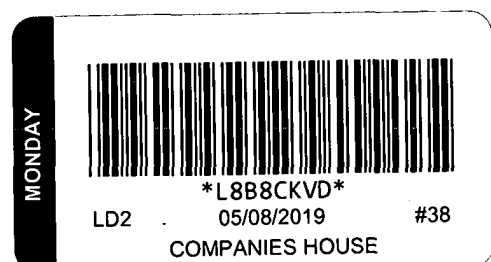


Imagination Technologies Limited
Annual Report and Financial Statements
31 December 2018
Registered Number 01306335



Annual report

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STRATEGIC REPORT

Business Model, Strategy and Products

What we do

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

At Imagination, we create and license a range of multimedia and communications processors needed to create SoCs (Systems on Chips) that power mobile, consumer, automotive, enterprise, infrastructure, IoT (Internet of Things) and embedded electronics. They are PowerVR graphics, PowerVR vision & AI and Enigma connectivity.

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

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

Innovation and collaboration are in our DNA. Our goal is to help create a smarter, more connected world that enriches the lives of billions of people.

Business Model

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

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

Strategy

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

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

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

Our IPs are critical building blocks necessary for our customers to create very complex chips; using our IP enables them to focus on their core value proposition. Being UK based puts us in a positive trade position with the world and we are focused on export of our technology to markets including the USA, Japan and China where demand is highest and there are strong clusters of innovative technology companies. It is our intention to excel in IP to enable our customers to compete with, and beat, the best-in-class solutions available from silicon vendors today.

Our technology has unique advantages that make it highly desirable, built on our R&D innovation. Our focus on low power consumption, the smallest silicon area, and the highest efficiency are three key reasons our technology is the choice of leading chip companies. We also focus on markets (both geographical and technological) where we can be disruptive and enable significant volume shipments.

Our Technologies

PowerVR

Consisting of a comprehensive range of multimedia IP, from GPUs for graphics and GPU compute, to imaging and vision, PowerVR's technology takes data from sensors or CPUs to screen, delivering stunning images for entertainment, user interfaces and much more. These IP cores combine to create optimized IP platforms that can incorporate customer IP to create highly differentiated, state-of-the-art solutions for all forms of visual experiences from the latest games to smart internet of things (IoT) cameras.

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

PowerVR Vision and AI (artificial intelligence) cores are dedicated to neural network and computer vision acceleration. PowerVR vision and AI cores bring new processing capabilities to evolving and emerging markets including mobile, automotive, home entertainment, AR/VR and smart surveillance. Our Neural Network Acceleration (NNA) technology combines hardwired support for the key NN standards with flexible processing based on our GPU architecture. The PowerVR Series3NX NNA enables high-performance computation of neural networks at very low power consumption in minimal silicon area.

Enigma

The Enigma wireless connectivity family enables high-performance and low-power connectivity.

Enigma connectivity solutions based on Wi-Fi, Bluetooth, 802.15.4 and cellular standards enable the integrating of connectivity inside SoCs, optimised to provide the most efficient power and performance. The Enigma architecture can also enable broadcast and satellite capabilities. As well as connectivity IP, we deliver comprehensive RF and software solutions.

General Business Review

Introduction

During November 2017 Imagination Group was acquired by Canyon Bridge, a global private equity fund.

The acquisition by Canyon Bridge provided a solid base for Imagination over this reporting period and was the catalyst for a return to stability and consistency for Imagination by providing financial support to drive the business's chosen strategy forward

During early 2019, a new CEO, Dr Ron Black was appointed in line with Canyon Bridge's intended on-going re-development plans of Imagination's business, product lines and market brand.

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

At the end of 2018, we decided to cancel the sale of our communications IP Enigma business unit due to a change in the choice of our business operations strategy. This has recently led to an improved business prospects for most of our Enigma product lines.

Imagination has received, and expects to continue to receive, significant support from Canyon Bridge as we seek to maintain and advance our position in the semiconductor industry and penetrate new end markets, including opportunities in overseas markets. Notably Imagination is continuing to leverage Canyon Bridge's international network and experience in the semiconductor industry to increase its international reputation for technology leadership and discover new opportunities.

PowerVR

PowerVR has focused on consolidating its market position and retaining technology leadership. We believe it is the market-leading IP provider for embedded GPU today, with a solution that shows clear competitive benefits.

Our PowerVR business has generated reasonable profits and operational cash flows, and we are making sure it has the correct and focused resources in R&D and customer support to ensure success for the future. We will continue to enable PowerVR to develop its existing high-quality technology with a view to increasing its share in the existing market segments of smartphone, tablet and automotive, and secondly, to generate further growth by driving artificial intelligence technologies into new opportunities in augmented and virtual reality and machine autonomy.

The PowerVR GPU business closed new licence deals in 2018 across all market segments. Imagination's latest generation of GPUs, 9XM, began shipments with key customers in 2018, and we are confident these volumes with continued development will continue to build in 2019. In addition, PowerVR continues to retain a large share of the automotive infotainment and cluster market segments.

We are leveraging our GPU experience to create leading neural network accelerators. We have continued to make significant investment in AR/VR & AI during 2018. We announced our 3NX Neural Network Accelerator (NNA) architecture during 2018. The PowerVR Neural Network API was publicly released in early 2018, enabling easier software development. We now have a number of licensees for this NNA technology.

Enigma

Enigma offers leading, comprehensive IP cores for connectivity in mobile computing, consumer, automotive, unmanned systems and IoT, with low power capability. The core strengths of the technology are its ability to reduce time-to-market with a complete solution including RF and certification support.

