–**	**(394)**	**(394)**
Issue of shares for SIP	**73**	**–**	**–**	**–**	**–**	**–**	**(73)**	**–**
Issue of shares at nil cost	**154**	**–**	**–**	**–**	**–**	**–**	**(154)**	**–**
Issue of new shares	**166**	**2,328**	**–**	**–**	**–**	**–**	**–**	**2,494**
At 30 April 2015	**27,162**	**101,976**	**1,423**	**2,402**	**1,007**	**995**	**70,509**	**205,474**

Consolidated statement of cash flows

	Notes	Year to 30 April 2015 £'000	Year to 30 April 2014 £'000
Cash flows from operating activities			
(Loss)/profit after tax		**(13,024)**	775
Tax charge/(credit)		**1,070**	(1,089)
Loss before tax		**(11,954)**	(314)
Adjustments for			
Depreciation and amortization	3	**17,313**	14 392
Loss on disposal of fixed assets		**36**	180
Net financing charge/(income)		**3,450**	250
Share-based remuneration	4	**11,963**	13 179
Release from contract obligation		**(812)**	–
Impairment of investments	9	**5,093**	2,237
Contingent acquisition consideration release		**(361)**	(1,648)
Exchange difference	3	**(43)**	(394)
Operating cash flows before movements in working capital		**24,685**	27 882
Change in working capital net of effects from acquisition of subsidiaries			
Decrease/(increase) in inventories		**453**	(542)
(Increase)/decrease in receivables		**(33,637)**	8,409
Increase/(decrease) in payables		**4,450**	(1,887)
Cash (utilized)/generated by operations		**(4,049)**	33 862
Interest paid		**(477)**	(580)
Taxes paid		**(1,240)**	(58,442)
Net cash flows from operating activities		**(5,766)**	(25,160)
Cash flows from investing activities			
Investments made in the year	9	**(1,530)**	(2 643)
Acquisition of intangible assets		**(1,516)**	(1,717)
Acquisition of property, plant and equipment		**(12,137)**	(20 326)
Acquisition of subsidiaries		**–**	(2 484)
Interest received		**137**	41
Net cash used in investing activities		**(15,046)**	(27 129)
Cash flows from financing activities			
Proceeds from the issue of share capital	16	**325**	441
Draw down of loan	14	**5,000**	–
Purchase of own shares for LTIP		**(394)**	(1,106)
Repayment of borrowings		**(1,598)**	(4,635)
Net cash from financing activities		**3,333**	(5 300)
Net decrease in cash and cash equivalents		**(17,479)**	(57 589)
Effect of exchange rate fluctuation		**882**	265
Cash and cash equivalents at the start of the period		**19,248**	76 572
Cash and cash equivalents at the end of the period	12	**2,651**	19,248

Notes to the consolidated financial statements

1 Accounting policies

General

Imagination Technologies Group plc is a company incorporated in the UK The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group)

Significant accounting policies

Statement of compliance

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs) The Group has elected to prepare its parent company financial statements in accordance with UK GAAP, these are presented on pages 144 to 148

Basis of preparation

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements

The following additional accounting standards, amendments, and interpretations have been adopted in the period

- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities
- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
- Recoverable amount disclosures for non-financial assets – Amendments to IAS 36
- Continuing hedge accounting after derivative novations – Amendments to IAS 39

The adoption of these standards, amendments and interpretations have not had a material effect on the financial statements

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below under 'Significant accounting judgements and estimates'

Measurement convention

The financial statements are prepared on the historical cost basis, except for investments which have been stated at fair value in accordance with IAS 39

Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and financial statements

The Group has adequate financial resources together with long term contracts with a number of customers and suppliers across a range of consumer market segments and geographic areas As a consequence, the directors believe that the Group is well placed to manage its business risks successfully in the current economic environment

Further information regarding the Group's business activities together with the factors likely to affect its future development, performance and position is set out in the Chief Executive's review on pages 32 to 41

Further information regarding the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in notes 12, 14 and 19

In addition, note 19 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk

Basis of consolidation – subsidiaries

Subsidiaries are those entities controlled by the Group Control exists when an investor is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee In assessing control, potential voting rights that presently are exercisable or convertible are taken into account The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases

Business combinations

The Group has applied IFRS 3 Business Combinations (revised 2008) in accounting for business combinations

Business combinations are accounted for using the acquisition method at the acquisition date which is the date on which control is transferred to the Group Control is the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities In assessing control, the Group takes into consideration potential voting rights that currently are exercisable, as well as other factors including board representation The financial statements of subsidiaries are included in the consolidated financial statements from the date that control passes

The Group measures goodwill as the fair value of the consideration paid or payable less the net fair value of the identifiable assets, liabilities assumed and contingent liabilities acquired, all measured as of the acquisition date

The consideration transferred does not include amounts related to the settlement of pre-existing relationships Such amounts are generally recognized in the income statement Costs related to the acquisition other than those associated with the issue of equity securities, that the Group incurs in connection with a business combination are expensed as incurred

Any contingent consideration payable is recognized at fair value at the acquisition date If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the income statement

Revenue

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

The Group follows the principles of IAS 18 Revenue recognition Revenue associated with the sales of goods is recognized when all of the following conditions are satisfied

- The Group has transferred the significant risks and rewards of ownership to the buyer,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow into the Group, and
- The costs incurred and or to be incurred can be measured reliably

Revenue associated with the provision of services is recognized when all of the following conditions are satisfied

- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow into the Group

- The stage of completion of the transaction as at the end of the reporting period can be measured reliably, and
- The costs incurred, or to be incurred for the transaction can be measured reliably

Therefore revenue from standard licenses is recognized on delivery to the customer, which is when it is considered the above conditions are met Revenue on license agreements for products which are either not finished or which need to be modified to meet specific customer requirements is recognized on a percentage-of-completion basis over the period from starting development of the product to delivery The percentage-of-completion is measured by monitoring progress compared with the total estimated project requirement Progress is measured by an assessment of performance against key development milestones

Revenue associated with rights in license agreements to unspecified current and future products is recognized under a subscription accounting basis, on a straight-line basis over the term of the arrangement

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

Where invoicing milestones on license 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 Group evaluates whether it has obtained, through its performance to date, the right to the un-invoiced consideration and therefore whether revenue should be recognized 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 Group's contractual obligations have been, or will be fulfilled and that only those costs budgeted to be incurred will be incurred Where the Group considers that there is insufficient evidence that it is probable that the economic benefits associated with the transaction will flow into the Group, taking into account these criteria, revenue is not recognized until there is sufficient evidence that it is probable that the economic benefits associated with the transaction will flow into the Group

Where an agreement involves several components the total fee is allocated to individual components based on the fair value of the components The fair value is assessed by reference to prices regularly charged for the components when 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 components If the fair value of a component is not determinable, then the total fee is deferred until the fair value is determinable, or the component has been delivered to the customer Where, in effect two or more components of an agreement are linked and fair values cannot be allocated to the individual components the revenue recognition criteria are applied to the components as if they were a single component

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

The excess of license fees, development income and maintenance invoiced over revenue recognized is recorded as deferred income

Royalty revenues are earned on the sale by licensees of products containing the Group s technology Revenues are recognized as they are earned to the extent that the Group has sufficient evidence of sales of products containing the Group'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 recognized upon delivery

Revenue is accounted for net of VAT discounts and returns Returns are recognized at the point at which the Group has adequate knowledge that products are likely to be returned by a customer

The above revenue recognition policy is applied consistently irrespective of whether or not the consideration received is in the form of cash or non-cash (for example equity)

As disclosed above, in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors, the Group makes significant estimates in applying its revenue recognition policies Estimates are made in particular, in regards to the percentage-of-completion accounting method which requires that the extent of progress towards completion of contracts may be anticipated with reasonable certainty The use of this method is based on the assumption that, at the outset of license agreements, there is an insignificant risk that customer acceptance will not be obtained The Group also makes assessments based on prior experience, of the extent to which future milestone receipts represent a probable future economic benefit to the Group The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the revenue recognition policies affect the amounts reported in the financial statements If different assumptions were used, it is possible that different amounts would be reported in the financial statements

Research and development costs

Costs of basic and applied research and all development costs, are written off in the period in which they are incurred by the Group

Employee benefits

The Group contributes to a defined contribution pension plan Payments are charged to the income statement in the period to which they relate

Share-based payment transactions

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

Transactions of the Company-sponsored Employee Benefit Trust are included in the Group's consolidated financial statements In particular, the Trust's purchase of shares in the Company is debited directly in equity to retained earnings

Taxation

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

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

Deferred tax is provided using the balance sheet liability method on any temporary differences between the carrying amounts for financial reporting purposes and those for taxation purposes The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date Temporary differences on goodwill are not provided for as are not deductible for tax purposes

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

Foreign exchange

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the rates of exchange ruling at the dates of the transactions Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at rates of exchange ruling at the balance sheet date Exchange gains and losses are taken to the income statement

On consolidation, results of foreign subsidiary undertakings are translated at the average rates of exchange for the year The assets and liabilities are translated at rates ruling at the balance sheet date Exchange differences arising from retranslation have been recognized directly in the statement of other comprehensive income The presentational currency is GBP

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group s other components All operating segments operating results are reviewed regularly by the Board of directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available

Intangible assets

Intangible assets are stated at cost of acquisition and amortized 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 When the Group makes an acquisition, management review the business and assets acquired to determine whether any intangible assets should be recognized separately from goodwill Fair value of the intangible assets is assessed assuming a hypothetical market The Group utilizes the income based approach when reliable future cash flows are available Alternatively, the cost approach or market approach are utilized

The amortization rates applied are

Developed technology	5 to 10 years
Customer relationships	10 years
Trade names	15 years
In process R&D	5 years once complete
Software, patents & trademarks	2 to 5 years

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 income statement When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in the income statement 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 Group 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 Group's funds The directors review holdings in such companies on a regular basis to determine whether continued investment is in the best interests of the Group Funds for such ventures are limited in order that the financial effect of any potential decline of the value of investments will not be substantial in the context of the Group's financial results

