Imagination Technologies Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2022

Registered Number: 01306335

Contents

Directors:

Ray Bingham
Simon Beresford Wylie
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Strategic Report

Business Model, Strategy and Products

This strategic report is for Imagination Technologies Limited (the "Company") which continued to be the principal trading subsidiary of CBFI Investment Limited ("CBFI") and a wholly owned subsidiary of Imagination Technologies Group Limited ("ITGL"). CBFI and its subsidiaries are together herein referred to as the "Group". The Company's parent, ITGL, holds the Group's primary Board of Directors and is responsible for the primary governance that follows.

CBFI is a wholly owned subsidiary of Canyon Bridge International Holding Investment Limited, which is controlled by Canyon Bridge Fund I, LP (collectively referred to as "Canyon Bridge" or the "Parent").

The Company is a global leader in low-power, high-performance semiconductor intellectual property ("IP"). We have over 25 years of experience in designing and licensing market-leading semiconductor IP solutions to fabless chip companies, integrated device manufacturers and original equipment manufacturers ("OEMs") that serve a broad range of end markets globally, including mobile and consumer, automotive, and data centre and desktop. Several trends are driving growth across these end markets, including 5G in mobile and consumer, advanced driver assistance systems ("ADAS") and autonomous vehicles ("AVs") in automotive, and machine learning and compute use cases in data centre.

Imagination is a global leader in low-power, high-performance semiconductor intellectual property ("IP"). We have over 25 years of experience in designing and licensing market-leading semiconductor IP solutions to fabless chip companies, integrated device manufacturers and original equipment manufacturers ("OEMs") that serve a broad range of end markets globally, including mobile and consumer, automotive, and data centre and desktop. Several trends are driving growth across these end markets, including 5G in mobile and consumer, advanced driver assistance systems ("ADAS") and autonomous vehicles ("AVs") in automotive, and machine learning and compute use cases in data centre.

We license pre-designed and pre-verified blocks of hardware IP together with software "drivers" that our customers incorporate into their chip designs, typically in return for an upfront license fee and per-unit royalties when the chip enters mass production. We also offer our customers related support services. As of 31 December 2022, our customers had shipped more than 11.5 billion chips powered by our IP in a wide array of devices and platforms.

Our semiconductor IP solutions provide low power consumption and high performance in a minimal silicon area and include differentiated features for the end markets in which our customers operate, enabling our customers to create highly competitive products. Our IP solutions in 2022 consisted of four key product families:

- GPU IP Solutions. Graphics processor unit ("GPU") IP to enable scalable, power-efficient and high-performance 3D graphics, including advanced ray tracing and high-performance GPU compute, all in the same unified engine.
- CPU IP Solutions. A range of high-performance, power-efficient central processor unit ("CPU") IP based on the RISC-V instruction set architecture, to address next-generation control, compute and heterogeneous compute needs for a range of market applications.

Strategic Report (continued)

- AI IP Solutions. Artificial intelligence ("AI") IP to bring processing capabilities to accelerate neural networks for a broad range of machine learning use cases, including autonomous driving and cloud inference and training.
- Ethernet IP Solutions. Ethernet IP to deliver highly flexible, feature-rich Ethernet switch and router solutions with compelling power and performance characteristics for secure data connectivity, particularly in automotive.

Heterogeneous compute is a key factor in our product strategy. We are designing semiconductor IP solutions that can serve as the building blocks that allow us to meet growing demand for heterogeneous compute capabilities. Heterogeneous systems-on-chips ("SoCs") combine different types of processing units within a single SoC in order to meet performance requirements within a limited power and thermal budget. Some of our customers have already combined different types of our IP within a single system.

As compute systems become increasingly heterogeneous, we anticipate that closer integration of IP components and system software elements will enable higher performance and efficiency for customers using combinations of our IP.

The Company's business model means for it to succeed, its customers must succeed also. This is because for the majority of customers, in addition to licence fees, the Company receives a royalty payment when customers create products using the Company's technologies. If customers do not ship in volume, the Company does not receive these additional royalties. As a result, the Company is motivated to work in partnership with its customers to deliver the support and services they need to reach their target markets, on time and in volume. Innovation and collaboration are in the Company's DNA.

The Company is a UK-based supplier with a truly strong global footprint, including on-the-ground sales teams in the key technology hubs within the United States, Europe, Japan, Taiwan, South Korea, and China, and Research & Development (R&D) sites in Europe and India, which enables the Company to service all markets.

General Business Review

Despite all our hopes for a swifter end to the pandemic, 2022 continued the challenges of Covid-19, particularly in China where the lockdowns had a chilling effect on new business. Despite the backdrop of the pandemic, global inflation, export controls, the war in Ukraine and reduced consumer demand, 2022 proved to be positive for the Company with revenues in GBP up against 2021. We made significant progress in our strategy to focus on heterogenous IP and we grew our headcount from 524 to 559 people, notably adding the capability to create advanced RISC-V CPU IP.

We made new strategic investments in scaling our existing China operations to enable us to support existing customer wins in desktop and data centre and develop our partner ecosystem, especially around automotive.

In May 2022 the Company launched the Open Access program, offering access for early-stage companies to select class-leading GPU and AI accelerator IP without any licensing costs. This lowers the barriers of entry to SoC design, enabling scale-ups to create advanced IoT and AI products.

In June 2022 we opened an office in Manchester, England to support our recruitment plans. We also re-located our Cambridge office to enable further growth of headcount there.

Strategic Report (continued)

In June 2022 the Company launched its first real-time embedded RISC-V CPU, a highly scalable, feature-rich, 32-bit embedded solution with a flexible design for a wide range of high-volume devices. IMG RTXM-2200 is one of the first commercial cores in The Company's Catapult CPU family, previously announced in December 2021.

We upgraded to the Premier RISC-V International membership level, further establishing our commitment to drive growth for the RISC-V ecosystem. At this Premier level, Shreyas Derashri, VP of Compute, will join the RISC-V International Board of Directors. We also shipped RISC-V IP cores to customers as part of our automotive GPU product line.

The Company has developed a strong position in Android based smartphones and tablets and retains a leading share of the automotive HMI GPU market. The Company has built a strong position in desktop and cloud gaming markets with multiple licensees globally, and with notable success in the emerging Chinese desktop market where it is the leading provider for GPU IP. First customer silicon in the Chinese desktop market was produced in 2022.

In quarter four we delivered the first cores in our D-Series GPU family to customers for evaluation. This preceded the launch of the IMG DXT GPU in January 2023. IMG DXT is a ground-breaking ray tracing GPU that scales to unlock cutting-edge graphics for all mobile device users. The first in the D-Series family, IMG DXT offers mobile device manufacturers the chance to integrate ray tracing into their SoCs to match their design goals, from premium to mainstream devices.

The market volume addressable by mobile ray tracing to date has been small. IMG DXT enables ray tracing to become a mainstream technology, justifying the interest and investment of mobile game developers and OEMs. The IMG DXT GPU scales from an area-efficient half ray acceleration cluster (RAC) configuration up to a high-performance four-RAC design – covering a wide range of applications, from simple shadowing in hybrid implementations to premium ray-traced graphics for AAA content.

The Company has the complete technology building blocks required to be the leader in heterogeneous compute. Intelligent autonomy, flexibility, efficiency, and resilience all demand computing heterogeneity, requiring the ability to deploy different processors in a single platform and to intelligently select and schedule workloads that are best served by a specific architecture. Industry customers no longer want to buy just the GPU IP or CPU IP; they want to work with partners who can act as a "one-stop solution" and provide broad solutions. The Company can offer a complete heterogeneous compute solution.