At the end of 2018 we chose to discontinue the sale of the Enigma business unit after a strategic review of the operational business and how we approach the general market. In early 2019 we can see that this decision was correct as we are now seeing the first signs of the market reacting to this change in business direction. We now believe that the Enigma technology portfolio is very much a core strategic focus, especially with in our updated choice of geographical and technological areas.

Apple

We announced in April 2017 that Apple had informed us that it would no longer use the Group's intellectual property in its new products and as such Imagination would experience a long running decline in royalty volumes in future years. However, at the time of writing this report we remain in discussions with Apple with regards to a renewed business relationship of old and new products, including the potential for new future technology areas.

Financial performance

On 13th November 2017 the Company elected to change the end of its financial year to 31 December. This set of financial statements report on the year ending 31 December 2018, whereas the comparatives are for the 8 month period May to December 2017. It should also be noted that the comparative period included significant one off costs relating to the sale of the US segment of the Imagination Group and to the acquisition of the Imagination Group by Canyon Bridge.

The Company's trading performance during the year ended 31 December 2018 was solid, and in line with expectations given the uncertainty which surrounded Imagination in 2017, with a £2.3m operating profit being achieved (2017: £39.7m loss from continuing operations). After finance and taxation costs, the Company suffered a loss after tax of £1.2m (2017: £41.1m loss).

Revenue for the year was £86.4m compared to £71.3m from continuing activities in 2017.

Within this, licensing revenue was £14.6m (2017: £13.4m continuing), with only a few new deals being signed as customers, naturally, were cautious about committing to our technology whilst the future of IMG was being determined following its acquisition by Canyon Bridge. Since the acquisition, and throughout 2018, directors and senior executives from both Canyon Bridge and IMG have held regular meetings with our customers to reassure them of the commitment to investing in IMG's roadmap. Customers' response to these meetings has been positive and we expect to see increased levels of new licensing activity going forward.

The Company has adopted IFRS15 from 1 January 2018. This resulted in a £573,000 adjustment to opening reserves. Please see note 2 for further disclosure.

Royalty revenue for the year was £71.5m (2017: £57.6m continuing). This is a reduction from £83.3m royalty revenue in calendar year 2017. The main reason for the decrease is the fact that Apple reported that no royalties were due to IMG relating to the new products they launched in September 2018. As stated earlier in this report, IMG are in dialogue with Apple with regards to a renewed business relationship which would take account of old and new products, including the potential for Apple to licence new technology from IMG.

The average sterling / dollar rate during 2018 weakened by 2.44% compared to 2017, which also had an adverse impact on royalty revenue for the Group when comparing these periods.

Operating expenses in 2018 were £84.2m compared to the £111.0m relating to continuing activities in 2017 – as noted 2017 included a number of one off costs.

The Company's balance sheet at 31 December 2018 is healthy showing net current assets of £37.8m (when amounts due to fellow group companies are excluded).

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

Going concern

In preparing the financial statements on a going concern basis, the directors have considered whether the Company can continue in operational existence for the foreseeable future. The continuing uncertainty over IMG's relationship with Apple, and the level of cash receipts that will be received in the future from Apple, may result in the Company requiring financial support from Canyon Bridge. Assurances have been provided by Canyon Bridge Fund I, LP that such support will be provided.

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

Customers and colleagues

Imagination has great technology that is very meaningful and relevant to many customers. We are grateful to them for their continued support during 2018. We are also fortunate to have very capable people across our engineering and business staff, that remained committed during our recent challenging history.

Outlook

The company has a strong roadmap, and with excellent partnerships around the world we are confident in its future success. Imagination Technologies is now striving to capitalise on the opportunities in China, one of the largest semiconductor markets in the world, through new licence deals across our customer base.

Now that Imagination is now owned by a committed investor in Canyon Bridge, we are seeing the advantages of this new stability. Our immediate financial future is secure, and we can see the result of this in renewed confidence from our customer base in our products, roadmap and chosen future direction.

Principal Risks and Uncertainties

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

The following table describes the risks that the Board considers to have a potential material impact on the Company. 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 Company's objectives.

The Board discussions on risk have focused on these items and the actions being taken to both manage and review them regularly. The Board also recognise that the first risk listed below has potentially crystallised. The same risk still applies to all the business units and remains a concern for the Board but through continued investment in particular Graphics technology, Imagination is seeking to replace and mitigate this risk.

Risk or uncertainty and potential impact	How we manage it
Customer Concentration	
<p>The business currently has a large portion of revenue related to a small number of customers and technologies.</p> <p>Consolidation within the industry could drive this further and increase Imagination's dependence on a limited number of customers.</p>	<p>Strategy focused across a number of market segments</p> <p>Develop relationships with a wider number of customers spread across different sectors and jurisdictions</p> <p>Monitor trends and changes in the semiconductor industry</p> <p>Develop business models that reflect the changing industry landscape</p> <p>Develop sales strategies to broaden our customer base</p> <p>Increase marketing activity to highlight the breadth of markets that we target and operate</p> <p>Establish, maintain and reinvigorate status of business relationship with current and future customer set.</p>
Company Strategy	
<p>In a fast moving business environment, the Company Strategy may become obsolete before it has been fully executed leaving the business without a meaningful place in the market</p>	<p>Strategy is reviewed and updated on an annual basis</p> <p>Regular monitoring of the Company strategy with the Board and EMB through the year, with a particular focus on current and future cashflow requirements.</p>
Competitive Position	
<p>The business operates in a highly competitive market and needs to be able to respond rapidly to competitive threats as well as customer requirements.</p>	<p>Drive and deliver new product developments and enhancements which deliver leading, disruptive technology</p> <p>Establish trusted relationships with customers to ensure we fully understand their strategic direction</p>