Further details of these investments and the valuation basis are detailed in note 9 and note 19

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration paid or payable over the net fair value of the identifiable assets liabilities and contingent liabilities acquired) arising on consolidation in respect of acquisitions is capitalized Goodwill is allocated to cash generating units expected to benefit from the acquisition and is not amortized but tested annually for impairment Any impairment is recognized immediately in the income statement and may not be subsequently reversed Impairment testing is based on assets grouped at the lowest possible level at which goodwill is monitored for internal management purposes

On disposal of a subsidiary or business, the attributable goodwill is included in the determination of the profit or loss on disposal

Goodwill is stated on the balance sheet at cost less any accumulated impairment losses

Business combinations that took place prior to 1 April 2004 have not been re-stated and goodwill represents the amount recognized under the Group's previous accounting framework

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses

Property, plant and equipment are depreciated to write down their cost using the straight line method to their estimated residual values over the period of their estimated useful economic lives Periodic reviews are made of estimated remaining useful economic lives and residual values, and the depreciation rates applied are

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

Impairment

a) Non-financial assets

Goodwill has an indefinite useful life, is not subject to amortization and is tested annually for impairment 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 cash flows 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 cash flows 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 income statement

In respect of assets other than goodwill, 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

b) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value

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

All impairment losses are recognized in the income statement Any cumulative gain or loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the income statement

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

Derivative financial instruments

Currency exchange contracts are utilized 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 Group 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 recognized gains and losses resulting from the settlement of the contracts are recorded within general and administrative expenses in the income statement The Group does not enter into currency exchange contracts for the purpose of hedging anticipated transactions

Inventories

Inventory is valued at the lower of cost and net realizable value The cost of inventory is calculated using the FIFO method Finished goods include direct costs and attributable overheads based on the normal level of activity

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 Bank overdrafts that are repayable on demand and form an integral part of the Group s cash management are included as a component of cash and cash equivalents for the purpose only of the Consolidated statement of cash flows

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

Long term borrowing

Long term borrowings are recognized initially at fair value less attributable transaction costs Subsequent to initial recognition long term borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases For property leases the land and building elements are treated separately to determine the appropriate lease classification Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease

Assets funded through finance leases are capitalized either as property, plant and equipment, or intangible assets, as appropriate, and are depreciated/amortized over their estimated useful lives or the lease term whichever is shorter The amount capitalized is the lower of the fair value of the asset or the present value of the minimum lease payments during the lease term at the inception of the lease The resulting lease obligations are included in liabilities net of finance charges Finance costs on finance leases are charged directly to the income statement on an effective interest rate basis

Significant accounting judgements and estimates

In applying the Group's accounting policies described above management has made the following judgements and estimates that have a significant impact on the amounts recognized in the financial statements

Revenue recognition

The Group has made estimates on the percentage-to-completion for licensing and development work which affect the amount of revenue recognized in the period These estimates involve the Group assessing the estimated resource and time required to complete development projects Please refer to the final paragraph of the Revenue accounting policy disclosed above

Investments

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

Share based payments

The fair value of the share incentives is measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the incentives The fair value of the share incentives is measured using the Black-Scholes or Monte Carlo Simulation models which take into account the terms and conditions upon which the award was made In determining the appropriate expense, the Group has made estimates on the likelihood that internal performance targets will be achieved and on the number of employees that will be employed on vesting Details of share-based payments and the assumptions applied are disclosed in note 22

Taxation

A deferred tax asset (note 5) is recognized only to the extent that it is probable that sufficient taxable profit will be available to utilize the temporary difference The Group has made estimates on the likelihood that future taxable profit will utilize these tax losses

Impairment of goodwill

The Group determines whether goodwill is impaired at a minimum on an annual basis This requires an estimation of the value in use of the cash generating units to which the goodwill relates Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit that holds the goodwill at a determined discount rate and an appropriate growth rate to calculate the present value of those cash flows Details of assumptions used are set out in note 7

Business combinations

The Group measures contingent consideration at fair value at the acquisition date and assesses any changes in fair value on an annual basis This requires the Group to make an estimate of the future payables in respect of the contingent consideration Details of the assessment performed in the current year are set out in notes 13 and 15

Recoverability of debtors

The Group 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

Valuation of inventory

Inventory comprises raw components, work in progress and finished goods The Group monitors the level of inventory across the business and specifically slow moving finished goods Management makes estimates to ensure adequate provisions are in place to ensure the value of inventory recorded on the Statement of Financial Position is not over stated in accordance with IAS 2

Adopted IFRS not yet applied

The following accounting standards amendments and interpretations had been issued but they are not yet effective for the Group and have not been early adopted Their adoption is not expected to have a material effect on the financial statements

- Annual Improvements to IFRSs – 2010-2012 Cycle (IASB effective date 1 July 2014)
- Annual Improvements to IFRSs – 2011-2013 Cycle (IASB effective date 1 July 2014),
- Clarification of Acceptable Methods of Depreciation and Amortization – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016),
- Equity Method in Separate Financial Statements – Amendments to IAS 27 (IASB effective date 1 January 2016),
- Annual Improvements to IFRSs – 2012-2014 Cycle (IASB effective date 1 January 2016) and
- Disclosure Initiative – Amendments to IAS 1(IASB effective date 1 January 2016)

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU

2 Segment reporting

The Group determines and presents operating segments based on the information that is provided internally to the Board of Directors, which is the Groups chief operating decision maker The Group is organized into two operating divisions which offer different services to different industries and are managed separately the Technology business and the Pure business The costs of the corporate head office and other costs which are not controlled by the operating divisions are allocated to these divisions These divisions are the operating segments that are reported to the chief operating decision maker and are the Group's reportable segments There is no inter-segment trading and no significant seasonality in the Group's operations although there is an increase in trading in the period leading up to Christmas

Principal activities are as follows

Technology business – the development of graphics, video, vision, processor communications and connectivity technologies for licensing to semiconductor companies for incorporation into silicon devices

Pure business – the development and marketing of consumer products to showcase the technologies of the Technology business and to develop new and emerging markets for such technologies

Information regarding the operations of each reportable segment is included below Performance is measured based on adjusted operating profit as shown in the table at the end of this note Operating costs within the Technology business are not attributable to specific income streams and have not been allocated to specific income streams

	2015 £'000	2014 £'000
Revenue		
Technology business		
Licensing	**39,035**	38 324
Royalties	**118,925**	109,033
Other	**685**	241
Total	**158,645**	147,598
Pure business	**18,376**	23,237
Total revenue	**177,021**	170,835
Operating (loss)/profit		
Technology business	**(1,787)**	8 532
Pure business	**(6,717)**	(8 596)
Segment operating loss	**(8,504)**	(64)
Net financing expense	**(3,450)**	(250)
Loss before tax	**(11,954)**	(314)
Taxation (charge)/credit	**(1,070)**	1 089
(Loss)/profit for the financial year	**(13,024)**	775

		2015 £'000	2014 £'000
Total assets			
Technology business		**263,870**	251,888
Pure business		**16,466**	16,311
Total segment assets		**280,336**	268,199
Cash and cash equivalents		**2,651**	19,248
Deferred tax		**4,865**	4,928
Unallocated assets		**11,416**	1 034
Total assets		**299,268**	293,409
Total liabilities			
Technology business		**81,363**	82,352
Pure business		**5,250**	6,056
Total segment liabilities		**86,613**	88 408
Unallocated liabilities		**7,181**	–
Total liabilities		**93,794**	88,408
Other segment items			
Capital expenditure	Technology business	**12,051**	18,591
	Pure business	**1,518**	5,724
		13,569	24,315
Depreciation and amortization	Technology business	**7,361**	14 018
	Pure business	**833**	374
		8,194	14 392

Revenue is reported by geographical area of sales as follows

	2015 £'000	2014 £'000
USA	**106,778**	94,218
Asia	**33,598**	40,359
United Kingdom	**16,196**	17 230
Rest of Europe	**13,510**	11,289
Rest of the world	**4,571**	4,611
Rest of North America	**2,368**	3 128
	177,021	170 835

The basis for attributing external customers to individual countries is the customer s country of domicile

Revenue from individual customers that represent more than 10% of the Group s total revenue for the period have values of approximately £59,690,000 and £21,419,000 Both customers country of domicile is USA and both these revenues are included in the Technology division

All revenue originated materially from the United Kingdom

The operating profit, net assets and capital expenditure of the Group materially relate to the United Kingdom

Adjusted profit

Adjusted profit is used by management to measure the performance of the business year on year by excluding non-recurring items (items which typically do not occur every year), items relating to acquisitions and investments, non-cash based share incentive charges, and amortization of intangible assets acquired from acquisitions

		Year to 30 April 2015			Year to 30 April 2014 (restated Δ)		
	Notes	Technology £'000	Pure £'000	Total £'000	Technology £'000	Pure £'000	Total £'000
Reported operating (loss)/profit		**(1,787)**	**(6,717)**	**(8,504)**	8 532	(8,596)	(64)
Share-based incentive costs *	4	**11,298**	**665**	**11,963**	12,401	778	13,179
Amortization of intangibles from acquisitions *	7	**9,119**	**–**	**9,119**	8 607	–	8,607
Net gain on investments*	9	**–**	**–**	**–**	(348)	–	(348)
Impairment of investments**	9	**5,093**	**–**	**5,093**	2,585	–	2 585
Acquisition related costs**		**1,426**	**–**	**1,426**	1,275	–	1 275
Release of contract obligations**		**(812)**	**–**	**(812)**	–	–	–
Contingent acquisition consideration release**		**(361)**	**–**	**(361)**	(1,648)	–	(1,648)
Group restructuring costs**		**680**	**10**	**690**	–	397	397
Provision for onerous contracts *		**2,503**	**–**	**2,503**	–	–	–
Adjusted operating profit/(loss)		**27,159**	**(6,042)**	**21,117**	31 404	(7,421)	23,983
Net financing expense				**(3,450)**			(250)
Adjusted profit before tax				**17,667**			23 733