In 2022, revenues were up for the year from £111.3 million to £120.3 million. A strong first half was followed by a very challenging third quarter as customers took stock of the global financial situation and the relative oversupply in the semiconductor market. The fourth quarter showed a return to significant licensing, and we ended the year in a similar position to how we entered it.

The Company has a world-class engineering team led by highly qualified and experienced management. The engineering-focused workforce, management team and experienced and diverse Board of Directors are critical to the Company's success. The Company's management team served in prior roles at a variety of the world's leading semiconductor and adjacent companies, bringing an aggregate of over 200 years of executive experience to their roles. Each member of the Board is equipped with deep industry and functional expertise.

Strategic Report (continued)

In 2022, Michael Trzupek joined the Company's Executive Management Board as CFO and replaced Mark Logan as a Company director. Tim Whitfield left the business and Tim Mamtora's role as Chief of Engineering & Innovation was expanded to cover both engineering and R&D.

The engineering and design talent of the Company's workforce is critical to the Company's success. As at 31 December 2022, the Company employed 559 employees with approximately 83% of this workforce focused on R&D activities.

The Company is fully dedicated to ethical and responsible business practices, personal and social well-being of its diverse and highly skilled employee base, supply chain and environmental stewardship.

As part of the ongoing CSR activities, the Company is delivering a comprehensive introduction to CPU design for undergraduates using RISC-V, as well as an extensive course on mobile graphics, as part of the Imagination University Programme, which is seeding the industry with incoming talent familiar with the Company's technology. The Company's innovative technology underpins many leading electronics products from top tier brands. The Company appreciates that its customers have a choice and is very grateful that they chose to work with the Company through 2022.

The Company has proactively sought to engage more with government on pertinent issues such as education, access to talent and investment in technological R&D. As part of that activity, we published a report based on independent interviews with industry, end-users, investors and policymakers, expressing the view that the UK should double down on its comparative advantage in semiconductor design, while simultaneously seeking to strengthen the security of supply through new strategic international alliances in semiconductors.

The Company has an engaged, diverse, and inclusive workforce and has formal commitments to Diversity & Inclusion ('D&I'). As well as internal forums to promote these discussions, the Company is also working to hire and retain talented professionals from an array of diverse backgrounds.

Our people receive a remuneration package that match our industry's demanding norms.

Values, Mission, Vision, and Strategy

The Company solves complex problems by creating innovative, high-quality, technologies that empower our partners to succeed.

The Company has taken a number of steps to develop its distinct Imagination culture, built around its core values: Customer First, Collaborative, Innovative, Straightforward, and Committed. A notable result of this was that we secured the No. 16 place in Glassdoor's Top 50 Best Places to Work UK (announced 11 January 2023). We were the only UK semiconductor IP business in the list.

Our Mission is to share our partners' challenges, giving them the edge in a global technology market where differentiation, quality and velocity are the keys to success.

By keeping to the Company's core Values and unleashing the creativity of our people the Company aims to be the trusted partner for all technology companies looking to solve complex challenges and build the world's best products.

The Company's Vision is to be the undisputed leader for semiconductor IP solutions that transform billions of lives. At the conclusion of 2022, our Board of Directors approved a refreshed strategy and five-year financial plan.

Strategic Report (continued)

Our strategy consists of the following:

Deliver differentiated and innovative semiconductor IP for our target end markets.

We are focused on growing our business with new and existing customers serving our target end markets — mobile and consumer, automotive, and data centre and desktop — including by selling new semiconductor IP designs and variants and upgrades of our existing designs. In addition, there are potential expansion opportunities with customers in other end markets, including energy, industrial, healthcare, smart homes and the metaverse, where our high-performance, power-efficient IP designs are highly suitable.

Develop leadership position in heterogeneous compute.

With some 83% of our workforce engaged in research and development as of 31 December 2022 and more than 3,000 issued patents and pending patent applications as of 30 June 2022, we have consistently demonstrated that we sit at the forefront of innovation. We believe the recent launch of our Catapult family of RISC-V CPU IP aligns us with the trend toward heterogeneous compute. We are investing heavily to build upon our suite of semiconductor IP solutions for this area, including by hiring additional engineering talent with relevant domain expertise.

Execute land-and-expand strategy to increase share-of-wallet among existing customers.

Growing share-of-wallet among existing customers is important to our long-term commercial success. Our engineering and sales and marketing teams work closely with existing customers to promote the sale of new designs and cross sell our designs into other projects. We have achieved success in licensing multiple types of IP to the same customer.

Further develop strong partnerships and ecosystems.

We believe it is imperative to our long-term success to build an ecosystem of strong and trusted partnerships with customers, their OEMs and other potential business partners, not only to gain exclusive insights into customers' challenges, which can lead to sales opportunities, but also to help drive adoption of emerging technologies like ray tracing and the RISC-V ISA. For example, in 2022 we engaged with several major game developers and game engine companies to build traction around our ray tracing technology. We are also exploring partnerships with customers and ecosystem enablers to drive adoption of our RISC-V CPU IP solutions.

Outlook

With the backing of Canyon Bridge, The Company is fully capitalising on opportunities in the global semiconductor industry.

The semiconductor industry has experienced a downturn from the second half of 2022 which continues into 2023, but the financial position of most semiconductor companies is strong. As a result, there will be ongoing investments in developing new products and demand for IP. Many semiconductor vendors have expressed a strategy to increase market share during the downturn and to be in a strong position when the market recovers. Some of the markets we target are more resilient than the overall semiconductor market, notably automotive.

We also expect to benefit from the growth in royalties resulting from deals signed in 2020 and 2021 which will result in silicon being shipped by customers in 2023.

Strategic Report (continued)

While 2022 was a very challenging year for the semiconductor industry we have a strong roadmap, a compelling strategy, extensive partnerships, and committed staff and expect to continue to grow in 2023.

Financial Review

The following review for the year ended 31 December 2022, focuses solely on the trading performance of the Company.

The Company reported a positive trading performance during 2022 despite the continued tough trading conditions as set out in the General Business Review. Profit before tax was £17.0 million (2021: £20.2 million). Tax expense of £5.8 million (2021: benefit of £2.2 million)

The Company continued to manage cash closely given the decline in cash balances to £14.4 million at 31 December 2022 (2021: £55.8 million).

Company revenue for the year ended 31 December 2022 was £120.3 million (2021: £111.3 million). The components of revenue are licensing revenue of £91.4 million (2021: £88.0 million) and royalty revenue of £28.9 million (2021: £23.3 million). Revenue has remained strong considering that the pound has weakened by 10% against the industry invoicing currency of US dollar during 2022.

In 2022 the Company reported £6.3 million (2021: £9.0 million — £6.7 million related to the 2021 claim and £2.3 million related to prior year claims submitted in 2021) of other income arising from the UK R&D tax credit scheme which is receivable from HMRC.

Other operating expenses of £4.0 million (2021: £1.6 million) relates to losses on forward currency contracts. These losses arose both from the early termination of certain contracts in September 2022 following the uncertain market conditions at that time, and from the 'mark-to-market' of current contracts at 31 December 2022. The turbulent market conditions in September following the UK Government's mini-Budget, lead the Directors to decide to terminate the forward contracts to stem the losses incurred. The cash cost to the Company was £8.1 million.

Research and Development ("R&D"), Sales and Marketing ("S&M") and General and Administrative ("G&A") expenses increased from £99.7 million to £103.2 million. R&D decreased by £4.4 million. S&M costs remained flat with only a slight increase of £0.2 million. G&A costs increased by £8.2 million.

The Company's Statement of Financial Position at 31 December 2022 shows net current liabilities of £50.4 million (2021: £46.5 million). This is due to an amount outstanding to the Parent of £72.3 million from prior years which does not significantly move year on year (2021: £84.3 million). Excluding balances due to or from Group companies shows a healthy net current asset of £30.7 million (2021: £46.0 million).