A change in the business environment or business models employed by our customers could have a detrimental impact on our financial performance.	<p>Monitor and understand our competitors</p> <p>Focus on being responsive to customers and improving the quality and delivery of our products</p> <p>Adapt a flexible approach to different business models</p> <p>Obtaining advice on critical underpinning technologies and developments relevant to our core products from the Technology Advisory Committee</p>
Intellectual Property	
<p>Patent-related threats from third parties seeking to use patents as an alternative way of generating revenue.</p> <p>Infringing others patents.</p>	<p>Build a portfolio of strategically important patents</p> <p>Regularly screen relevant third party patents to avoid infringement</p> <p>Track industry movements, particularly involving standardisation bodies, to predict and avoid patent risks</p> <p>Build strong relationships with external counsel to enable us to act quickly and defend our position</p> <p>Work closely with customers to respond quickly to potential threats</p> <p>File more patents in key markets like China and India</p>
Cyber Risk	
<p>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.</p>	<p>Deploying the latest generation of firewall protection</p> <p>Ongoing improvement in the rigour of authentication processes including wider use of single sign on</p> <p>Improved protection of confidential data on portable computers</p> <p>Improved process of system patching to close security loopholes</p> <p>Use of third party audits</p>
Products Meeting Customer Requirements	
<p>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.</p>	<p>Put in place resources to manage and monitor customer requirements</p> <p>Project management, including using project management systems</p> <p>Checks throughout the project to ensure the expected outcomes including specification and timing will be achieved</p> <p>Roadmap planning process including discussion with key customers</p> <p>Prioritisation of R&D resources to key projects</p>
Macro-Economic Developments	
<p>Changes in global economic conditions, including the recent trade developments between China</p>	<p>Broad customer, engineering and products base to balance risk</p>

and the USA, can have a significant impact on our partners and customers and therefore may affect the financial performance of the business.	Continuous review of market forecasts Prioritisation of cashflow to ensure on-going funding of the business
Foreign Exchange	
All of the Company's revenue is received in US dollars.	Foreign exchange hedging strategy implemented
Effective Management of People	
In a complex, geographically diverse and fast moving business it is critical that we retain and attract the skills and capabilities needed in sufficient numbers to deliver our objectives and maintain an entrepreneurial and dynamic culture. Internal control failure such as an employee committing fraud or bribery due to lack of integrity or awareness.	Ensure competitive remuneration package is designed to attract, retain and reward employees with ability and experience to execute Company strategy Invest in training Succession planning A clear set of values and underpinning behaviours Increase frequency and quality of communications
Cash resources	
Additional funding for continued product development	Costs continue to be managed to focus cash resources Cash is managed on a weekly basis with detailed monitoring Close relationship with Imagination's owners to ensure they understand our strategy and are willing to provide the necessary debt facility required to execute our plans

Corporate and Social Responsibility Report

Corporate and social responsibility

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

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

The Company is committed to providing equal opportunity irrespective of age, gender, marital status, sexual orientation or physical or mental disability – this is reflected in the Company's policies and operational arrangements. The commitment to achieving equality is continually strengthened by work undertaken on reward structures, providing transparency into processes that relate to our workforce and reporting on our overall gender pay gap.

Environmental impact and energy use

As a Company our environmental impact on the whole is low. With our main business being the development of intellectual property, our emissions come mainly from the use of electricity in our offices and air travel. With greater use of enhanced business technology such as video conferencing, and tighter management of travel, we continue to reduce non-essential travel and the emissions we produce.

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

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

Data Centre

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

Recycling

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

The Company's employees

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

We have a well-established Employee Engagement Forum and staff events which have provided regular opportunities for the CEO and EMB team to engage staff in the Company's Annual Operating Plan which covers; performance, strategy, vision and operational developments. Through developed internal communication channels we continue to encourage open discussions and innovation across the teams.

Graduate recruitment and internship programme

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

Academic outreach and sponsorship

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

The Company has also seen an increase in young people from the local community undertaking the structured annual work experience program where they learn more about the careers available in our sector.

Diversity

The Company is dependent on the continued 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, marital status, sexual orientation or physical or mental disability.

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

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

Approval

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

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

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

This report was approved by the Board of directors on 1 August 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Ronald Black', written in a cursive style.

Ronald Black

Director

Directors' report

The Directors present their report and audited financial statements of the Company for the year ended 31 December 2018.

The Board has prepared a Strategic Report including a general business review, which provides an overview of the development and performance of the Company's business to 31 December 2018. Certain information required to be included in the Directors' report can be found in other sections of the Annual Report as described below. All information presented in these sections is incorporated by reference into this Directors' report and is deemed to form part of this report:

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

Directors

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

A Heath (resigned 31 March 2018)

G Millward (resigned 3 January 2018)

J Lewis (appointed 3 January 2018, resigned 18 July 2018)

Liyou Li (appointed 18 July 2018, resigned 31 December 2018)

Research and development

The continuing cost of research and development expenditure and advanced technology projects charged directly to the income statement was £51,723,000 (2017: £46,902,000). An indication of likely future developments in the business of the Company and details of research and development activities are included in the Strategic report.

Political donations

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

Share capital

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the period are shown in note 16, which is incorporated and deemed to be part of this report. The Company has a single class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. As at 31 December 2018, there were 14,161,291 ordinary shares in issue and all issued shares are fully paid.

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

Dividends

The directors do not recommend the payment of a dividend.