*Share-based incentive costs have been apportioned £8,972,000 (2014 £9,884,000) to research and development expenses and £2 991 000 (2014 £3,295,000) to sales and administrative expenses on the face of the consolidated income statement All of the amortization of intangibles from acquisitions cost is included in research and development expenses on the face of the consolidated income statement

**These adjusting items totalling £8,539 000 (2014 £2,261,000) are included in sales and administrative expenses on the face of the consolidated income statement

Acquisition related costs relate largely to the historic acquisitions of Posedge and Kisel and include elements of deferred acquisition consideration which are required to be accounted for as compensation

Release of contract obligations relates to a development agreement with GreenPlug Inc The development fees were paid to Imagination Technologies Ltd in advance Imagination Technologies Ltd has now been released from all obligations under this agreement and therefore the deferred revenue has been recognized as a credit to the income statement

The contingent acquisition consideration release relates to contingent consideration that has not crystallized relating to the acquisitions of Kisel Microelectronics AB (£272,000) and Nethra Imaging Inc (£89,000)

Group restructuring costs relate to one-off restructuring across the Group

Onerous contracts relate to various commercial and property related contracts An onerous contract is one where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it

Δ In 2014, an £85,000 credit to the income statement has been reclassified to net financing expense from operating expenses As a result, the prior year comparatives have been amended from a £21,000 reported operating profit to a £64,000 operating loss, and from a £335,000 net financing expense to a £250,000 net financing expense

3 Expenses

	2015 £'000	2014 £'000
Operating loss is stated after charging/(crediting)		
Depreciation and amortization of tangible and intangible assets	**17,313**	14,392
Loss on disposal of fixed assets	**36**	180
Foreign exchange gain	**43**	394
Operating lease rentals		
Property	**4,019**	3,268
Other	**9,310**	8 924
Auditor's remuneration		
Audit of these financial statements	**25**	25
Amount received by auditor and their associates in respect of		
Audit of financial statements of subsidiaries of the Group	**128**	123
Audit-related assurance services	**12**	12
Other assurance services	**–**	–
Other services – tax filing services	**–**	–
	165	160

Amounts paid to the Group's auditor in respect of services to the Group, other than the audit of the Group s financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis

4 Employees

The average number of persons employed by the Group (including directors) was	2015	2014
Research and development	**1,361**	1,229
Production	**25**	43
Administration	**150**	139
Sales and marketing	**116**	118
	1,652	1 529

The aggregate payroll costs of these persons were	2015 £'000	2014 £ 000
Wages and salaries	**75,311**	66,951
Social security costs	**5,211**	4,771
Other pension costs	**3,332**	2,615
Share-based payments	**11,963**	13,179
	95,817	87,516

Details of the share-based payments are set out in note 22 Complete information on the share incentives and shares held by directors is set out in the Directors' Remuneration Committee report on pages 75 to 97

5 Taxation

	2015 £ 000	2014 £ 000
Analysis of tax charge in the year		
Current tax charge		
UK corporation tax	**142**	81
Foreign tax	**2,650**	511
Total current tax charge	**2,792**	592
Deferred tax		
Origination and reversal of temporary differences	**(1,052)**	(2,876)
Effect of changes in tax rates on deferred tax balances	**(877)**	(524)
Changes in recoverable amounts of deferred tax assets	**-**	621
Adjustments in respect of prior periods	**207**	1,098
Total deferred tax (credit)/charge	**(1,722)**	(1,681)
Total income tax charge/(credit)	**1,070**	(1,089)

The total tax charge for the year of £1,070,000 (2014 £1,089,000 tax credit) is higher (2014 higher) than the standard rate of corporation tax in the UK of 20 92% (2014 22 83%) The difference is explained below

	2015 £'000	2014 £ 000
Loss before taxation	**(11,954)**	(314)
Notional tax charge at UK standard rate of 20 92% (2014 22 83%)	**(2,501)**	(72)
Tax effect of expenses that are not deductible for tax purposes	**2,282**	2,746
Utilization of previously unrecognized tax assets	**(1,285)**	(10 711)
Tax assets not recognized	**2,421**	2,703
Effect of tax rate change	**(876)**	(524)
Adjustments in respect of prior periods	**236**	(1 265)
Withholding tax	**1,247**	2,531
Different tax rates on overseas earnings	**(454)**	2,881
Changes in recoverable amounts of deferred tax assets	**-**	622
Total income tax charge/(credit)	**1,070**	(1,089)
Tax on items charged to equity		
Deferred tax charge	**289**	2,794
Current tax charge/(credit)	**142**	(81)

The principal element of the deferred tax charge recorded against equity relates to the reversal of previously recognized deferred tax assets which were credited to equity The reversal of the asset occurs as a result of the fall in potential future tax deductions due to the reduction in the Company's share price during the year

Current tax assets

At 30 April 2015, there are current tax assets receivable in more than one year of £932,000 (2014 £811,000) and receivable in less than one year of £600,000 (2014 £1,555,000) The assets relate to prepayments of tax by overseas subsidiaries

Current tax liabilities

At 30 April 2015 there is a current tax liability due in less than one year of £525,000 relating to some of the Group s subsidiaries (2014 £240,000)

At 30 April 2015 there is a current tax liability due in more than one year of £3 690 000 (2014 £3,325 000) The balance in both years largely relates to a provision in the US

Deferred tax

The movement on the deferred tax account is as follows

	As at 30 April 2014 £'000	Recognized in income statement £'000	Recognized in equity £ 000	As at 30 April 2015 £ 000
Tax losses	4,216	1,084	-	**5,300**
Share-based payments (note 22)	2,270	869	289	**3,428**
Other timing differences	79	48	-	**127**
Capital allowances	(3 831)	(3 202)	-	**(7,033)**
Gain on foreign exchange contract	(145)	181	-	**36**
Acquisition of intangible assets	(14,723)	2,742	-	**(11,981)**
	(12,134)	1,722	289	**(10,123)**

	2015 £ 000	2014 £ 000
Deferred taxation has been presented on the balance sheet as follows		
Deferred tax asset	**4,865**	4,928
Deferred tax liability	**(14,988)**	(17 062)
At end of the period	**(10,123)**	(12 134)

Management consider the utilization of the £4,865,000 (2014 £4,928,000) deferred tax asset to be probable based on assessment of forecasts of future taxable profits

The deferred tax asset remained at a similar level to last year Accelerated R&D capital allowances claimed during the year and a net utilization of tax losses reduced the asset This movement was offset by an increase in the asset created by re-calculating the asset using the prevailing UK corporation tax rate at 30 April 2015 of 20 0%, compared with a lower patent box influenced rate at 30 April 2014 This rate change adjustment was done because of the uncertainty surrounding the date when the Company will opt in to the patent box regime

The deferred tax liability reduced during the year to £14,988,000 (2014 £17,062,000) This movement was a result of the amortization of intangible assets relating to previous acquisitions

None of the recognized tax assets or liabilities expire

Deferred tax assets and liabilities are only offset where they relate to income taxes levied by the same taxation authority and there is a legally enforceable right to offset

Unrecognized deferred tax assets

The group has Federal US tax losses of $43,845,000 (2014 $30 017,000), tax credits of $6,212,000 (2014 $3,660,000) and other temporary differences of $23 383 000 (2014 $8,890 000) The Federal tax losses and tax credits expire progressively from 2020

In addition the group has State US tax losses of $52,309,000 (2014 $49 365,000), tax credits of $7,947 000 (2014 $4 887,000) and other temporary differences of $48,384,000 (2014 $12,481 000) The State tax losses expire progressively from 2015

State tax credits and all remaining temporary differences do not expire

Deferred tax assets have not been recognized due to the uncertainty of the availability of the above tax losses to be utilized against future taxable profits arising in the US A section 382 study to determine a more certain position is due to be undertaken during the next financial year

If the Group were able to recognize all unrecognized deferred tax assets, an asset of £25 056,000 ($38,538,000) (2014 £13,023,000 ($21 903,000)) reported at the applicable tax rates, would be recognized

At 30 April 2015, there was no recognized deferred tax liability (2014 $Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries The Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future

Factors affecting future tax charge

The Finance Act 2013 reduced the rate of Corporation Tax from 1 April 2014 to 21% and a further reduction of 1% to 20% from 1 April 2015 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) These changes have been substantively enacted at the balance sheet date and consequently are reflected in these financial statements The Group has not made an election in to the UK Patent Box regime as at 30 April 2015, nor do the Directors consider it will be beneficial to do so in the short term As such the Directors consider that the temporary differences will reverse at the main rate of UK Corporation Tax of 20% and deferred tax has therefore been provided at this rate

6 Earnings per share

	2015 £'000	2014 £ 000
(Loss)/profit attributable to equity holders of the parent	**(13,024)**	775

	2015 Shares 000	2014 Shares 000
Weighted average number of shares in issue	**269,522**	266,246
Less Weighted average number of shares held by Employee Benefit Trust	**(1,984)**	(1 902)
Effect of dilutive shares Employee incentive schemes	**12,790**	11,553
Weighted average number of shares potentially in issue	**280,328**	275,897

		2015	2014
(Loss)/earnings per share	Basic	**(4 9)p**	0 3p
	Diluted	**(4 9)p**	0 3p

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potentially dilutive ordinary shares Details of the schemes considered in arriving at the potentially dilutive ordinary shares are set out in note 22 It should be noted that potentially dilutive shares are not considered when a basic loss per share has been calculated A loss can not be diluted

Adjusted earnings per share

	2015 £ 000	2014 £ 000
Adjusted profit before tax (see note 2)	**17,667**	23,733
Adjusted taxation charge	**(838)**	(2,431)
Adjusted profit attributable to equity holders of the parent	**16,829**	21,302