Further information on the financial performance of the Imagination Group is contained in the Strategic Report in the Consolidated Financial Statements of CBFI - the Company's ultimate UK parent company.

Principal Risks and Uncertainties

The Company places great importance on the identification, assessment and effective mitigation and monitoring of risks. The Company's approach to risk management helps to deliver its objectives and ensure its long-term sustainability.

The following table describes the risks that the Board considers having a potential material impact on the Company. All risks outlined below are specific to the nature of our business notwithstanding that

Strategic Report (continued)

there are other existential risks that may occur and may impact the achievement of the Company's objectives. These risks are representative of those on the Company's register of strategic and escalated risks, used to actively manage the Company's risk profile at both Board and Executive Management Board ("EMB") level.

Potential risk and impact	**How we manage this potential risk**
Geopolitical & Trade Risks	
As a significant proportion of the Company's revenues are derived from sales to customers across multiple geographies the Company is exposed to risk created by an increasingly complex geopolitical and trade environment. Geopolitical and trade risks include: ➢ Heighted global tensions following the invasion of Ukraine and suppressed growth conditions driving recession and market downturns ➢ New Export Control regulations reducing the Company's ability to freely license its IP to customers in certain geographies ➢ Escalation of US-China trade war and potential decoupling of economic links with China ➢ Reduced ability for the Company to access capital should it be required for the acceleration of the Company's strategy ➢ Increased likelihood of customers cancelling products or defaulting on payments due to poor market conditions or reduced access to capital	➢ Active monitoring of geopolitical developments regarding US/China relations and changes in UK/US/China regulations that may impact the Company's customers ➢ Application of open and general export licences in accordance with local regulations ➢ Active engagement with HM Government to influence Export Control policy ➢ Diversification of customer base across multiple geographies. ➢ Extensive KYC process in place to identify unacceptable risks

Strategic Report (continued)

<table>
<tr><th>Potential risk and impact</th><th>How we manage this potential risk</th></tr>
<tr><td colspan="2">Customer Risks</td></tr>
<tr><td>The Company's customer base is composed of a low number of high value customers. Risks associated with the Group's customers include:
➢ Potential for consolidation in the market that would reduce the Group's access to wide range of customers
➢ Reliance on success of a limited number of customers to generate future royalty revenues
➢ Vulnerability to production disruptions within the Group's customers' supply chain.</td><td>➢ Diversifying the customer base across multiple geographies and industries
➢ Actively tracking trends and changes in the semiconductor industry to identify further market consolidation
➢ Extensive KYC process in place to identify unacceptable risks.</td></tr>
<tr><td colspan="2">Strategy</td></tr>
<tr><td>In a fast-moving business environment, there is a risk that the Group will be unable to execute its strategy or that the strategy may become obsolete before it has been fully executed leaving the business without a meaningful place in the market. Risks relating to the strategy include:
➢ Competitiveness in Semiconductor IP market relies on successfully anticipating trends and future market requirements, failure to do this successfully will reduce the Group's ability to license IP.
➢ Disruption in the IP business model.</td><td>➢ Increased focus on core activities contributing to the strategy;
➢ Development of execution plans and governance mechanisms to track progress against strategy;
➢ Annual review of strategy to reaffirm its validity and allow course corrections where required; and
➢ Continuous horizon scanning to identify opportunities to accelerate strategy.</td></tr>
<tr><td colspan="2">Product</td></tr>
<tr><td>The Company operates in a highly competitive market and needs to be able to respond rapidly to competitive threats as well as customer requirements. Risks related to product competitiveness include:
➢ Significant investment in research and product development is made before licensing IP to customers, if the IP is not attractive to customers costs may not be recovered.
➢ Rapidly changing market requirements could result in some product lines becoming obsolete or uncompetitive before costs are recovered.
➢ Errors, bugs or defects in our products could harm our credibility and/or impact relationships with customers.</td><td>➢ Revitalised Engineering leadership with increased focus on key innovation and differentiation;
➢ Continuous market scanning to identify and harness disruptions in the market;
➢ Focus on improved execution and efficiencies within Engineering teams, delivering customer focused products to market in accelerated timeframes;
➢ Dedicated Applications Engineering team to provide support to customers;
➢ State of the art quality, verification and bug tracking processes introduced; and
➢ Integrated requirements management approach across customer facing teams, Engineering and IMG Labs.</td></tr>
</table>

Strategic Report (continued)

Potential risk and impact	**How we manage this potential risk**
Intellectual Property	
Due to the nature of the IP business model, the Company is exposed to risks relating to intellectual property rights: These risks include: ➢ The unlicensed use of The Company IP by a third party. ➢ Patent-related threats from non-practicing entities seeking to use the threat of litigation to generate revenue. ➢ As contractual indemnities are provided to customers covering IP ownership, there is possible financial exposure in the case of third-party litigation against our customers.	➢ Building and maintaining a worldwide portfolio of strategically important patents; ➢ Membership of standardisation bodies and tracking industry movements to predict and avoid patent risks; ➢ Strong relationships with external counsel to enable us to act quickly and defend our position; and ➢ Working closely with customers to respond quickly to potential threats.
Cyber	
With the Company's high levels of connectivity and reliance on computing networks, there is exposure to a risk of Cyber-attack. The risk associated with cyber security includes: ➢ Interruption to the business due to denial of access, loss of personal and/or confidential data ➢ Reputational damage caused by denial of access, loss of personal and / or confidential data	➢ Use of next generation firewall protection worldwide ➢ Authentication processes including multi-factor authentication for VPN and cloud-based SaaS ➢ Improved protection of confidential data on portable computers including encryption, data-loss prevention and next generation anti-ransomware ➢ Systematic software patching routines to close security vulnerabilities ➢ Dedicated Security Operations capability in wider IT team ➢ Proactive network perimeter scanning for vulnerabilities ➢ Cyber liability insurance in place ➢ Use of third-party audits ➢ Compulsory staff training and education initiatives.
Infrastructure	
Due to the data centre being the single point of failure for The Company's Engineering and IT, there is exposure to infrastructure risk. This infrastructure risk includes: ➢ Loss of critical systems in the event of disaster leading to significant downtime and cost in replacing systems	➢ State of the art data centre protections (fire suppression, etc.) ➢ Property Damage Business Interruption insurance in place ➢ Key systems split between locations ➢ Cloud providers for core, non-Engineering systems

Strategic Report (continued)

Potential risk and impact	**How we manage this potential risk**
Foreign Exchange	
Significant amount of the Company's revenue is received in US dollars whilst its cost base is primarily in GBP. Foreign exchange risks associated with this include: ➢ Weakening of USD against GBP could adversely impact performance against the Annual Operating Plan ➢ Foreign exchange hedges may be unable to adequately cover rapidly changing or erratic exchange rates.	➢ Foreign exchange movements closely monitored ➢ Foreign exchange economic hedging strategy implemented
Talent	
The semiconductor talent market is extremely competitive, with increasing turnover and salary inflation seen across the industry. Risks associated with talent include: ➢ Being unable to recruit at the rate required to deliver the strategy ➢ Being unable to retain talent and knowledge within the organisation ➢ The competitive nature of the semiconductor talent market drives salary inflation above levels factored into the strategy	➢ Competitive remuneration package designed to attract, retain and reward employees ➢ Introduction of hybrid and flexible working arrangements globally ➢ Improvement in employee engagement ➢ Increased focus on diversity and inclusion ➢ Investment in learning and development ➢ Flight risk analysis for key staff ➢ Succession planning

Strategic Report (continued)

The Section 172(1) Statement and Corporate and Social Responsibility Report are those of CBFI, the UK parent of the Company which presents consolidated group financial statements. References to Company and Group are from a CBFI perspective and the Board and committees are from an ITGL perspective, not Imagination Technologies Limited.