Directors' indemnities

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

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

We confirm that to the best of our knowledge:

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

Basis of preparation

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

It is regrettable the commercial dispute with Apple Inc. ("Apple") remains ongoing, and therefore it may be perceived that some uncertainty exists over the expected trading performance of the Company. However, this is alleviated by the financial support offered by the Canyon Bridge Fund I, LP – a parent undertaking.

Since the acquisition of the Imagination Technologies Group by Canyon Bridge on 2 November 2017, Canyon Bridge has promised continued financial support to the Imagination Group, of which this company is a member. At the date of this report, Canyon Bridge has advanced the Imagination group \$42m and has promised more funding as and when required. This funding would be re-payable on demand to Canyon Bridge. The Company has no reason to doubt the availability of future funds from Canyon Bridge, and the Imagination group has received written assurances to this effect.

The Directors of the Imagination group have recently reviewed the group's strategy and future business and updated its Annual Operating Plan ("the Plan"). This included cash flow forecasts for a period in excess of 12 months from the date of these financial statements. The Plan covers a variety of scenarios, namely quantifying the

impact of the Apple uncertainty and the achievement of the current and future years' sales budget, since the cost base is relatively predictable or fixed. The overall conclusion remains that if Apple do not to pay royalties to Imagination, it is more likely than not that the Imagination group would require additional working capital beyond the its current standalone facilities. While ongoing support has been provided by Canyon Bridge, and further financial support has been promised, these facilities are not contractually secured at the date of this report. As a consequence, there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern without Canyon Bridge's on-going support and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

Disclosure of information to auditors

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

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

For and on behalf of the Board



Ronald Black

Director

1 August 2019

Company number: 01306335

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

Opinion

We have audited the financial statements of Imagination Technologies Limited ("the company") for the year ended 31 December 2018 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss 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;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material Uncertainty related to going concern

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 15, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

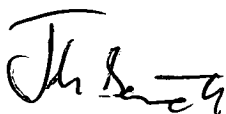
Auditor's responsibilities

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

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

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

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



John Bennett (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
5 August 2019

Income statement

			Continuing Operations May - Dec 2017 £000	Discont. Operations May - Dec 2017 £000	May - Dec Total 2017 £000
	<i>Notes</i>	2018 £000			
Turnover	1, 2	86,443	71,269	7,817	79,086
Operating expenses	3	(84,165)	(110,990)	(11,914)	(122,904)
Operating profit / (loss)		2,278	(39,721)	(4,097)	(43,818)
Financial (expense) / income	6	(1,196)	41	-	41
Profit / (loss) before taxation		1,082	(39,680)	(4,097)	(43,777)
Taxation charge	7	(2,308)	(1,413)	-	(1,413)
Loss for financial year/period		(1,226)	(41,093)	(4,097)	(45,190)

All activities in 2018 are continuing.

All income statement related comparatives are for the eight month period 1 May 2017 to 31 December 2017.

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

The notes on pages 23 to 46 form part of these financial statements

Statement of comprehensive income

	2018	2017
	<u>£'000</u>	<u>£'000</u>
Loss for the financial year / period	(1,226)	(45,190)
<i>Other comprehensive income</i>		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Reclassification to profit or loss during the period – impairment of asset available for sale	-	(701)
Reclassification to profit or loss during the period – disposal of asset available for sale	(182)	-
Change in fair value of assets classified as available for sale	<u>2,211</u>	<u>(205)</u>
Other comprehensive income / (loss) for the year / period, net of income tax	<u>2,029</u>	<u>(906)</u>
Total comprehensive income / (loss) for the year / period	<u>803</u>	<u>(46,096)</u>

The notes on pages 23 to 46 form part of these financial statements.

Balance sheet
As at 31 December 2018

	Note	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Non-current assets			
Intangible assets	8	9,102	10,471
Tangible assets	9	19,904	22,222
Investments in subsidiary undertakings	10	2,883	2,501
Trade investments	11	4,695	3,670
		<u>36,584</u>	<u>38,864</u>
Current assets			
Debtors	12	43,342	44,420
Cash at bank and in hand		<u>23,627</u>	<u>1,125</u>
		<u>66,969</u>	<u>45,545</u>
Creditors: amounts falling due within one year	13	<u>(88,917)</u>	<u>(60,317)</u>
Provisions: amounts falling due within one year	15	<u>(4,746)</u>	<u>(9,812)</u>
Net current liabilities		<u>(26,694)</u>	<u>(24,584)</u>
Total assets less current liabilities		<u>9,890</u>	<u>14,280</u>
Creditors: amounts falling due after more than one year	14	<u>(981)</u>	<u>(2,315)</u>
Provisions: amounts falling due after more than one year	15	<u>(756)</u>	<u>(4,042)</u>
Net assets		<u>8,153</u>	<u>7,923</u>
Capital and reserves			
Called up share capital	16	14,161	14,161
Revaluation reserve		2,211	182
Retained earnings		<u>(8,219)</u>	<u>(6,420)</u>
Total Shareholders' funds		<u>8,153</u>	<u>7,923</u>

The notes on pages 23 to 46 form part of these financial statements. These financial statements were approved by the board of directors on 1 August 2019 and were signed on its behalf by:



Ronald Black
Director
Registered Number 1306335

Statement of changes in equity

	Share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
At 1 May 2017	14,161	1,088	22,890	38,139
Loss for the financial period	–	–	(45,190)	(45,190)
Other comprehensive income	–	(906)	–	(906)
<i>Transactions with owners, recorded directly in equity</i>				
Share-based remuneration	–	–	15,880	15,880
At 31 December 2017	14,161	182	(6,420)	7,923
At 1 January 2018	14,161	182	(6,420)	7,923
Loss for the financial year	–	–	(1,226)	(1,226)
Other comprehensive income	–	2,029	–	2,029
<i>Transactions with owners, recorded directly in equity</i>				
IFRS 15 adj to opening reserves (see note 1)	–	–	(573)	(573)
At 31 December 2018	14,161	2,211	(8,219)	8,153

The notes on pages 23 to 46 form part of these financial statements.