	2015 Shares '000	2014 Shares 000
Weighted average number of shares in issue	**269,522**	266,246
Less Weighted average number of shares held by Employee Benefit Trust	**(1,984)**	(1 902)
Effect of dilutive shares Employee incentive schemes	**12,790**	11,553
Weighted average number of shares potentially in issue	**280,328**	275,897

		2015	2014
Adjusted earnings per share	Basic	**6 3p**	8 1p
	Diluted	**6 0p**	7 7p

Adjusted earnings per share is calculated using adjusted profit attributable to equity holders of the parent which is derived from the adjusted profit before tax described in note 2

7 Goodwill and other intangible assets

	Goodwill £'000	Intangible assets from acquisitions* £'000	Software, patents and trademarks £ 000	Total £ 000
Cost				
At 1 May 2013	58,498	64,460	13,931	136,889
Additions	–	–	1 948	1,948
Acquisition of subsidiaries	4,853	6,946	5	11,804
At 30 April 2014	63,351	71,406	15,884	150,641
At 1 May 2014	**63,351**	**71,406**	**15,884**	**150,641**
Additions	**–**	**–**	**1,408**	**1,408**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**
At 30 April 2015	**63,351**	**71,406**	**17,292**	**152,049**
Amortization				
At 1 May 2013	3,517	7 766	11,010	22,293
Charge for the year	–	8,607	1,347	9 954
At 30 April 2014	3 517	16 373	12,357	32,247
At 1 May 2014	**3,517**	**16,373**	**12,357**	**32,247**
Charge for the year	**–**	**9,119**	**1,464**	**10,583**
At 30 April 2015	**3,517**	**25,492**	**13,821**	**42,830**
Net book value at 30 April 2014	59,834	55,033	3 527	118,394
Net book value at 30 April 2015	**59,834**	**45,914**	**3,471**	**109,219**

*Intangible assets from acquisitions are those assets recognized when fair value accounting for the acquisitions of Hellosoft Inc, Caustic Graphics Inc, MIPS Technologies Inc (since renamed Imagination Technologies LLC) Posedge Inc (now liquidated into Imagination Technologies LLC) and Kisel Microelectronics AB (since renamed Imagination Technologies AB) They are analysed below

	Developed technology £'000	Customer relationships £ 000	Trade names £ 000	In process R&D £'000	Total £ 000
Cost					
At 1 May 2013	54 944	7,153	1,597	766	64,460
Acquisition of subsidiaries	5 209	1,737	–	–	6 946
At 30 April 2014	60 153	8,890	1,597	766	71,406
At 1 May 2014	**60,153**	**8,890**	**1,597**	**766**	**71,406**
Transfer between asset classes	**766**	**–**	**–**	**(766)**	**–**
At 30 April 2015	**60,919**	**8,890**	**1,597**	**–**	**71,406**
Amortization					
At 1 May 2013	7,561	178	27	–	7,766
Charge for the year	7,551	950	106	–	8,607
At 30 April 2014	15 112	1 128	133	–	16 373
At 1 May 2014	**15,112**	**1,128**	**133**	**–**	**16,373**
Charge for the year	**7,950**	**1,063**	**106**	**–**	**9,119**
At 30 April 2015	**23,062**	**2,191**	**239**	**–**	**25,492**
Net book value at 30 April 2014	45 041	7,762	1,464	766	55 033
Net book value at 30 April 2015	**37,857**	**6,699**	**1,358**	**–**	**45,914**

Goodwill was acquired through acquisitions and relates to the Technology business which is considered to be a single cash-generating unit During the period the Group tested its balance of goodwill for impairment in accordance with IAS 36 Impairment of Assets The test was based on a calculation of the recoverable amount based on value in use, using projected cash flows for the Technology business

The key assumptions in the value in use calculations were

Period over which the directors have projected cash flows – a three year forecast period is used which is based on management forecasts of future profits with an assumed terminal growth rate after 2017 of 2 5% per annum (2014 2 5%) The terminal growth rate is assessed taking into account general economic conditions

Forecast revenue growth – the revenue projections are consistent with those used by the Group for financial planning purposes

Forecast operating margins – the operating margin projections are consistent with those used by the Group for financial planning purposes

Discount rate – future cash flows are discounted at a rate of 8 7% which represents a pre-tax rate that reflects the Group s weighted average cost of capital adjusted for the risks specific to the Technology business (2014 7 1%)

The directors have considered the sensitivity of the assumptions used and do not believe that any reasonably foreseeable changes to key assumptions would result in an impairment of goodwill, such is the margin by which the estimated fair value exceeds the carrying value of the goodwill

8 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold improvements £'000	Plant and equipment £'000	Total £ 000
Cost				
At 1 May 2013	35,945	3 553	22,854	62,352
Reclassification between asset classes	(114)	369	(255)	–
Additions	12,443	804	9,068	22,315
Acquisition of subsidiaries	–	–	46	46
Disposals	–	(61)	(1,286)	(1,347)
At 30 April 2014	48 274	4,665	30,427	83,366
At 1 May 2014	**48,274**	**4,665**	**30,427**	**83,366**
Additions	**5,907**	**1,183**	**5,071**	**12,161**
Disposals	–	**(60)**	**(1,662)**	**(1,722)**
At 30 April 2015	**54,181**	**5,788**	**33,836**	**93,805**
Depreciation				
At 1 May 2013	962	1 961	13 556	16 479
Reclassification between asset classes	(17)	14	3	–
Charge for the year	569	467	3 402	4 438
Disposals	–	–	(1,167)	(1,167)
At 30 April 2014	1,514	2,442	15,794	19 750
At 1 May 2014	**1,514**	**2,442**	**15,794**	**19,750**
Charge for the year	**725**	**1,008**	**4,995**	**6,728**
Disposals	–	**(60)**	**(1,614)**	**(1,674)**
At 30 April 2015	**2,239**	**3,390**	**19,175**	**24,804**
Net book value at 30 April 2014	46,760	2,223	14,633	63,616
Net book value at 30 April 2015	**51,942**	**2,398**	**14,661**	**69,001**

	2015 £'000	2014 £ 000
The net book value of freehold land and buildings comprises		
Land	**9,349**	9,349
Buildings	**42,593**	37 411
	51,942	46,760

At 30 April 2015, the unamortized cost of buildings under construction accounted for within freehold land and buildings was £6,059,000 (2014 £9 807 000)

Contained within Plant and Equipment is CAD equipment with a net book value of £1,969 000 which is deemed to have been acquired under a finance lease

9 Investments

	2015 £ 000	2014 £ 000
Trade investments classified as available for sale	**19,947**	21 081

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

				Fair value movement during period		
	Carrying value at 1 May 2014 £'000	Increased holding in investments £'000	Movement of holding in investments £ 000	Income statement £ 000	Statement of comprehensive income £ 000	Carrying value at 30 April 2015 £ 000
Toumaz	8,268	–	–	(766)	(313)	7,189
Orca	1 055	–	–	(1 044)	(11)	–
Blu-Wireless	309	–	–	–	–	309
UBC (now 7digital Group plc)	1 841	530	5,162	(3,114)	(1,157)	3 262
7digital	4,162	1,000	(5,162)	(169)	169	–
Ineda	4,597	–	–	–	430	5,027
Onkyo	373	–	–	–	16	389
NetSpeed	476	–	–	–	44	520
Atomos	–	3,005	–	–	246	3,251
Total	**21,081**	**4,535**	–	**(5,093)**	**(576)**	**19,947**

Toumaz – At the balance sheet date, the Group's investment in Toumaz was valued at £7,189,000 by reference to the quoted share price of Toumaz at the reporting date £766,000 of the reduction in the investment value was recognized through the consolidated income statement in accordance with IAS 39, given that original tranche of shares had been impaired historically with the remaining £313,000 decrease in value on tranches two and three of shares acquired being recognized through the consolidated statement of comprehensive income This is because the movement in share price with reference to the cost of tranches two and three was deemed to not be a permanent impairment

Orca – At the balance sheet date there was an increase in the value of the investment due to foreign exchange movement of £99,000, which resulted in a carrying value of £1,154 000 However, on the same date, due to uncertainty surrounding Orca's funding position, management objectively concluded there were indicators of impairment present, resulting in a full provision being recognized for the carrying value of £1,154 000 In doing so the cumulative credit balance of £110,000 in the consolidated statement of comprehensive income relating to this investment has been recycled through the consolidated income statement resulting in a net charge to the consolidated income statement of £1,044 000

Blu-Wireless – At the balance sheet date there has been no change in the carrying value of the investment

UBC and 7digital – The Group made further cash investments by the way of loans in UBC and 7digital for £530,000 and £1,000,000 respectively On 9 June 2014 UBC Media Group Plc announced the acquisition of 7digital Group, Inc and the resultant new company changed its name to 7digital Group plc The existing holding of shares and loans in both UBC and 7digital were converted and subscribed for new shares respectively The 'new' investment in 7digital Group plc was valued at £7,925,000 on 9 June 2014 creating a gain on the initial recognition of the shares of £392 000 which was recognized in the consolidated income statement At the balance sheet date, the Group s investment in 7digital was valued at £3,262,000 by reference to the quoted share price of 7digital at the reporting date £988,000 of the £4,663,000 reduction in investment value has been recognized as a change in fair value of available for sale investments in the consolidated statement of comprehensive income, with the £3,675,000 recognized as a loss in the consolidated income statement

Ineda – At the balance sheet date there was an increase in the value of the investment due to foreign exchange movement of £430,000, which resulted in a carrying value of £5,027,000 The £430,000 increase has been recognized as a change in fair value of available for sale investments in the consolidated statement of comprehensive income

Onkyo – At the balance sheet date a gain of £16,000 has been created as a result of the movement in Onkyo s share price and foreign exchange and this has been recognized as a change in fair value of available for sale investments in the consolidated statement of comprehensive income The carrying value of the investment in Onkyo at the balance sheet date is £389,000

NetSpeed – At the balance sheet date a gain of £44,000 has been created due to foreign exchange movements and this has been recognized as a change in fair value of available for sale investments in the consolidated statement of comprehensive income The carrying value of the investment at the balance sheet date is £520 000