Section 172(1) Statement

The Board views the S172(1) reporting requirement as an opportunity to explain how dialogue with stakeholders has informed and helped to shape its decisions. The Company regularly engages with stakeholders through customer and partner interactions, ongoing public affairs, public relations and internal communications; social media interactions; and a global programme of marketing events. Through working collaboratively with management and listening to feedback from the Company's many stakeholders, the Board believes that the Company is well positioned to respond to both the uncertainties and opportunities facing the semiconductor industry.

Ensuring good governance is a key requirement for many of the Company's stakeholders and the Board places great importance on transparency and accountability in the Company's corporate governance. The Board believes governance of the Company is best achieved by delegation of its authority for the executive management of the Company to the CEO and other executives, subject to defined limits and monitoring by the Board. The Board routinely monitors the delegation of authority, ensuring that it is regularly updated, while retaining ultimate accountability. The Company maintains a Corporate Governance Manual that sets out the key governance arrangements and delegated authorities for the Company. The Board has taken steps to strengthen its governance through the establishment of Audit and Risk and Compensation Committees and the appointment of Sir Peter Bonfield as the Lead Independent Director (LID).

During the year the Board carried out its annual review of the Company's strategy, and with a few minor course corrections continues to execute the strategy established in 2020. The Board approved the decision to consolidate executive level engineering leadership roles into one position of Chief of Innovation & Engineering to reflect the close co-operation between engineers across the entire engineering organisation. Further changes were made at the executive level with the appointment of a new Chief Financial Officer, strengthening the Company's ability to manage relationships with the Company's external regulatory and institutional stakeholders.

The Board recognises the legitimate interests of investors, employees and society. It supports the existing focus on important issues such as Corporate Social Responsibility ("CSR"), Sustainability, Equality, Diversity & Inclusion. The Board maintains an Environmental, Social and Governance ("ESG") steering committee, chaired by Board Director John Kao and continues to implement its ESG strategy.

The owners and EMB practice good stewardship by assessing and developing a number of strategic options that give the Company flexibility in delivering its growth strategy.

The business model is such that the Company has close, and frequently strategic, relationships with our customers.

We maintain continuous dialogue with a number of HM Government departments. With export control being an important consideration for our business, we have engaged in regular, direct communication with several government bodies including DCMS and BEIS to encourage a more appropriate approach to export control for semiconductor IP companies.

Strategic Report (continued)

Section 172(1) Statement (continued)

We have engagements with the wider business community via membership in the Hertfordshire Chamber of Commerce (regional).

See table below for further details of decisions taken by the Board in the year ended 31 December 2022 with regard to the requirements of s172(1).

Category	Key Decision	Stakeholders Engaged	Scope of Engagement
Governance	Appointment of Audit and Risk Committee Chair	Owners; Employees	Owners and relevant employees engaged on governance structures and changes.
	Appointment of Compensation Committee Chair		
	Appointment of Lead Independent Director		
Strategy	Investigation of various strategic options for the business's growth strategy	Owners; Employees (Executive Management Board).	Engagement with owners and top management on evaluation of strategic options for the business.
	Re-approval of the strategy	Owners; Employees; Customers; Industry	Industry trends, customer feedback and the input of employees informed the strategy review and outcome approved by the Board.
Government	Active engagement with government on export control issues	Employees; Government.	Active discussion with government around export control regime.
Organisational	Appointment of new Chief Financial Officer	Owners; Employees.	Owners and select employees were involved in these discussions.
	Consolidation of Chief Innovation Officer and Chief Engineering Officer into one role		
Property	Establishment of Manchester office	Employees; Prospective Employees.	Identification of desirable locations to attract talent.
	Relocation of Cambridge Office		

Strategic Report (continued)

Corporate and Social Responsibility Report

The Group aims to centre environmental, social and governance (ESG) factors throughout its business strategy. The Group believes that integrating ESG into its decision-making helps it to build a better, more adaptable business while increasing the positive impact it can make with its technology solutions. The Group seeks to ensure that respect for the environment, its employee's labour rights, and providing equal opportunities is reflected across all the Group's locations and policies.

The Group believes technology is key to a sustainable future. The Group's efficient, high-performance technologies enable solutions to the challenges the world faces today. From hyper-efficient data centres, through embedded intelligence in agriculture and industry, to autonomous vehicles rewriting the entire model of vehicle ownership, the technology that the Group creates and licenses to its customers can help enable an era of more sustainable technologies. The Group has appointed John Kao as Board ESG sponsor who chairs the ESG Steering Committee.

The Group is becoming sustainable across all operations from modernising offices and moving to sustainably sourced energy, through to adopting flexible ways of working, and supporting employees becoming 'greener' in their private lives. The Board has approved the target of reaching Net-Zero in our direct (Scope 1 and 2) emissions by 2027. Relevant reporting such as the Group's sustainability report, gender pay gap report, anti-modern slavery statement, CSR report and Corporate Governance manual can be found on the www.imaginationtech.com website.

Environment

The Group is committed to lowering its emissions and environmental impact across all its locations with the goal of becoming Net-Zero by 2027.

The Group's technology products are designed to deliver inherent low-power consumption, and that is a significant factor in their success. The Group therefore believes that active strategies to reduce environmental impact are essential if it is to be true to its core values. With the Group's core values in mind, it has committed to transparent reporting in alignment with one of the leading reporting frameworks on sustainability to provide structure and transparency (Global Reporting Initiative). The Group publishes an annual Sustainability report that gives visibility on how it is tracking the Group's progress on environmental issues.

- The Group's environmental impact on the whole is low. With its main business being the development of intellectual property, its emissions come mainly from the use of electricity in its offices and air travel. With greater use of enhanced business technology such as video conferencing, and tighter management of travel, the Group continues to reduce non-essential travel and the emissions it produces.
- The Group is headquartered in Kings Langley, occupying a building which has a BREEAM rating of 'Excellent' and the maintenance regime is such that this level of award will be maintained. The Group owns and operates a dedicated data centre to meet its considerable IT requirements. The data hall is supported by a highly efficient electrical distribution system that utilises state-of-the-art static UPS systems to maximise energy efficiency. A low energy cooling solution has also been adopted. In the UK the Group uses renewable energy exclusively.

Strategic Report (continued)

Corporate and Social Responsibility Report (continued)

- The Group takes steps to ensure that across all its geographical locations it encourages and supports employees to recycle their day-to-day waste, providing recycling bins and separate confidential bags in every office.

The Group is committing to the following principles in relation to its de-carbonisation:

- The Group will maintain clear, transparent communication and reporting of progress against targets through the annual sustainability report, aligned to globally recognised reporting standards such as Global Reporting Initiative ("GRI") and Taskforce for Climate Related Financial Disclosures ("TCFD").
- The Group will prioritise de-carbonising its direct activities while following best practice in offsetting for any remainder it is unable to directly reduce.
- The Group will look to keep pace with best practice as it evolves over time and achieve external validation (such as Science Based Targets Initiative) where possible.
- The Group will acknowledge the indirect emissions and impact of activities both in inbound products from suppliers and the use of its IP in downstream products.
- The Group will engage with suppliers and customers to exert influence and support them in reducing their own emissions, accelerating the de-carbonisation of the entire value chain.

While Net-Zero is a primary priority as part of the ESG strategy, it is by no means the Group's only focus in this space. Wider ESG metrics, validated through stakeholder engagement, are set out in the Group's annual Sustainability report, the first of which was published in March 2022.