Notes (forming part of the financial statements)

1. Accounting Policies

Basis of preparation

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

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

The company is a subsidiary undertaking of CBF Investment Limited, which is the parent company whose 31 December 2018 financial statements the results of Imagination Technologies Limited are consolidated. The ultimate parent company is China Venture Capital Fund Corporation Limited.

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

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

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

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

The impact of adoption of IFRS 15 during the year is noted within the Revenue accounting policy. The impact of IFRS 9 during the year did not have a material impact on any of the information presented in this report. The anticipated impact of IFRS 16 is still being determined by management.

Measurement convention

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

Going concern

Notwithstanding net current liabilities of £26,694,000 as at 31 December 2018 and a loss for the year then ended of £1,226,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. The company is a subsidiary of Imagination Technologies Group Limited that was acquired by CBFi Investment Limited, a vehicle controlled by Canyon Bridge Fund I, LP in 2017. It is the main trading entity in the CBFi Group

It is regrettable the commercial dispute with Apple Inc. (“Apple”) remains ongoing, and therefore it may be perceived that some uncertainty exists over the expected trading performance of the Company. However, this is alleviated by the financial support offered by Canyon Bridge.

Since the acquisition of the Imagination Technologies Group by Canyon Bridge on 2 November 2017, Canyon Bridge has promised continued financial support to the Group. At the date of this report, Canyon Bridge has advanced the group \$42m and has promised more funding as and when required. This will be injected periodically, e.g. quarterly, and would be re-payable on demand to Canyon Bridge. The Company has no reason to doubt the availability of these future funds from Canyon Bridge.

The Directors have recently reviewed the Group’s strategy and future business and updated its Annual Operating Plan (“the Plan”). This included cash flow forecasts for a period in excess of 12 months. The Plan covers a variety of scenarios, namely quantifying the impact of the Apple uncertainty and the achievement of the current and future years’ sales budget, since the cost base is relatively predictable or fixed. The overall conclusion remains that if Apple do not pay royalties to Imagination, it is more likely than not that the group would require additional working capital beyond the group’s current standalone facilities. While ongoing support has been provided by Canyon Bridge, and further financial support has been promised, these facilities are not contractually secured at the date of this report. As a consequence, there is a material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern without Canyon Bridge’s on-going support and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

Revenue (change in accounting policy)

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

The Company has applied IFRS 15 using the retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

The key judgement which arises as a result of the adoption of IFRS 15 is whether performance obligations are met, and therefore revenue is recognised, 'over time' or at a 'point in time'.

The quantitative impact of adopting IFRS 15 on these financial statements for year ended 31 December 2018 is that opening retained earnings brought forward on 1 January 2018 were £573,000 lower than closing retained earnings reported at 31 December 2017, and that revenue for the year was £573,000 higher than it would otherwise have been. IFRS 15 did not have an impact on the balance sheet as at 31 December 2018.

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

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

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

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

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

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

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

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

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

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

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

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

Royalty revenues are earned on the sale by licensees of products containing the Company's technology. Revenues are recognised as they are earned to the extent that the Company has sufficient evidence of sales of products containing the Company's technology by licensees. Notification is generally received in the quarter following the shipment of the customer's products.

Revenues from the sale of goods are recognised upon delivery.

Revenue is accounted for net of VAT.

Research and development costs

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

Tangible fixed assets

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

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

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

Intellectual property rights and patents

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

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

Pension Scheme

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

Provisions

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

Current tax

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

Deferred tax

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

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

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

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

Foreign exchange

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

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

Operating Leases

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

Finance Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the company. 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 statement of profit and loss on a straight-line basis over the period of the lease.

Assets funded through finance leases are capitalised either as property, plant and equipment, or intangible assets, as appropriate, and are depreciated/amortised over their estimated useful lives or the lease term, whichever is shorter. The amount capitalised 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 statement of profit and loss on an effective interest rate basis.

Trade investments

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

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

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

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

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

Impairment of tangible and intangible assets

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

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

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

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

Cash and equivalents

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

Loans and receivables

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

Derivative financial instruments

Currency exchange contracts are utilised to manage the exchange risk on actual transactions related to accounts receivable, denominated in a currency other than the functional currency of the business. These currency exchange contracts do not subject the 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 recognised gains and losses resulting from the settlement of the contracts are recorded within general and administrative expenses in the profit and loss account. The Group does not enter into currency exchange contracts for the purpose of hedging anticipated transactions.

Significant accounting judgements and estimates

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

Revenue recognition

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

Investments

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

Taxation

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

Recoverability of debtors

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

Estimation of onerous revenue contracts and onerous lease provisions

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

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

2. Revenue from contracts with customers

Comparatives are for the eight month period May to December 2017.