Atomos – In FY14 there was a licensing agreement signed with Atomos for which settlement could either be cash or equity At 30 April 2014 the balance outstanding of $5m was recorded within trade debtors, however, this was ultimately settled by the receipt of equity shares At the balance sheet date a gain of £246,000 has been created due to foreign exchange movements and this has been recognized as a change in fair value of available for sale investments in the consolidated statement of comprehensive income The carrying value of the investment at the balance sheet date is £3,251 000

All gains and impairment charges relating to trade investments classified as available for sale relate to the Technology business

All Gains and losses for the period recognized in the consolidated income statement are included within the 'gain on investments and 'impairment of investments rows within the consolidated income statement All gains or losses for the period recognized in other comprehensive income are included within the 'change in fair value of assets classified as available for sale' row within the statement of comprehensive income

Please see note 19 for further information surrounding fair value valuation principles The directors have considered the sensitivity of the unobservable inputs used and do not believe that any reasonably foreseeable changes to these inputs would result a material change to fair value of the investments

10 Inventories

	2015 £'000	2014 £ 000
Raw materials and components	**712**	1,190
Finished goods	**7,189**	7,864
	7,901	9,054

Provisions of £1 952,000 (2014 £1 843 000) recognized in cost of sales were made against inventories During the period, £1,322,000 (2014 £824,000) of the provision against inventories was utilized for the write-down and write off of inventories As at 30 April 2015 the provision for obsolescence of inventories was £2 115,000 (2014 £1 485,000)

Raw materials, consumables and changes in finished goods and work in progress recognized as cost of sales in the period amounted to £16,960,000 (2014 £19,951,000)

11 Trade and other receivables

	2015 £ 000	2014 £ 000
Trade receivables	**21,142**	19,926
Accrued income	**44,840**	22,415
Prepayments	**5,416**	4,778
Other receivables	**2,928**	3,897
R&D tax credit receivable	**7,524**	2,860
	81,850	53,876

Provision for impairment of trade receivables as at 30 April 2015 was £189,000 (2014 £178,000) with the movement recognized in the income statement during the period

12 Cash and cash equivalents

	2015 £ 000	2014 £ 000
Cash at bank – short term deposits	–	1,541
Cash at bank – current account	**2,651**	17,707
Cash and cash equivalents as per consolidated statement of financial position	**2,651**	19,248
Cash and cash equivalents as per consolidated statement of cash flows	**2,651**	19,248

13 Trade and other payables

	2015 £'000	2014 £ 000
Trade payables	**8,428**	7,100
Other taxes and social security	**1,972**	1,973
Other payables	**2,011**	2,303
Accruals	**15,318**	14,082
Deferred income	**10,072**	9,874
Deferred and contingent consideration	**2,757**	2,182
	40,558	37,514

There is £136 000 and £408,000 contained within trade payables and other payables respectively relating to liabilities owed under a finance lease that is due within 12 months The corresponding asset has been identified and disclosed in note 8

The deferred and contingent consideration is in respect of the acquisitions of HelloSoft, Inc (£45,000) and Posedge, Inc (£2 712,000) and represents an assessment of probable future consideration, converted using the period end exchange rate, due within 12 months based on contractual payment dates

14 Interest bearing loans and borrowings

	2015 £ 000	2014 £ 000
Current liabilities		
Revolving credit facility	**5,000**	–
Bank loan	**3,251**	8,561
Non-current liabilities		
Bank loan	**21,650**	15 696
	29,901	24 257
Borrowings to be repaid within one year	**8,251**	8 561
Borrowings to be repaid between one and five years	**21,650**	15 696
Borrowings to be repaid over five years	**-**	–
	29,901	24 257

In February 2013, the Group drew down a $48,000,000 term loan which was used to part fund the acquisition of MIPS Technologies, Inc In June 2014 the Group completed a re-negotiation of the terms of the loan As at 30 April 2015, the remaining loan balance of $38,300 000 is repayable in six six monthly instalments of $2,500,000 between June 2014 and December 2017, with a final bullet payment of $23,300,000 due in June 2018 The loan is subject to variable quarterly interest payments at a rate of 1 3% above 3 month LIBOR on the outstanding balance

As at 30 April 2015 the Group had drawn down £5 000,000 of its revolving credit facility to meet short term cash needs The £5,000,000 was repaid on 13 May 2015

The Group's bank loan, revolving credit facility and overdraft facility are secured by a debenture dated March 2013 which gives HSBC Bank plc a fixed and floating charge over the assets of the Group and its principal subsidiary Imagination Technologies Limited The bank also has a legal charge over freehold land and buildings owned by the Group, which have a net book value of £51,942,000

15 Other payables

Other non-current payables

	2015 £'000	2014 £ 000
Other payables	**1,903**	2,620
Deferred income	**833**	837
Deferred and contingent consideration	**1,396**	2,553
	4,132	6,010

Contained within other payables is £1,089,000 due after 12 months relating to liabilities owed under a finance lease The corresponding asset has been identified and disclosed in note 8

The deferred and contingent consideration of £1,396,000 is in respect of the acquisition of Posedge (2014 Posedge £2,553 000) and represents an assessment of probable future consideration, converted using the period end exchange rate, due after 12 months based on contractual payment dates

16 Capital and reserves

Called-up share capital

Ordinary shares of 10p each	Authorized No	Authorized £'000	Allotted, called-up and fully paid No	Allotted, called-up and fully paid £'000
At 1 May 2014	300,000 000	30,000	267,688,057	26,769
Issued during period	–	–	3,935,051	393
At 30 April 2015	**300,000,000**	**30,000**	**271,623,108**	**27,162**

The rights attached to ordinary shares are as set out in the Directors' report on page 56

Share capital and share premium

The movement on the share capital and share premium reserve in the period arises from the issue of 3,935,051 ordinary shares as follows

- Issue of 1,164,577 shares to settle deferred acquisition consideration liability of £2,168,000 This increased share capital by £116,000 and share premium by £2,052,000,
- 733,972 shares were issued during the year relating to the 'free share' element of the Dec 2014 ESP These shares will be held in trust until at least December 2017 – the earliest date they are available to employees, and
- 2,036 502 fully paid shares were issued pursuant to the terms of various Employee Share Option Schemes The consideration for the shares was £479 000 Of this consideration, £325,000 was settled in cash and £154,000 relating to shares issued at nil cost under the terms of specific employee share schemes, was debited to reserves

Other capital reserve

The balance on the other capital reserve reflects the value of warrants issued in respect of the acquisition of Ensigma Limited in March 2000

Merger reserve

The merger reserve arose in the Group reconstruction in 1994 prior to its flotation

Revaluation reserve

The revaluation reserve comprises the cumulative net change in the fair value of the trade investments classified as available for sale until the investments are derecognized

Translation reserve

The translation reserve reflects the exchange differences from retranslation of the opening net investments in overseas subsidiaries to closing rate

17 Operating leases

Non-cancellable operating lease rentals are payable as follows

	Land and buildings		Other	
	2015 **£'000**	2014 £ 000	**2015** **£ 000**	2014 £'000
Within one year	**3,793**	3,624	**9,320**	6 531
In two to five years	**8,261**	8,884	**4,203**	11,050
After five years	**2,137**	3,399	**-**	–
	14,191	15,907	**13,523**	17,581

Other operating leases include the rental of software and vehicles

18 Capital commitments

At 30 April 2015, the Group had contractual capital commitments of £11 059,000 (2014 £16 437,000) This is due to obligations entered into during the year to commence work on a new building The work is due to be completed in the year ended 30 April 2016

19 Financial instruments

Overview

The Group has exposure to the following risks from its use of financial instruments

- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks the Group's objectives, policies and processes for measuring and managing risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework

Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized in respect of each class of financial assets, financial liability and equity instrument are disclosed in note 1 to the financial statements

	Notes	**2015** **£'000**	2014 £ 000
Financial assets			
Loans and receivables			
Trade and other receivables	11	**31,594**	26,683
Cash and cash equivalents	12	**2,651**	19,248
Available for sale investments	9	**19,947**	21,081
Total financial assets		**54,192**	67 012

	Notes	2015 £ 000	2014 £ 000
Financial liabilities			
Borrowings	14	**29,901**	24 257
Trade and other payables	13	**15,168**	13,558
Non-current payables	15	**4,132**	6,010
Total financial liabilities		**49,201**	43,825

Market risk

Market risk is the risk that changes in the market prices, such as foreign currency exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments The objective of market risk management is to manage and control market risk exposures within acceptable parameters whilst optimizing the return on risk

a) Foreign currency risk

The Group transacts license and development agreements with customers and purchases of products for Pure primarily in US Dollars and, therefore, the Group's earnings are exposed to fluctuations in foreign exchange rates The Group reviews its foreign exchange exposure on a regular basis and, if there is a material exposure to exchange rate fluctuations and the Board considers it appropriate, the Group will reduce the risk by currency hedging on net receivable/payable balances Forward exchange contracts are entered into with the objective of matching their maturity with currency receipt During the period the total value of currency contracts entered into amounted to $59,500 000 or £36 702,000 (2014 £51,011,000) As at 30 April 2015 the outstanding currency contracts amounted to £21,508,000 (2014 £9,952,000) The fair value of these outstanding currency contracts was £182 000 loss (2014 £1,034,000 gain) The movement in fair value of £1,216 000 has been recognized within finance income in the period

The analysis of financial assets and liabilities by foreign currency is as follows irrespective of the functional currency of the transacting entity