Social

The Group's ambition is to have an inclusive culture. It ensures that it follows all legal requirements and best practice in employment across the jurisdictions in which it operates, based on equal opportunities for all employees, through the full employee life cycle.

The Group has regular monthly CSR team meetings attended by employees based in multiple locations in the UK and overseas. These are held on a consistent basis with the aim of streamlining our social and charitable offerings to local communities and local social networks. The meetings are led by CSR champions and a monthly agenda drives the focus of the CSR committee's work. All employees are encouraged to get involved in charitable activities. Responsibility for this activity rests with the Chief Marketing Officer (CMO).

The Group focuses on supporting local communities and in particular has helped charities such as DENS, The Akshaya Patra Foundation, British Red Cross, and MIND. During 2022 the Group donated some £58,000 through the CSR fund and staff fundraising.

The Group has also engaged with schools local to the Group's Kings Langley and Wroclaw offices to promote the engineering sector and has supported local green initiatives such as sponsoring recycling campaigns.

For further information, please refer to the CSR report for 2022 found on our website, www.imaginationtech.com.

Strategic Report (continued)

Corporate and Social Responsibility Report (continued)

Commitment

The Group is committed to creating a workplace founded on equality and fairness and a business that participates in society in all of its locations.

- The commitment to achieving equality is continually strengthened by work undertaken on reward structures, providing transparency into processes that relate to its workforce and reporting on its overall gender pay gap. Its Women in Technology (WiT) working group meets regularly to promote awareness of gender issues as well as lead on specific activities.
- The Group 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. Responsibility for this activity rests with the Chief Human Resources Officer (CHRO).
- The Group encourages open discussions and innovation across the teams through developed internal communication channels, such as Viva Engage (Yammer) and regular All Hands meetings.
- The Group's Imagination University Programme (IUP) is designed to provide practical help to teachers around the world so that they can use our technologies in courses and student projects. The focus is on providing the four vital elements needed to teach a course: a suitable hardware platform at a reasonable price, free software development tools, effective technical support, and excellent teaching materials that serve genuine teaching needs. The IUP is open to all members of academia.

Governance

The Group is committed to the principles of good corporate governance. The Group has clearly defined roles and responsibilities throughout its organisation and delegation of authority is in place to ensure all staff are empowered to carry out their work. The Group acts ethically, with integrity in all its business dealings and relationships. We have in place a Code of Conduct which supports the Group's actions. The Group is also committed to transparency in its business, in its approach to modern slavery, and to implementing and enforcing systems and controls designed to ensure modern slavery is not taking place in its business or in any of its supply chains.

- The Group has updated a Corporate Governance Manual, to document its procedural rules for decision-making, delegations, and authorities for spending commitments and signing contracts.
- 50% of the Imagination Technologies Board (excluding the Chair) is comprised of independent Non-Executive Directors whose role is to provide constructive challenge, strategic guidance and hold the executive management to account.
- The Group has appointed Sir Peter Bonfield as the Lead Independent Director (LID).
- The Group Board has established an Audit & Risk committee, chaired by Carol Chesney, whose responsibilities include:
    - Overseeing the relationship with the external auditor, including recommending the appointment of the external auditor to the Board for approval.

Strategic Report (continued)

Corporate and Social Responsibility Report (continued)

- Monitoring and reviewing the integrity of the financial statements of the Group and its members, including the Annual Report and accounts.
- The appointment, compensation, retention, and oversight of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit services.
- Keeping under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems.
- Keeping under review the adequacy and effectiveness of the Group's whistleblowing, probity, prevention of bribery and anti-money laundering controls and systems.

- The Group Board has established a Compensation Committee to deal with matters related to the remuneration of Directors and senior management of the Group and to support the Board regarding decisions on these matters. The Compensation Committee's responsibilities include:
  - Developing and making recommendations to the Board regarding the remuneration philosophy, principles, and remuneration system of the Group;
  - Developing and making recommendations to the Board regarding the level of compensation for members of the Board;
  - Approving the individual remuneration packages of each member of the Executive Management Board;
  - Approve yearly achievements within the Leadership Bonus Plan and Group Bonus Plan and, in exceptional circumstances recommend for Board approval any payments at an aggregate level where Group financial objectives have not been achieved.
- The Group has a Code of Conduct that supports the high standards of conduct and ethics it expects from all parts of its businesses, its employees and its supply chain.
- The Group carefully selects only those suppliers that share the same commitment as the Group to reduce the risk of slavery and human trafficking in their own supply chains.
- The Group has regular training through its compliance hub for all appropriate staff on matters relating to:
  - Anti-Bribery, Corruption and Fraud.
  - Code of Conduct.
  - Competition Compliance.
  - Confidential Information.
  - Cybersecurity.
  - Data Protection & Privacy.
  - Export Control.
  - Partner Due Diligence.
  - Modern Slavery.
  - Whistleblowing.

Strategic Report (continued)

Approval

This Strategic Report has been prepared solely to provide additional information to the shareholder to assess the Group's strategies and the potential for those strategies to succeed.

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

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

This Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to CBFI Investment Limited and its subsidiary undertakings when viewed as a whole.

This report was approved by the Board of Directors on 22 May 2023 and signed on its behalf by:

Raymond Bingham
Director

Directors' Report

The Directors present their report on the affairs of the Company, together with the financial statements for the year ended 31 December 2022.

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 2022. Certain Information required to be included in the Directors' report can be found in other sections of the financial statements 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, page 6.
- Principal risks and uncertainties, pages 6 to 10.
- Employment matters, pages 20 to 21.
- Significant events since the Statement of Financial Position date are disclosed in Note 23 in the notes to the financial statements.

Directors

The following Directors served during the financial year:

Ray Bingham
Simon Beresford-Wylie
John Richardson
Michael Trzupek (Appointed 14 October 2022)
Mark Logan (Resigned 14 October 2022)

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.

Basis of preparation

In preparing the financial statements on a going concern basis, the Directors have considered whether the Company can continue in operational existence for a period of at least 12 months from the date of signing the financial statements. This has involved considering and evaluating all conditions and events both positive and negative, that are relevant to the Company's ability to continue as a going concern. The Directors have also taken into consideration the continued availability of funding to the Company from Canyon Bridge.

The continuing conflict between Russia and Ukraine and rising geopolitical and trade tensions across the globe have contributed to global economic instability, volatility in the global financial markets, inflation, and the strengthening of the U.S. dollar relative to other currencies, including British pounds sterling.

Global macroeconomic conditions have negatively impacted the semiconductor industry, including by causing widespread disruptions of supply chains, increased prices for goods and services, labour shortages and delayed or reduced spending on technology products.

The Directors continue to closely monitor macroeconomic developments and to consider how they may directly or indirectly impact on the Company, its business and customers. As noted, cash flow forecasts have been prepared based on assessing a period of at least one year from the date of issuance of the

Directors' Report (continued)

financial statements. The Company has further assessed the sensitivity on cash flows and has considered the actions available to management to maintain sufficient cash flows through a combination of measures including cost reductions and corresponding deferrals in planned capital expenditures.

At 30 April 2023 the Company had cash reserves of £5.1 million and undrawn facilities of £3.0 million against current liabilities of £51.8 million.

As of 31 December 2022, the Company had outstanding borrowings of $25.0 million under an interest-free term loan facility with Canyon Bridge. As disclosed in CBFI's Consolidated Financial Statements, quarterly payments of $5.0 million are made on the loan from Canyon Bridge and as of the date of issuance of CBFI's Consolidated Financial Statements, the Company had outstanding borrowings of $25.0 million under the interest-free term loan facility. At the request of the Company, and in line with the working capital facility terms, the Parent granted a deferral of the fourth quarter payment in 2022 on the grounds of affordability and this deferral remains in place as at the date of signing of these financial statements.