(i) Disaggregation of revenue

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

	2018 £000	2017 Total £000	2017 Cont. £000	2017 Discont. £000
<u>Major product / service lines</u>				
Licencing	14,635	15,823	13,354	2,469
Royalties	71,446	57,586	57,580	6
Other	342	234	234	-
Interco sales	-	5,443	101	5,342
Total	86,443	79,086	71,269	7,817
<u>Primary geographical markets</u>				
USA	63,861	53,730		
Asia	19,682	12,275		
United Kingdom	1,183	1,859		
Rest of world	515	1,019		
Rest of North America	577	591		
Rest of Europe	625	1,795		
Discontinued activities	-	7,817		
Total	86,443	79,086		

(ii) Contract balances

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers. The 2017 balances shown below reflect the adoption of IFRS15, which had the effect of increasing contract liabilities by £573,000, when compared to the pre IFRS15 position shown in the 2017 comparatives in note 13:

	Note	31 December 2018 £000	31 December 2017 £000
Receivables	12	4,727	5,486
Contract assets	12	23,878	27,070
Contract liabilities – to be recognised over time		(7,368)	(8,867)
Contract liabilities – to be recognised at a point in time		(2,411)	(1,555)
	13	<u>(9,779)</u>	<u>(10,422)</u>

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

The contract liabilities primarily relate to the advance consideration invoiced to customers relating to subscriptions, support & maintenance or licencing revenue – all of which are recognised over time. The amount of revenue recognised in the current period which relates to performance obligations satisfied in previous periods was £71,446,000 – royalty revenue.

(iii) Contract costs

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

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

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

3. Operating loss

	2018	2017
	<u>£'000</u>	<u>£'000</u>
Operating loss is stated after charging:		
Depreciation and amortisation of owned tangible and intangible assets	7,804	5,991
Operating lease rentals:		
Property	3,022	673
Other operating leases	4,743	4,800
Net foreign exchange gain / (loss)	864	(403)
Auditor's remuneration:		
Audit of these financial statements	147	142
Other assurance services	-	-

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

4. Directors' Emoluments

	Total	Highest paid director	Total	Highest paid director
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Directors' remuneration	799	174	901	496
Company contributions to money purchase pension plans	38	8	33	21
Amounts receivable under long term incentive schemes	-	-	1,688	1,209
Compensation for loss of office	143	372	1,108	-
	<u>980</u>	<u>554</u>	<u>3,730</u>	<u>1,726</u>

Number of directors

	2018	2017
--	-------------	-------------

Retirement benefits are accruing to the following number of directors under:

Money purchase schemes	3	2
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The number of directors who exercised share options was	0	2
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The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was	0	2
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5. Staff numbers and costs

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

	Number of employees	
	<u>2018</u>	<u>2017</u>
Research and development	440	558
Administration	66	80
Marketing	<u>20</u>	<u>23</u>
	<u>526</u>	<u>661</u>

The aggregate payroll costs of these persons were:

	<u>2018</u>	<u>2017</u>
	<u>£'000</u>	<u>£'000</u>
Wages and salaries	37,497	25,586
Share-based payments	-	15,880
Social security costs	3,830	5,391
Pension costs	<u>1,842</u>	<u>1,287</u>
	<u>43,169</u>	<u>48,144</u>

6. Financial income / (expense)

	<u>2018</u>	<u>2017</u>
	<u>£'000</u>	<u>£'000</u>
Interest payable on bank loans and overdrafts	-	(264)
Interest receivable	411	-
FX gain / (loss) on finance leases	(200)	162
Movement in fair value of forward contracts	<u>(1,407)</u>	<u>143</u>
	<u>(1,196)</u>	<u>41</u>

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

7. Taxation

	2018 £'000	2017 £'000
Analysis of tax charge in the period		
Current tax charge		
UK corporation tax	989	737
Foreign tax	1,319	676
Total current tax charge	2,308	1,413
Deferred tax		
Total deferred tax charge	-	-
Total income tax charge	2,308	1,413

The total tax charge for the period of £2,308,000 (2017: £1,413,000) is higher (2017: higher) than the standard rate of corporation tax in the UK of 19.00% (2017:19.00%). The difference is explained below:

	2018 £'000	2017 £'000
Profit / (Loss) before taxation	1,082	(43,777)
Notional tax charge / (credit) at UK standard rate of 19.00% (2017: 19.00%)	206	(8,318)
Tax effect of:		
Income not taxable	(562)	-
Expenses not deductible for tax purposes	138	-
Fixed asset timing differences	-	722
Permanent differences	(230)	8,524
Deferred tax asset not recognised	(125)	(528)
Effect of changes in tax rates (on deferred tax balances)	573	(404)
Group relief	-	4
Reversal of tax assets	989	737
Withholding tax	1,319	676
Total income tax charge	2,308	1,413

Current tax

The company receives significant government tax incentives including Research and Development Expenditure credits ("RDEC") which is shown as an 'above the line' relief. This has the impact of a 'credit' being recorded in operating expenditure of £5,208,000 (2017: £3,884,000) which is then taxed at the prevailing UK corporation tax rate. If the company makes a taxable loss for the period, losses generated by the RDEC claim can be reclaimed in cash from HMRC.

Deferred taxation

The movement on the deferred tax account is as follows:

	As at 31 December 2017 £'000	Recognised in Statement of profit and loss £'000	As at 31 December 2018 £'000
Tax losses	4,711	(4,711)	—
Capital allowances	(4,674)	4,674	—
Gain on foreign exchange contract	(37)	37	—
	—	—	—

Given the uncertainty of future profit generation, and taking into account the factors discussed in note 1, management have decided not to recognise any deferred tax assets at 31 December 2018. There is a £15.1m unrecognized deferred tax asset as at 31 December 2018.

Factors affecting future tax charge

The Finance Act 2016 reduced the rate of Corporation Tax from 1 April 2017 to 19% and by a further 2% to 17% from 1 April 2020. The deferred tax asset on the tax losses and the deferred tax liability on the fixed asset timing differences have been recognised at the main rate of UK Corporation Tax of 17%.

In addition, the Finance Act 2012 introduced the UK patent box regime which provides for an effective tax rate of 10% on certain UK profits from 1 April 2013 (phased in over 5 years). The Group has not made an election in to the UK Patent Box regime as at 31 December 2018.