	30 April 2015					30 April 2014				
	£	**$**	**€**	**Other**	**Total**	£	$	€	Other	Total
Trade receivables	**1,299**	**19,136**	**464**	**243**	**21,142**	1,341	18,053	417	115	19 926
Other receivables	**9,625**	**377**	**6**	**444**	**10,452**	5,923	–	10	824	6,757
Cash and cash equivalents	**(4,521)**	**3,532**	**691**	**2,949**	**2,651**	449	15,610	812	2,377	19,248
Available for sale assets	**10,760**	**8,798**	**–**	**389**	**19,947**	10,418	10,290	–	373	21,081
Trade payables	**(5,044)**	**(2,987)**	**(91)**	**(306)**	**(8,428)**	(4,094)	(2,658)	(201)	(147)	(7,100)
Other payables	**(2,523)**	**(3,863)**	**(64)**	**(290)**	**(6,740)**	(3,023)	(3 182)	(11)	(242)	(6,458)
Borrowings	**(5,000)**	**(24,901)**	**–**	**–**	**(29,901)**	–	(24,257)	–	–	(24,257)
Non current payables	**–**	**(4,132)**	**–**	**–**	**(4,132)**	–	(6,010)	–	–	(6 010)
	4,596	**(4,040)**	**1,006**	**3,429**	**4,991**	11,014	7,846	1,027	3 300	23 187

The significant foreign exchange risks for the Group are USD receivables of £16,776,000 held by Imagination Technologies Limited and Imagination Technologies AB and the USD loan of £24,901,000 held by Imagination Technologies plc The majority of the other assets and liabilities are held within foreign subsidiaries in the respective local currencies

The Group has a number of overseas business operations and operates in a number of foreign currencies which give rise to transactional and translational foreign exchange risk The most important foreign currency to the Group is the US Dollar

Foreign currency sensitivity analysis

The Group transacts a large proportion of its revenues and costs in US Dollars Taking all income and expenditure in US Dollars into account, management have appraised that for the financial year to 30 April 2015, each additional one cent increase or decrease in the US Dollar exchange rate against Sterling would have decreased or increased revenues by circa £1,002,000 (2014 £929,000) and profit by circa £524,000 (2014 £527,000)

b) Interest rate risk

The Group's earnings may be affected by changes in interest rates available on bank deposits The Group aims to maximize returns from funds held on deposit and uses market deposits with major clearing banks accordingly With the current level of bank deposits the impact of a change in interest rates is not considered material

In respect of income-earning financial assets and interest bearing financial liabilities, the following table indicates their average effective interest rate at the reporting date and the periods in which they mature or if earlier, reprice

	2015				2014			
	Effective interest rate	< 1 year £'000	> 1 year £ 000	Total £'000	Effective interest rate	< 1 year £ 000	> 1 year £ 000	Total £ 000
Cash and cash equivalents								
Sterling		**(4,521)**	**-**	**(4,521)**		449	-	449
US Dollar		**3,532**	**-**	**3,531**		15,610	-	15,610
Euro		**691**	**-**	**691**		812	-	812
Japanese Yen		**151**	**-**	**151**		415	-	415
Indian Rupee		**1,222**	**-**	**1,222**		810	-	810
Chinese Yuan		**773**	**-**	**773**		250	-	250
Polish Zloty		**76**	**-**	**76**		70	-	70
New Zealand Dollar		**56**	**-**	**56**		88	-	88
Australian Dollar		**(45)**	**-**	**(45)**		520	-	520
Swedish Krona		**423**	**-**	**423**		30	-	30
Korean Won		**50**	**-**	**50**		11	-	11
New Taiwan Dollar		**214**	**-**	**215**		167	-	167
Israeli Shekel		**29**	**-**	**29**		16	-	16
		2,651	**-**	**2,651**		19,248	-	19 248
Floating rate	**0 0%**	**2,651**	**-**	**2,651**	0 0%	17,707	-	17 707
Fixed rate		**-**	**-**	**-**	0 3%	1,541	-	1,541
		2,651	**-**	**2,651**		19 248	-	19,248
Bank Loan								
RCF draw down	**1 8%**	**(5,000)**	**-**	**(5,000)**	1 7%	(8,561)	(15,696)	(24,257)
Secured bank loan - USD*	**1 8%**	**(3,251)**	**(21,650)**	**(24,901)**				
		(8,251)	**(21,650)**	**(29,901)**		(8,561)	(15,696)	(24 257)

*At floating rate See note 14 for details

Floating rate cash earns interest based on LIBID equivalents

Short term receivables and payables are not interest bearing with the exception of the short term element of the long term loan

The loan floats at 1 3% above quarterly LIBOR and the unexpired term is 3 years and 2 months

Interest rate sensitivity analysis

In the financial year to 30 April 2015, if interest rates had been 100 basis points higher and all other variables were held constant, the Group's profit would have been decreased by circa £10,000 (2014 decreased by circa £145,000) Similarly, if interest rates had been 100 basis points lower and all other variables were held constant, the Group's profit would have been increased by circa £70,000 (2014 increased by circa £36,000)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group s receivables from customers and investment of liquid funds

The Group limits its exposure to credit risk by only investing in liquid securities and only with counter parties that have a high credit rating

Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders as well as sustaining the future development of the business In order to maintain or adjust the capital structure, the Group may consider the total amount of dividends paid to shareholders, return capital to shareholders, issued new shares or sell assets to reduce debt The Group's overall strategy remains unchanged from the previous financial year

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 14 cash and cash equivalents and equity attributable to the parent The latter comprises share capital, reserves and retained earnings as disclosed in note 16 and the consolidated statement of changes in equity The CFO regularly monitors the capital risk on behalf of the Board

Trade receivables

The exposure to credit risk is mitigated by selling to a diverse range of customers The Group has implemented policies that require appropriate credit checks on potential customers prior to sales taking place At the balance sheet date there were no significant concentrations of credit risk either by customer or by geography The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet

Ageing of trade receivables	Gross 2015 £ 000	Impairment 2015 £'000	Gross 2014 £ 000	Impairment 2014 £ 000
Not past due	**10,810**	**-**	9,297	-
Past due 0-90 days	**4,527**	**-**	8,747	-
Past due greater than 90 days	**5,994**	**(189)**	2,055	(173)
	21,331	**(189)**	20 099	(173)

Trade receivables that are less than three months overdue are generally not considered impaired Receivables more than three months overdue are considered on a line by line basis and a provision is made where recovery is considered doubtful

No other financial assets are past due

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due To minimize this risk the Group only invests funds in liquid securities As a contingency, the Group maintains a £3 million overdraft and £20 million revolving credit facility

The following table is drawn up based on undiscounted contractual maturities including both interest and principal cash flows

April 2015	Carrying amount £'000	Contractual cash flows £'000	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Bank loan	**24,901**	**24,901**	**3,251**	**3,251**	**18,399**	-
RCF draw down	**5,000**	**5,000**	**5,000**			
Trade and other payables	**15,168**	**15,168**	**15,168**	-	-	-
Non current payables	**4,132**	**4,132**	**833**	**2,632**	**667**	-
	49,201	**49,201**	**24,252**	**5,883**	**19,066**	-

April 2014	Carrying amount £'000	Contractual cash flows £'000	Less than 1 year £'000	1 2 years £'000	2 5 years £'000	More than 5 years £'000
Bank loan	24,257	24,364	8 669	8,561	7,134	-
Trade and other payables	13,558	13,558	11,376	-	2,182	-
	37,815	37,922	20,045	8,561	9,316	-

Fair values of financial instruments

Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between two informed and willing parties and is calculated by reference to market rates discounted to current value

	Notes	2015 Carrying amount and fair value £'000	2014 Carrying amount and fair value £'000
Financial assets			
Trade and other receivables	11	**31,594**	26,683
Cash and cash equivalents	12	**2,651**	19,248
Available for sale investments	9	**19,947**	21 081
Financial liabilities			
Long term borrowings	14	**(29,901)**	(24 257)
Trade and other payables	13	**(15,168)**	(13 558)
Non current payables	15	**(4,132)**	(6 010)

Assumptions used in estimating the fair values of financial instruments reflected in the table above

Cash and cash equivalents

The fair value approximates to book value due to the short term maturity of these instruments

Available for sale investments

Fair value hierarchy

The Group 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 Group has applied the above hierarchy to its investments as follows

Toumaz – the valuation is based on the quoted share price for Toumaz Holdings on AIM This investment is categorized as Level 1

Orca – the valuation is based on the purchase price of the investment This investment is categorized as Level 3

7digital – the valuation is based on the quoted share price for 7digital Group plc on AIM This investment is categorized as Level 1

Ineda – the valuation is based on the latest purchase price per funding round This investment is categorized as Level 3

Blu-Wireless – the valuation is based on the purchase price of the investment This investment is categorized as Level 3

Onkyo – the valuation is based on the quoted share price for Onkyo Corporation on Tokyo stock exchange This investment is categorized as Level 1

NetSpeed – the valuation is based on the purchase price of the investment which was acquired during the year This investment is categorized as Level 3

Atomos – the valuation is based on the purchase price of the investment This investment is categorized as Level 3

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 categorized

	2015 £ 000	2014 £ 000
Level 1	**10,840**	10,483
Level 2	**–**	–
Level 3	**9,107**	10 598
	19,947	21 081

The following table shows a reconciliation from opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy

	£'000
At 30 April 2014	10,598
Investment in the year	4,005
Total gains and losses	
In income statement	(1,213)
In other comprehensive income	879
Disposals	(5,162)
At 30 April 2015	**9,107**

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value

The valuation of Blu Wireless, Orca NetSpeed Ineda and Atomos and Ineda is based on the purchase price of the investment at the most recent funding rounds and any changes in the intervening period to 30 April 2015 are not materially different to these valuations

Long term borrowings

The fair value approximates to book value as this instrument is at a variable interest rate

20 Contingent liabilities

An Internal Revenue Service (IRS) audit of the MIPS Technologies Inc (now Imagination Technologies LLC) tax returns for the tax periods ending 30 June 2012, 30 June 2013 and 31 December 2013 commenced in February 2015 The audit is focusing on the 30 June 2013 tax period which included a one off capital gain of $350 million generated in February 2013, when MIPS completed a sale of its patents immediately prior to the acquisition of MIPS by Imagination