These facilities are contractually repayable on demand, however the Directors have received a letter of support from Canyon Bridge whereby Canyon Bridge will not seek repayment of the facilities for a period of at least 15 months from the date of signing of these financial statements. The only exception being the quarterly repayment schedule in respect of the working capital facility, which is predicated on the repayment being affordable to the Company. Canyon Bridge has also indicated its intent to provide further funding, or support, to the Company should it be required during this 15-month period.

In light of the expected trading performance of the Company and the aforementioned intention of financial support from Canyon Bridge, beyond the formal 12-month period of assessment, the Directors are satisfied as to the Company's ability to continue as a going concern for the foreseeable future and that no material uncertainties have been identified in connection with its ability to continue as a going concern.

Research and development

The continuing cost of research and development expenditure and advanced technology projects charged directly to the Income Statement was £57.3 million (2021: £61.7 million) for continuing operations, net of £13.8 million (2021: £7.1 million) of capitalised development costs. 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 year. The Company 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 are shown in Note 20, 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 2022 and 2021, there were 14,161,291 ordinary shares on issue and all issued shares are fully paid.

Directors' Report (continued)

Dividends

The Directors do not recommend the payment of a dividend (2021: £nil).

Directors' indemnities

All Directors of the Company have the benefit of directors' and officers' liability insurance which was in place from the effective date of the acquisition of Imagination Technologies Group Limited until the end of the financial year. Qualifying third party provisions for the benefit of Directors of the Company were in place during the financial year.

Article 83 of the Company's Articles of Association provides for the indemnification of Directors of the company (i.e., both CBFI and its subsidiaries) below against liability incurred by them in certain situations and is a 'qualifying indemnity provision' within the meaning of section 236 of the Companies Act 2006. The qualifying indemnity was in force during the financial year and up to the date of signing the Annual Report.

Employment Policies

Through its diversity policy, the Company seeks to ensure that every employee, without exception, is treated equally and fairly.

The Company's policies and procedures fully support the hiring and engagement of disabled colleagues and it takes active measures to do so via:

- a robust reasonable adjustment practice;
- modifications and support at interview stage; and
- processes to ensure colleagues are fully supported.

The Company is responsive to the needs of its employees. As such, should any employee of the Company become disabled during their time in employment the Company will actively support that employee and make reasonable adjustments to their working environment where possible, to keep the employee with the Company. It is the policy of the Company that the recruitment, training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee Engagement

The Company engages with its employees on a regular basis and in a number of ways to suit a global workforce. This includes:

- line manager briefings;
- monthly all-hands meetings;
- function and location specific executive led meetings;
- email news alerts;
- employee focus groups; and
- employee social media groups.

The Company's online learning platform has become well embedded since its launch in 2019. This has proved engaging and cost effective in particular during the Covid-19 lockdowns, with colleagues able to continue to grow their skills.

Directors' Report (continued)

The Company did not access government furlough schemes in any of the jurisdictions it operates in during Covid-19 lockdowns.

The Company is keen to encourage employee involvement in the Company's performance through short term and long-term performance related reward. The Company operates a universal annual performance bonus plan and a selective long-term performance reward plan.

Energy and Carbon

As required by that Streamlined Energy and Carbon Reporting (SECR) which came into place on 1st April 2019, the Group has identified its energy and carbon usage in the year ended 31 December 2022 as follows:

The Group has reported on all sources of GHG emissions and energy usage as required under The Large and Medium-Size companies and Groups (Accounts and Reports) regulations 2008 as amended.

Energy Usage

Energy Use (MWh)	**Year ended 31 December 2022**	Year ended 31 December 2021
Natural Gas	**1,207**	2,122
Electricity	**5,720**	6,666
Heating oil & diesel	**86**	N/A
Total	**7,013**	8,788

Carbon Emissions

CO2 Emissions (tCO2e)	**Year ended 31 December 2022**	Year ended 31 December 2021
Direct emissions from Group's operations (combustion of gas - Scope 1)	**270**	431
Indirect emissions from electricity purchase for own use, including for the purposes of transport. (Scope 2)	**521**	300
Emissions from business travel in employee-owned vehicles. Where the Group have reimbursed staff business mileage claims (Scope 3)	**0**	0
Total	**791**	731

Intensity Ratio

CO2 Emissions (tCO2e)	**Year ended 31 December 2022**	Year ended 31 December 2021
Scope 1 & Scope 2 emissions from Electricity and Gas (premises related only) per Full Time Employee (FTE)	**0.86**	0.97

Methodology

Energy figures are based on data from all sites and include electricity and gas where applicable output is in Megawatt hours ("MWh").

The carbon emission figures are calculated in accordance with the Greenhouse gas (GHG) protocol and outputs are in tonnes of carbon dioxide equivalent ("tCO2e") using the most up-to date conversions factors from the Department of Business, Energy & Industrial Strategy (BEIS). Carbon emission figures are premises-related only (gas and electricity).

Directors' Report (continued)

The figures for year ended 31 December 2022 have been calculated by a third-party Carbon Accounting system that uses an up-to-date and comprehensive library of conversion factors. The figures for year ended 31 December 2021 were also calculated by a third-party consultancy. All outputs are in tCO2e.

Energy Efficiency Measures

The Group continues to source 100% renewable energy in locations where it has operational control.

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 BDO LLP will therefore continue in office.

For and on behalf of the Board

Raymond Bingham
Director
22 May 2023

Registered Number: 01306335

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, 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 period. Under that law they have elected to prepare the group financial statements in accordance with UK accounting standards 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 its profit or loss 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, relevant and reliable;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess 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 group or the parent 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 its 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 group and to prevent and detect fraud and other irregularities.

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

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

We confirm that to the best of our knowledge:

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

Independent Auditor's Report

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Imagination Technologies Limited ("the Company") for the year ended 31 December 2022 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit

Independent Auditor's Report (continued)

Other information (continued)

or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework, the Companies Act 2006 and relevant tax compliance legislation.
- We understood how Company is complying with those legal and regulatory frameworks by making enquiries of management and through reviewing legal correspondence. We corroborated our enquiries through our review of board minutes and discussion with management.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it is considered there was a susceptibility of fraud.
- Our audit planning identified fraud risk in relation to management override and risk of fraud in revenue recognition. We obtained an understanding of the processes and controls that the Company has established to address the risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors that processes and controls.
- We designed our audit procedures to detect irregularities, including fraud. Our procedures included journal transaction testing, with a focus on large or unusual transactions based on our knowledge of the business, and challenging the assumptions made by management in their significant accounting estimates. Our audit procedures were designed to provide reasonable assurance that the financial statements were free from material fraud or error.
- With regards to the risk of fraud in revenue recognition, our procedures included assessing whether the revenue recognition policies adopted by the Company comply with accounting standards. We sample tested sales transactions in year to supporting evidence such as contracts, evidence of delivery of the performance obligation and cash receipt from the customer. We checked a sample of revenue transaction amounts recognised around year end against the date the performance obligation was satisfied to check that revenue was recorded in the correct period and deferred revenue was appropriately calculated.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report (continued)

Use of our report

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.

DocuSigned by:
BDO LLP
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Leighton Thomas (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
23 May 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

	Note	Year ended 31 December 2022 £ '000	2021 £ '000
Revenue	3	**120,307**	**111,316**
Expenses			
Research and development expenses	4	**(57,266)**	(61,665)
Sales and marketing expenses		**(8,817)**	(9,048)
General and administrative expenses		**(37,149)**	(28,971)
Other operating income and expenses	4	**2,328**	7,399
Expected credit (losses)/recoveries on trade receivables	15	**(2,057)**	1,502
Finance income	8	**27**	—
Finance expenses	8	**(347)**	(353)
Profit before tax		17,026	**20,180**
Tax (expense)/benefit	9	**(5,790)**	2,248
Profit for the financial year		11,236	**22,428**

The accompanying notes are an integral part of these financial statements.