8. Intangible fixed assets

	Developed Technology		Software, Patents & Trademarks		Total	
	Dec 18	Dec 17	Dec 18	Restated Dec 17	Dec 18	Restated Dec 17
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cost						
At beginning of year / period	17,875	17,875	12,398	24,551	30,273	42,426
Additions	-	-	2,869	2,286	2,869	2,286
Disposals	-	-	-	(14,439)	-	(14,439)
At 31 Dec	<u>17,875</u>	<u>17,875</u>	<u>15,267</u>	<u>12,398</u>	<u>33,142</u>	<u>30,273</u>
Amortisation						
At beginning of year / period	14,463	12,514	5,339	17,451	19,802	29,965
Charged in year / period	2,924	1,949	1,314	828	4,238	2,777
Disposals	-	-	-	(12,940)	-	(12,940)
At 31 Dec	<u>17,387</u>	<u>14,463</u>	<u>6,653</u>	<u>5,339</u>	<u>24,040</u>	<u>19,802</u>
Net Book Value						
At 31 Dec	<u>488</u>	<u>3,412</u>	<u>8,614</u>	<u>7,059</u>	<u>9,102</u>	<u>10,471</u>

9. Tangible fixed assets

	Freehold Land and Buildings		Leasehold improvements		Plant and equipment		Total	
	Dec 18	Dec 17	Dec 18	Dec 17	Dec 18	Dec 17	Dec 18	Dec 17
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cost								
At beginning of year/period	12,961	52,211	824	1,020	24,772	34,902	38,557	88,133
Additions	-	1	-	-	1,248	779	1,248	780
Disposals	-	(39,251)	-	(196)	-	(10,909)	-	(50,356)
At 31 Dec	<u>12,961</u>	<u>12,961</u>	<u>824</u>	<u>824</u>	<u>26,020</u>	<u>24,772</u>	<u>39,805</u>	<u>38,557</u>
Amortisation								
At beginning of year/period	1,130	3,487	515	516	14,690	22,885	16,335	26,888
Charged in year/period	234	481	153	124	3,179	2,609	3,566	3,214
Disposals	-	(2,838)	-	(125)	-	(10,804)	-	(13,767)
At 31 Dec	<u>1,364</u>	<u>1,130</u>	<u>668</u>	<u>515</u>	<u>17,869</u>	<u>14,690</u>	<u>19,901</u>	<u>16,335</u>
Net Book value								
At 31 Dec	<u>11,597</u>	<u>11,831</u>	<u>156</u>	<u>309</u>	<u>8,151</u>	<u>10,082</u>	<u>19,904</u>	<u>22,222</u>

	2018	2017
	<u>£'000</u>	<u>£'000</u>
The net book value of freehold land and buildings comprises:		
Land	1,266	1,266
Buildings	<u>10,331</u>	<u>10,565</u>
	<u>11,597</u>	<u>11,831</u>

Contained within Plant and Equipment is CAD equipment with a net book value of £3,781,000 (2017: £4,628,000) which is deemed to have been acquired under a finance lease.

10. Investments in subsidiary undertakings

	2018 £'000	2017 £'000
Shares in subsidiary undertakings		
Net book value at beginning of period	2,501	124
Additions	382	2,501
Provision	-	(20)
Disposals	-	(104)
Net book value of subsidiary undertakings at end of period	2,883	2,501

During the period the company provided a capital investment of £382,000 (USD 500,000) to its newly incorporated subsidiary, Imagination Technologies (Shanghai) Co. Ltd.

Shares in subsidiary undertakings

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

Name of subsidiary undertaking	Address of registered office	Class of shares	Ownership 2018	Ownership 2017
Imagination Technologies GmbH	Hansenweg 54, 60599 Frankfurt am Main, Germany	Ordinary	100%	100%
Imagination Technologies India Private Limited	1st, 2nd and 3rd floor, Bhalerao Towers, Plot No. 36, CTS No.1669-1670, Shivajinagar, Pune 411005 India	Ordinary	99%	99%
Imagination Technologies Pty Limited	9 Help Street, Level 4, Chatswood, NSW 2067, Australia	Ordinary	100%	100%
Imagination Technologies KK	AIOS Gotanda Annex Bldg 3F, Tokyo 141-0022, Japan	Ordinary	100%	100%
Imagination Technologies Hyderabad Private Limited	3rd & 4 th floors, Tower A Plot No. 39, Ananth Info Park, Madhapur, Hyderabad 500081 India	Ordinary	100%	100%
Imagination Technologies B.V. (Netherlands)	Kabelweg57, Unit 1, 06.05 A, 1014 BA Amsterdam, Netherlands	Ordinary	100%	100%
Imagination Technologies (Shanghai) Co. Ltd	Room 1711-1712 Shui on Plaza, 333 Huai Hai Zhong Road, Huangpu District, Shanghai 200021, China	Ordinary	100%	0%
Imagination Technologies LLC (US)	8 The Green, Suite A, Dover, Delaware 19901, USA	Ordinary	100%	0%

11. Trade Investments

	2018 £'000	2017 £'000
Current asset investments		
Trade investments classified as available for sale	<u>4,695</u>	<u>3,670</u>

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

Fair value movement during period							
	% of shares held as at 31 December 2017	Carrying value at 1 May 2017 £'000	Increased holding in investments £'000	Disposal £'000	Income statement £'000	Statement of comprehensive income £'000	Carrying value at 31 December 2017 £'000
NetSpeed	0.0%	1,186	–	(2,513)	1,509	(182)	–
Atomos	6.9%	2,484	–	–	–	2,211	4,695
Total		3,670	–	(2,513)	1,509	2,029	4,695

NetSpeed Systems Inc– In November 2018 Imagination's entire shareholding in NetSpeed was sold for £2,513,000. This resulted in a gain on disposal of £1,509,000.