Imagination Technologies LLC has provided all information requested to date by the IRS The audit is still in its early stages and the IRS has not issued a formal Notice of Proposed Adjustments This being the case, Imagination Technologies LLC has not made any adjustment to its tax provision as at 30 April 2015, as a result of the audit taking place

The Group had no contingent liabilities at 30 April 2014

21 Related parties

Identity of related parties

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note

Transactions with key management personnel

Key management personnel comprise the directors In addition to their salaries the Group also provides non-cash benefits to directors and contributes to post-employment benefit schemes on their behalf Directors also participate in the Group's share incentive programmes The share based payments are valued at their fair value at the date of grant Full details of directors compensation, including post-employment benefits is given in the Directors' Remuneration Committee report on pages 75 to 97

The key management personnel compensations are as follows

	2015 **£'000**	2014 £'000
Emoluments	**1,213**	959
Pension contributions	**46**	48
Share-based payments	**848**	754
	2,107	1,761

Details of key management's interests in the Company's shares and share options are set out in the Directors Remuneration Committee report on pages 75 to 97

During 2015 and 2014, no member of the Board of Directors had a personal interest in any business transactions of the Group

22 Employee benefits

Pension

The Company participates in a group personal pension plan with defined contributions The assets of the schemes are held separately in independently administered funds There were no outstanding contributions at the balance sheet date

Share-based payments

Share options

The following options have been granted under the Imagination Technologies Key Employee Share Option Schemes Savings Related Share Option Scheme and Long Term Incentive Plan and remain outstanding as at 30 April 2015

Year of Issue	Outstanding at 30 April 2015	Exercise price	Date from which first exercisable	Expiry date
2005	228 645	67 5p	2008	2015
2006	145 000	55p	2009	2016
2011	175,452	366 2p	2014	2015
2012	120,418	381 2p	2015	2016
2013	573 372	228p	2016	2017
Sub-total of options with exercise price	1,242,887			

Year of Issue	Outstanding at 30 April 2015	Exercise price	Date from which first exercisable	Expiry date
2008	788,308	0p	2011	2016
2009	216,265	0p	2012	2017
2009	1,418,743	0p	2012	2017
2009	750,000	0p	2012	2017
2009	278,000	0p	2013	2018
2010	559 497	0p	2013	2018
2010	52,681	0p	2012	2017
2010	106,842	0p	2013	2018
2011	968,054	0p	2014	2019
2011	907,747	0p	2014	2019
2012	1 380,116	0p	2015	2020
2012	351,135	0p	2015	2020
2013	1,519,810	0p	2016	2021
2013	*416,007	0p	2016	2021
2013	1 784,473	0p	2016	2021
2014	1 889 703	0p	2017	2022
2014	*754,719	0p	2017	2022
2014	1,280,917	0p	2017	2022
Sub-total of nil cost options	15,423,017			
	16,665,904			

*Options granted under the Long Term Incentive Plan

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

Year of Issue	Weighted average exercise price 2015	Number of options 2015	Weighted average exercise price 2014	Number of options 2014
Outstanding at the beginning of the period	**200p**	**2,242,572**	216p	2 112,378
Exercised during the period	**65p**	**(498,361)**	68p	(117,812)
Granted during the period	**-**	**-**	227p	721 480
Lapsed during the period	**301p**	**(501,324)**	349p	(473,474)
Outstanding at the end of the period	**213p**	**1,242,887****	200p	2 242 572
Exercisable at the end of the period	**160p**	**549,097**	120p	1,131,753

The average share price during the period was 214 13p (2014 250 00p)

The options outstanding at the year end have an exercise price in the range of 0p to 381 2p and a weighted average contractual life of 1 0 year

**Excludes 15,423,017 nil cost options Movements of which are shown with share awards below

Employee Share Plan

The following awards have been granted under the Imagination Technologies Employee Share Plan and remain outstanding at 30 April 2015

Year of Issue	Outstanding at 30 April 2015	Date from which first exercisable	Expiry date
2010	20 000	2013	2015
2011	8 649	2014	2015
2011	2 357	2014	2015
2012	121 004	2015	2015
2012	2 933	2014	2015
2012	20 853	2015	2016
2012	112 184	2015	2016
2012	1,103,733	2015	2016
2013	61 381	2016	2016
2013	458 089	2016	2016
2013	436,497	2016	2017
2014	470 518	2017	2017
2014	495 199	2017	2018
2014	716,389	2017	none
	4,029,786		

The movements in nil cost share options and share awards are as follows

Year of Issue	**Number of share awards and options 2015**	Number of share awards and options 2014
Outstanding at the beginning of the period	**17,667,449**	14,582 953
Exercised during the period	**(1,827,766)**	(1,772,878)
Granted during the period	**6,040,724**	5,328,720
Lapsed during the period	**(2,427,604)**	(471,346)
Outstanding at the end of the period	**19,452,803**	17,667 449
Exercisable at the end of the period	**6,080,076**	7,081,238

As at 30 April 2015, 2,122,071 (2014 1,996,246) shares are held by the Company's Employee Benefit Trust, and 733,972 shares (2014 nil shares) relating to the Company's Share Incentive Plan (SIP) are held by the Company's registrars

The Company has share option schemes and an employee share plan scheme details of which are contained in the Directors' report on page 56

In accordance with IFRS 2, the fair value of services received in return for share options and employee share plan awards granted to employees is measured by reference to the fair value of share options and employee share plan awards granted The estimate of the fair value of the services is measured based on the Black-Scholes or Monte Carlo Simulation models financial models used to calculate the fair value of options and awards under the employee share plan

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

Date of share option grant	Dec 2009	Oct 2011	Jun 2012	Nov 2012	Dec 2012	Jun 2013	Jun 2013
Share price at grant date (pence)	228	457 8	466 6	467 0	409 2	287 4	287 4
Exercise price (pence)	–	–	–	381 2	–	–	–
Expected volatility	59%	62 4%	51 2%	51 0%	50 7%	51 5%	51 5%
Risk free interest rate	2 2%	0 51%	0 38%	0 35%	0 39%	0 62%	0 62%
Time to maturity (years)	3	3	3	3	3	3	3
Fair value per option (pence)	145 0	243 9	333 6	233 0	300 8	28 3	287 4

Date of share option grant	Sep 2013	Sep 2013	Sep 2013	Oct 2013	Dec 2013	Dec 2013	Jun 2014
Share price at grant date (pence)	351 2	351 2	351 2	293 5	162 3	162 3	224 8
Exercise price (pence)	–	–	–	228 0	–	–	–
Expected volatility	52 8%	50 9%	57 3%	53 1%	54 9%	54 9%	55 8%
Risk free interest rate	0 86%	1 33%	1 67%	0 78%	0 85%	0 85%	1 47%
Time to maturity (years)	3	3	3	3	3	3	3
Fair value per option (pence)	262 0	261 1	351 2	130 6	162 3	79 6	224 8

Date of share option grant	Jun 2014	Oct 2014	Oct 2014	Oct 2014	Dec 2014	Dec 2014	Dec 2014
Share price at grant date (pence)	224 8	204 8	204 8	204 8	230 0	230 0	230 0
Exercise price (pence)	–	–	–	–	–	–	–
Expected volatility	55 8%	54 6%	5 5%	5 1%	53 4%	53 4%	n/a
Risk free interest rate	1 47%	1 11%	1 00%	1 00%	0 73%	0 73%	n/a
Time to maturity (years)	3	3	3	3	3	3	3
Fair value per option (pence)	129 1	204 8	143 5	142 1	230 0	143 2	230 0

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

Date of ESP grant	Oct 2011	Jun 2012	Oct 2012	Oct 2012	Dec 2012	Jan 2013	Jun 2013
Share price at grant date (pence)	457 8	466 6	456 6	456 6	409 2	464 5	287 4
Expected volatility	62 4%	51 2%	54 0%	51 1%	50 7%	51 1%	51 5%
Risk free interest rate	0 51%	0 38%	0 26%	0 32%	0 39%	0 45%	0 62%
Time to maturity (years)	3	3	2	3	3	3	3
Fair value per option (pence)	243 9	333 6	321 3	343 5	300 8	264 0	287 4

Date of ESP grant	Dec 2013	Jun 2014	Dec 2014
Share price at grant date (pence)	162 3	224 8	230 0
Expected volatility	54 9%	55 8%	53 4%
Risk free interest rate	0 85%	1 47%	0 73%
Time to maturity (years)	3	3	3
Fair value per option (pence)	162 3	224 8	230 0

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

Share-based payments for the year

Share-based payments for the current and prior year are

Year of Award	2015 £ 000	2014 £ 000
2009/10	**141**	393
2010/11	**-**	3 506
2011/12	**1,520**	2,594
2012/13	**5,290**	4,567
2013/14	**3,159**	2 119
2014/15	**1,853**	-
	11,963	13,179

The future estimated expense for share award schemes outstanding at 30th April 2015 is

Year of Award	2015 £'000	2014 £ 000
To be incurred within one year	**8,529**	10 508
To be incurred after one year	**5,843**	6,558
	14,372	17,066

A deferred tax asset of £3,428,000 (2014 £2 270,000) has been recognized relating share-based payments (note 5) It arises from the potential future tax benefit on the exercise of incentives

23 Group subsidiaries

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

Name of subsidiary undertaking	Country of incorporation and of operation	Type of shares	Percentage of issued share capital held
Imagination Technologies Limited	UK	Ordinary	100%
PowerVR Technologies Limited*	UK	Ordinary	100%
Metagence Technologies Limited*	UK	Ordinary	*100%
Ensigma Technologies Limited*	UK	Ordinary	100%
VideoLogic Systems Limited*	UK	Ordinary	100%
Cross Products Limited	UK	Ordinary	100%
Pure Digital Limited*	UK	Ordinary	100%
Imagination Technologies GmbH	Germany	Ordinary	*100%
Imagination Technologies, Inc	US	Ordinary	* 100%
Imagination Technologies KK	Japan	Ordinary	100%
Imagination Technologies India Private Limited	India	Ordinary	100%
Pure Australasia Pty Limited	Australia	Ordinary	* 100%
Bristol Interactive Limited*	UK	Ordinary	**100%
Caustic Graphics, Inc	US	*Ordinary*	*100%
HelloSoft Inc	US	Ordinary	100%
Imagination Technologies AB	Sweden	Ordinary	100%
Imagination Technologies Hyderabad Private Limited	India	Ordinary	*100%
Imagination Technologies NZ Limited	NZ	Ordinary	100%
Imagination Technologies LLC	US	Ordinary	*100%
MIPS Technologies International Limited	Cayman Islands	Ordinary	*100%
MIPS Technologies (Shanghai) Co Ltd	China	Ordinary	* 100%
MIPS Technologies B V	Netherlands	Ordinary	*100%
Hellosoft Limited	UK	Ordinary	**100%