Statement of Comprehensive Income

	Note	Year ended 31 December 2022 £ '000	2021 £ '000
Profit for the financial year		**11,236**	22,428
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Valuation gains/(losses) on fair value through other comprehensive income equity investments	14	**4,395**	(528)
Total comprehensive income for the financial year		**15,631**	**21,900**

The accompanying notes are an integral part of these financial statements.

Statement of Financial Position

	Note	As of 31 December 2022 £ '000	2021 £ '000
Non-current assets			
Intangible assets	10	**36,553**	20,880
Property, plant and equipment	11	**14,717**	14,008
Right-of-use assets	12	**13,731**	14,341
Deferred tax	9	**5,753**	4,681
Debtors	15	**2,113**	2,200
Investments in subsidiary undertakings	13	**549**	549
Investments	14	**4,969**	573
Total non-current assets		**78,385**	**57,232**
Current assets			
Stock		**—**	293
Debtors	15	**47,887**	32,615
Cash at bank and in hand		**14,386**	55,849
Total current assets		**62,273**	**88,757**
Total assets		**140,658**	**145,989**
Creditors: amounts falling due within one year	16	**(110,982)**	(134,196)
Provisions: amounts falling due within one year	18	**(1,715)**	(1,062)
Net current liabilities		**(50,424)**	**(46,501)**
Total assets less current liabilities		**27,961**	10,731
Creditors: amounts falling due after more than one year	17	**(14,595)**	(13,618)
Provisions: amounts falling due after more than one year	18	**(461)**	(399)
Net assets/(liabilities)		**12,905**	**(3,286)**
Capital and reserves			
Share capital	20	**14,161**	14,161
Capital contribution from Parent	20	**2,387**	1,827
Fair value reserve of financial assets at FVOCI	20	**3,867**	(528)
Accumulated deficit		**(7,510)**	(18,746)
Net equity/(deficit)		**12,905**	**(3,286)**

The accompanying notes are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 22 May 2023 and were signed on its behalf by:

Ray Bingham
Director
Registered Number: 01306335

Statement of Changes in Equity

	Share capital £ '000	Fair value reserve of financial assets at FVTOCI £ '000	Capital contribution from parent £ '000	Accumulated deficit £ '000	Total £ '000
Balance at 1 January 2021	**14,161**	**—**	**711**	**(41,174)**	**(26,302)**
Comprehensive (expense)/income:					
Profit for the year	—	—	—	22,428	22,428
Other comprehensive expense	—	(528)	—	—	(528)
Total comprehensive (expense)/income	**—**	**(528)**	**—**	**22,428**	**21,900**
Contributions by owners					
Share based payments (Note 19)	—	—	1,116	—	1,116
Balance at 31 December 2021	**14,161**	**(528)**	**1,827**	**(18,746)**	**(3,286)**
Comprehensive income:					
Profit for the year	—	—	—	11,236	11,236
Other comprehensive income	—	4,395	—	—	4,395
Total comprehensive income	**—**	**4,395**	**—**	**11,236**	**15,631**
Contributions by owners					
Share based payments (Note 19)	—	—	560	—	560
Balance at 31 December 2022	**14,161**	**3,867**	**2,387**	**(7,510)**	**12,905**

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

Imagination Technologies Limited ("Imagination" or "the Company") is a company incorporated in the UK under the Companies Act 2006. The address of the registered office is given in Note 13. The nature of the company's operations and its principal activities are set out in the strategic report on pages 1 to 17.

The Company, via its direct parent company Imagination Technologies Group Limited, is a subsidiary undertaking of CBFI Investment Limited ("CBFI"). CBFI consolidated the Company in its 31 December 2022 Consolidated Financial Statements. CBFI is controlled by Canyon Bridge Fund I, LP (collectively referred to as the "Parent"). The ultimate parent company is China Venture Capital Fund Corporation Limited. CBFI and its subsidiaries are together herein referred to as the "Group".

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 do not include its subsidiaries.

Basis of preparation

The Company is a private company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the Company's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with Financial Reporting Standard 101 *'Reduced Disclosure Framework'* ("FRS 101").

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

The Company's financial statements are prepared on the historical cost basis and in accordance with the Companies Act 2006. The Company's functional currency and the presentation currency used is British pounds sterling ("GBP").

There are no new accounting policies which would have a significant impact in the current year.

The following principal accounting policies have been applied consistently throughout the year and preceding year in dealing with items which are considered material in relation to the Company's financial statements. The financial statements are prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

In preparing these financial statements the company has taken advantage of certain disclosure exemptions conferred by FRS 101 and has not provided:

- A Statement of Cash Flows and related disclosures
- A statement of compliance with IFRS (a statement of compliance with FRS 101 is provided instead)
- Additional comparative information for narrative disclosures and information, beyond IFRS requirements
- Disclosure of the effect of future accounting standards not yet adopted
- Related party transactions with wholly owned members of the group

In addition, and in accordance with FRS 101, further disclosure exemptions have been applied because equivalent disclosures are included in the Consolidated Financial Statements of CBFI. These financial statements do not include certain disclosures in respect of:

Notes to the Financial Statements (continued)

- Financial Instrument disclosures as required by IFRS 7 *Financial Instruments: Disclosures*
- Fair value measurements – details of the valuation techniques and inputs used for fair value measurement of assets and liabilities as per paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement*.

Basis of measurement

The financial statements are prepared on the historical cost basis, except for investments and financial instruments which have been stated at fair value in accordance with IFRS 9.

Going concern

The Company was acquired by CBFI, an entity controlled by Canyon Bridge Fund I, LP in 2017.

In determining the appropriate basis of preparation for the Company's financial statements, the Directors have considered the position of its principal trading subsidiary, Imagination Technologies Limited, the disclosures provided by its immediate parent undertaking, CBFI and the support provided by Canyon Bridge as to whether it can continue as a going concern.

The Consolidated Financial Statements of CBFI for the year ended 31 December 2022 include the following disclosure:

"The Consolidated Financial Statements of CBFI have been prepared on a going concern basis. The going concern basis of presentation assumes that CBFI will continue in operation for at least a period of one year after the date of signing of the Consolidated Financial Statements and contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business.

In preparing the Consolidated Financial Statements of CBFI on a going concern basis, the Directors have considered whether CBFI can continue in operational existence for a period of at least 12 months from the date of signing of the Consolidated Financial Statements. This has involved considering and evaluating all conditions and events both positive and negative, that are relevant to CBFI's ability to continue as a going concern for a period of 12 months post signing for the purpose of these Consolidated Financial Statements. The Directors have also taken into consideration the continued availability of funding to CBFI from Canyon Bridge.

The continuing conflict between Russia and Ukraine and rising geopolitical and trade tensions across the globe have contributed to global economic instability, volatility in the global financial markets, inflation, and the strengthening of the U.S. dollar relative to other currencies, including British pounds sterling.

Global macroeconomic conditions have negatively impacted the semiconductor industry, including by causing widespread disruptions of supply chains, increased prices for goods and services, labour shortages and delayed or reduced spending on technology products.

The Directors continue to closely monitor macroeconomic developments and to consider how they may directly or indirectly impact on CBFI and its business and customers. As noted, cash flow forecasts have been prepared based on assessing a period of at least one year from the date of issuance of the Consolidated Financial Statements. The Company has further assessed the sensitivity on cash flows and has considered the actions available to management to maintain sufficient cash flows through a

Notes to the Financial Statements (continued)

combination of measures including cost reductions and corresponding deferrals in planned capital expenditures.