Atomos Limited – on 27 December 2018, Atomos began trading on the ASX (Australian Stock Exchange). At the balance sheet date, a gain of £2,211,000 arose on revaluation using Atomos share price. The gain was recognised in the consolidated statement of comprehensive income.

Imagination Technologies Limited also has trade investments in Ineda Systems, Inc. and Orca Systems, Inc., representing shareholding of approximately 8% and 9% respectively. At 31 December 2018 these both have a carrying value of £nil, following impairments in prior years.

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

Fair value hierarchy

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

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

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

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

The Company has applied the above hierarchy to its investments as follows:

Atomos – the valuation is based on the active share price. This investment is categorised as Level 1.

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

	Dec 2018 £'000	Dec 2017 £'000
Level 1	4,695	–
Level 2	–	–
Level 3	–	3,670
	<hr/> 4,695	<hr/> 3,670

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 1 January 2018	3,670
Investment in the period	–
Total gains and losses:	
In income statement	1,509
In other comprehensive income	(182)
Disposals	(2,513)
Transfer to Level 1	(2,484)
	<hr/>
At 31 December 2018	–

12. Debtors

	2018 <u>£'000</u>	2017 <u>£'000</u>
Trade debtors	4,727	5,486
Prepayments and accrued income	28,081	29,604
Amounts owed by subsidiary undertakings	72	-
Other debtors	<u>10,462</u>	<u>9,330</u>
	<u>43,342</u>	<u>44,420</u>

Other debtors includes £7,361,000 relating to an R&D tax credit (Dec 2017: £8,134,000) all of which is due within one year. Intercompany receivables are non-interest bearing and repayable on demand.

13. Creditors: amounts falling due within one year

	2018 <u>£'000</u>	2017 <u>£'000</u>
Trade creditors	2,100	2,689
Amounts owed to parent undertaking	56,238	28,270
Amounts owed to subsidiary undertakings	6,564	7,488
Amounts owed to fellow subsidiary undertakings	1,772	-
Financial instrument liability	164	-
Taxation and social security	1,071	974
Accruals & deferred income	<u>21,008</u>	<u>20,896</u>
	<u>88,917</u>	<u>60,317</u>

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

Contained within accruals and deferred income is £2,327,000 (2017: £1,545,000) due within 12 months relating to liabilities owed under a finance lease. The corresponding asset has been identified and disclosed in note 9.

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

14. Creditors: amounts falling due after one year

	2018 <u>£'000</u>	2017 <u>£'000</u>
Other creditors	<u>981</u>	<u>2,315</u>
	<u>981</u>	<u>2,315</u>

Other creditors relates to liabilities owed under a finance lease. The corresponding asset has been identified and disclosed in note 9.

15. Provisions

	2018 £'000	2017 £'000
Onerous revenue contract provision	3,707	11,106
Other	1,795	2,748
	5,502	13,854

	Onerous revenue contract provision £'000	Other £'000	Total £'000
At 1 January 2018	11,106	2,748	13,854
Additional provision required	3,357	1,060	4,417
Release of provision	-	(1,037)	(1,037)
Utilisation of provision	(10,756)	(976)	(11,732)
At 31 December 2018	3,707	1,795	5,502

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

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

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

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

Of the total amount provided, £756,000 (2017: £4,042,000) is expected to fall due after more than one year and has shown as a non-current liability.

16. Capital and Reserves

Called up share capital	2018 <u>£'000</u>	2017 <u>£'000</u>
<i>Allotted, called up and fully paid</i>		
14,161,291 (2017: 14,161,291) ordinary shares of £1 each	<u>14,161</u>	<u>14,161</u>

17. Commitments

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

	2018 <u>£'000</u>	2017 <u>£'000</u>
Authorised and contracted	<u>619</u>	<u>25</u>

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

	2018		2017	
	Land & Buildings <u>£'000</u>	Other <u>£'000</u>	Land & Buildings <u>£'000</u>	Other <u>£'000</u>
Operating leases which expire:				
Within one year	3,100	5,258	3,120	10,022
In two to five years	7,038	2,124	8,714	6,967
Over five years	<u>5,538</u>	<u>-</u>	<u>6,971</u>	<u>-</u>
	<u>15,676</u>	<u>7,382</u>	<u>18,805</u>	<u>16,989</u>

18. Subsequent events

There were no material non adjusting subsequent events.

19. Related parties

	2018 £'000	2017 £'000
Income Statement		
Revenue – Ineda*	856	20
Revenue – Atomos*	73	479
Operating expense – Orca*	(401)	-
Operating expense – Netspeed*	(199)	(156)
Operating expense – Canyon Bridge**	(683)	(107)
	<hr/> (354) <hr/>	<hr/> 236 <hr/>
Statement of Financial Position		
Trade Debtors – Atomos*	805	926
Trade Debtors – Ineda*	262	521
Accruals – Canyon Bridge**	(149)	(103)
	<hr/> 918 <hr/>	<hr/> 1,344 <hr/>

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

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

20. Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of Imagination Technologies Group Limited, which is the parent company whose 31 December 2018 financial statements the results of Imagination Technologies Limited are consolidated. No other group financial statements include the results of the company. The consolidated financial statements of this Group are available to the public from Imagination House, Home Park Industrial Estate, Station Road, Kings Langley, WD4 8LZ.

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