All of the above companies are included in the Group financial statements *non-trading **indirect holding

Imagination Technologies Group plc parent company balance sheet

	Notes	As at 30 April 2015 £'000	As at 30 April 2014 £'000
Fixed assets			
Investment in subsidiary undertakings	3	**134,300**	122 798
Current assets			
Debtors	4	**70,131**	64 709
Cash		**343**	60
		70,474	64,769
Current liabilities			
Creditors amounts falling due within one year	5	**(3,535)**	(9,392)
Net current assets		**66,939**	55 377
Total assets less current liabilities		**201,239**	178,175
Non-current liabilities			
Creditors amounts falling due after one year	5	**(21,903)**	(15,732)
Net assets		**179,336**	162,443
Capital and reserves			
Share capital	8	**27,162**	26,769
Share premium	9	**101,984**	99,648
Other capital reserve	9	**1,423**	1 423
Share-based payment reserve	9	**59,991**	48,216
Retained earnings	9	**(11,224)**	(13 613)
Equity shareholders' funds	10	**179,336**	162 443

These financial statements were approved by the Board of Directors on 29 June 2015 and were signed on its behalf by

Bert Nordberg
Director

1 Accounting policies

The parent company financial statements present information about the Company as a separate entity and not about its Group

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

There are no new accounting policies which would have a significant impact in the current year

Basis of preparation

The financial statements have been prepared in accordance with applicable UK Accounting Standards and under the historical accounting rules The following principal accounting policies have been applied consistently throughout the period and preceding year in dealing with items which are considered material in relation to the Company's financial statements The financial statements are prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account The Company made a profit for the year of £3,019,000 (2014 loss £7,504,000)

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is included in the consolidated accounts which it has prepared

The Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with its subsidiaries

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provisions for impairment

Details of the Company's subsidiary undertakings are included in note 23 of the Group financial statements

Share based payment

The fair value of options granted is recognized as an employee expense with a corresponding increase in equity The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting

As the Company grants options over its own shares to the employees of its subsidiaries, in accordance with FRS 20, it recognizes an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognized in its subsidiary's financial statements with the corresponding credit being recognized directly in equity

Transactions of the Company's Employee Benefit Trust are included in the Group's financial statements In particular the Trust's purchases and sales of shares in the Company are debited and credited directly to equity

Taxation

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

Deferred tax is recognized in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Related parties

The Company has a related party relationship with its subsidiaries (see note 23) and with its Board of Directors (see the Directors Remuneration Committee report on pages 75 to 97) Details of the remuneration of key management personnel are disclosed in note 21

2 Employees

The Company does not employ any staff

Below is information required to comply as required, with Schedule 5 (SI 2008/410)

	2015 £'000	2014 £ 000
Aggregate amount of remuneration paid to directors in respect of qualifying services	**1,510**	1416
Aggregate amount of gains made by directors on exercise of share options	**-**	1416
Pension contributions	**46**	47
At end of period	**1,556**	1,463

*The Company does not operate a defined benefit pension scheme There were two directors who contributed to the Company defined contribution scheme in the financial year

Full details of directors' remuneration are set out in the Directors' Remuneration Committee report on pages 75 to 97 The non-executive directors are remunerated by the Group

3 Investments in subsidiary undertakings

	2015 £ 000	2014 £ 000
Cost and net book value		
At beginning of period	**122,798**	117,298
Addition – Further investment in subsidiary undertaking	**-**	2,890
(Disposal)/addition – Revaluation of deferred consideration due on acquisition of subsidiary	**-**	(18)
Disposal – Consolidation of US operations	**-**	(9,788)
Reversal of deferred consideration	**(272)**	(748)
Addition – Share-based payment to employees of subsidiary	**11,774**	13,164
At end of period	**134,300**	122 798

4 Debtors

	2015 £'000	2014 £ 000
Other debtors	**33**	41
Amounts owed by subsidiary undertakings	**70,098**	64,668
	70,131	64 709

£37 899,000 (2014 £32 467 000) of the amounts owed by subsidiary undertakings are due after more than one year

5 Creditors: Amounts falling due within one year

	2015 £'000	2014 £ 000
Bank loan	**3,251**	8,561
Accruals and deferred income	**-**	192
Deferred and contingent consideration	**284**	639
	3,535	9,392

In February 2013, the Group drew down a $48,000,000 term loan which was used to part fund the acquisition of MIPS Technologies Inc On 17 June 2014, the Group completed a re-negotiation of the terms of the above loan Under the revised terms the remaining loan balance is repayable in seven six monthly instalments of $2,500,000 between December 2014 and December 2017 with a final bullet payment of $23,300,000 due in June 2018 The loan is now subject to lower variable quarterly interest payments at a rate of 1 3% above 3 month LIBOR on the outstanding balance

At the balance sheet date the Group's bank loan equated to £24,901,000 (2014 £24 257,000) of which £3,251,000 is due within one year (2014 £8,561,000) and £21,650,000 (2014 £15 696,000) is due after one year but less than five years

The loan is secured by a debenture dated March 2013 which gives HSBC Bank plc a fixed and floating charge over the assets of the Company and its principal subsidiary Imagination Technologies Limited The bank also has a legal charge over freehold land and buildings owned by the Group, which have a net book value of £51,942,000

6 Operating leases

At 30 April 2015, the Company had no operating lease commitments (2014 £nil)

7 Capital commitments

At 30 April 2015 the Company had no capital commitments (2014 £nil)

8 Called-up share capital

Details of the Company's called-up share capital are shown in note 16 of the Group financial statements

9 Reserves

	Share premium £'000	Other capital reserve £'000	Warrant reserve £'000	Share based payment reserve £'000	Retained earnings £'000
At 1 May 2013	99,236	1 423	–	34,848	(4,834)
Loss for the financial year	–	–	–	–	(7,504)
Issue of new shares	412	–	–	–	–
Shares issued at nil cost	–	–	–	–	(169)
Acquisition of own shares for LTIP	–	–	–	–	(1 106)
Share-based remuneration	–	–	–	13,368	–
At 30 April 2014	99,648	1 423	–	48,216	(13,613)
At 1 May 2014	**99,648**	**1,423**	–	**48,216**	**(13,613)**
Profit for the financial year	–	–	–	–	**3,019**
Issue of new shares	**2,336**	–	–	–	–
Shares issued at nil cost	–	–	–	–	**(236)**
Acquisition of own shares for LTIP	–	–	–	–	**(394)**
Share-based remuneration	–	–	–	**11,775**	–
At 30 April 2015	**101,984**	**1,423**	–	**59,991**	**(11,224)**

10 Reconciliation of movements in equity shareholders' funds

	2015 £'000	2014 £'000
Equity shareholders' funds at the start of the period	**162,443**	157,244
Profit/(loss) for the financial year	**3,019**	(7,504)
Share-based remuneration	**11,775**	13,368
Issue of new shares	**2,099**	(665)
Equity shareholders' funds at the end of the period	**179,336**	162,443

Consolidated five year record

		2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Income statement						
Revenue		**177,021**	170,835	151,467	127,499	98 045
Cost of sales		**(17,716)**	(20,461)	(20,816)	(21 014)	(20 791)
Gross profit		**159,305**	150 374	130,651	106 485	77 254
Research and development expenses		**(123,859)**	(114,835)	(83 956)	(59,633)	(44 696)
Sales and administration expenses		**(43,950)**	(35,603)	(35,410)	(18,485)	(16,298)
Total operating expenses		**(167,809)**	(150 438)	(119,366)	(78 118)	(60 994)
Operating (loss)/profit		**(8,504)**	(64)	11 285	28 367	16 260
Net financing (expense)/income		**(3,450)**	(250)	875	177	100
(Loss)/Profit before taxation		**(11,954)**	(314)	12,160	28,544	16,360
Taxation (charge)/credit		**(1,070)**	1,089	(5,884)	(8 083)	2,918
(Loss)/profit for the financial year		**(13,024)**	775	6,276	20,461	19,278
Earnings per share	Basic	**(4 9)p**	0 3p	2 4p	8 0p	7 7p
	Diluted	**(4 9)p**	0 3p	2 3p	7 5p	7 4p
Statement of financial position						
Non-current assets		**206,266**	209 676	189 626	99 971	91,396
Current assets		**93,002**	83,733	149,102	112 747	83 153
Total assets		**299,268**	293,409	338,728	212 718	174,549
Current liabilities		**(49,334)**	(46,315)	(96,497)	(26,874)	(17,686)
Non-current liabilities		**(44,460)**	(42,093)	(50 839)	(8,457)	(13,793)
Total liabilities		**(93,794)**	(88,408)	(147 336)	(35,331)	(31 479)
Net assets		**205,474**	205,001	191,392	177,387	143,070
Share capital		**27,162**	26 769	26 571	26 425	25 815
Capital reserves		**107,803**	106 471	103,026	102,935	101,078
Retained earnings		**70,509**	71 761	61 795	48,027	(16,177)
Total equity		**205,474**	205,001	191 392	177 387	143,070

These tables are for representative purposes only Full details can be found in the Group's Annual Reports

Advisers

Imagination Technologies Group plc

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A Llewellyn

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Solicitors
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DLA Piper

Registrars
Equiniti

Bankers
HSBC Bank plc