At 30 April 2023 the Group had cash reserves of £6.7 million and undrawn facilities of £3.0 million against current liabilities of £627.3 million (primarily £571.6 million of loans payable to its parent Canyon Bridge).

As of 31 December 2022, the Group had outstanding borrowings of $25.0 million under an interest-free term loan facility with Canyon Bridge. As disclosed in the Consolidated Financial Statements, quarterly payments of $5.0 million are made on the loan from Canyon Bridge and as of the date of issuance of the Consolidated Financial Statements, the Group had outstanding borrowings of $25.0 million under the interest-free term loan facility. At the request of the Company, and in line with the working capital facility terms, the Parent granted a deferral of the fourth quarter payment in 2022 on the grounds of affordability and this deferral remains in place as at the date of signing of these Consolidated Financial Statements.

As set out in Note 15 these facilities are contractually repayable on demand, however the Directors have received a letter of support from Canyon Bridge whereby Canyon Bridge will not seek repayment of the facilities for a period of at least 15 months from the date of signing of these Consolidated Financial Statements. The only exception being the quarterly repayment schedule in respect of the working capital facility, which is predicated on the repayment being affordable to the Group. Canyon Bridge has also indicated its intent to provide further funding, or support, to CBFI should it be required during this 15-month period.

In light of the expected trading performance of the Group and the aforementioned intention of financial support from Canyon Bridge, beyond the formal 12-month period of assessment, the Directors are satisfied as to CBFI's ability to continue as a going concern for the foreseeable future and that no material uncertainties have been identified in connection with its ability to continue as a going concern."

The Directors have received a written support letter from Canyon Bridge Fund I, LP that the intention of support referred to above in respect of CBFI is also provided by Canyon Bridge to the Company. On the basis of this intention of financial support from Canyon Bridge, the Directors are satisfied as to Company's ability to continue as a going concern for the foreseeable future and that no material uncertainties have been identified in connection with its ability to continue as a going concern.

Revenue

Revenue comprises the value of consideration received for sales of licenses to our IP, royalties arising from the resulting sale of customers' products incorporating our IP and support and maintenance services. Substantially all of our revenue is derived or denominated in U.S. dollars, regardless of where the customer is located. Contracts the Company enters into often promise various goods or services, and therefore at inception these promises are assessed to determine whether they are distinct, whereby the customer can benefit from the good or service either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, where the transfer of the good or service is separately identifiable from other promises in the contract and should be accounted for as separate performance obligations.

Notes to the Financial Statements (continued)

Revenues from the sale of goods are recognised upon delivery. Revenue is accounted for net of VAT.

Licensing revenue

Where an agreement involves several performance obligations, the total fee is allocated to individual performance obligations based on their relative standalone selling price. The standalone selling price 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 value relationship to the license fee as specified within the underlying contract, or the excess of the total transaction price over the sum of the observable stand-alone selling prices of other goods or services promised in the agreement.

Revenue from standard licenses, which delivers 'off the shelf' intellectual property ("IP") that requires very little customisation, is recognised at a 'point-in-time' on delivery to the customer.

Revenue associated with rights in license agreements to access unspecified current and future IP is recognised 'over-time' on a straight-line basis over the contract period upon meeting the following criteria:

(a) the contract requires, or the customer reasonably expects, that the Company will undertake activities that significantly affect the IP to which the customer has rights;
(b) the rights granted by the license directly expose the customer to any positive or negative effects of the Company's activities identified; and
(c) those activities do not result in the transfer of a good or a service to the customer as those activities occur.

Where invoicing milestones on license or development arrangements are such that the proportion of work performed is greater than the proportion of the total contract value which has been invoiced, the 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.

Where contracts contain variable consideration, there is judgment involved in determining the total transaction price the Company expects to receive for delivery of its services. Variability in consideration can arise from contractual or other factors and, for relevant contracts, the Company has estimated the total revenues it expects to realise under the expected value method to ensure it is highly probable there is no significant reversal of cumulative revenue in a future period. Where such contracts are spread across multiple periods the Company revisits the judgments made at each reporting date and adjusts the total transaction price accordingly. These estimates involve the Company assessing the status of the contracted arrangements, services delivered to the customer, any history of price concessions made to the customer or on similar contracts, and any other relevant factors.

Notes to the Financial Statements (continued)

Revenue for services and maintenance is recognised 'Over-Time' on a straight-line basis over the period for which the services and maintenance are contractually agreed with the licensee, as the customer simultaneously receives and consumes the services as the Company performs them.

Royalty revenue

Royalty revenues are earned on the sale by licensees of products containing the Company's technology. Revenues are recognised at a 'Point-in-Time' as they are earned to the extent that the Company has sufficient evidence of sales of products containing the Company's technology by licensees. Royalties are calculated on a per unit basis by applying the number of units shipped by the licensees to the royalty rates, as specified in the agreements with the licensees. The Company receives the actual unit shipment data from its customers after the end of each quarter. Prior to receiving the quarterly shipment statements from the licensee, royalty revenues are recognised based on the Company's estimation of the customer's units shipped during the quarter.

Contract assets and liabilities

Contract assets relate to the Company's estimate of accrued royalty revenue, and an amount of accrued license revenue. Regarding royalties, this revenue is invoiced (and transferred to receivables) once the quarterly royalty return is formally received from the customer. Regarding license revenue, this revenue is invoiced (and transferred to receivables) when the customer is invoiced according to the invoicing timetable in the contract. The Company assesses loss allowance for contract assets in accordance with IFRS 9.

Contract liabilities primarily relate to the advance consideration invoiced to customers relating to subscriptions, support and maintenance or licensing revenue, most of which are recognised over the forthcoming 12 to 36 months.

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

Research and development costs

Costs of basic and applied research are expensed in the period in which they are incurred by the Company.

Where an intellectual property product is technically feasible, production and sale are intended, an end market for the intellectual property product exists and a draft contract with customers is in place or pending completion, costs can be measured reliably, and sufficient resources are available to complete the project, then research and development costs are capitalised and amortised on a straight-line basis over the estimated useful life of 4 to 10 years of the intellectual property product.

Directly attributable costs that are capitalised include employee costs. No other costs or overheads have been capitalised. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

The cost of obtaining patents for the Company's technology in individual jurisdictions is capitalised. The costs predominantly relate to legal expense associated with completing the patent application process, amortised over approximately ten years.

Notes to the Financial Statements (continued)

Employee benefits

The Company contributes to a defined contribution pension plan. Payments are charged to the Income Statement in the period to which they relate.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

In 2020, Canyon Bridge International Holding Investment Limited ("CBIHIL"), of which the Company is a wholly owned subsidiary, and which is a subsidiary of the Parent, granted equity incentive shares, designated as A and B Class Growth Shares of CBIHIL ("Growth Shares"), to certain of the Company's executive officers and other personnel of the Company to provide additional discretionary incentives for such executive officers and other personnel. Participation in the scheme is at the Board of Directors' and the Company's controlling shareholder's discretion, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Under the arrangement for the issuance of Growth Shares, CBIHIL is settling the transaction by the issue of its shares and services being received by the Company. Moreover, the arrangement does not include a cross charge for the expenses between the Company and CBIHIL, i.e., it is understood that CBIHIL is not recovering the cost to be incurred for issuing Growth Shares to the Company; and the Company does not have any obligation to settle the share-based payment transaction where the obligation primarily sits with CBIHIL. Therefore, the share-based payment transaction is expected to be classified as equity-settled based on the provisions of IFRS 2, thereby recognising a corresponding increase in equity as a contribution from the Parent.

The fair value is measured at grant date and is determined using an appropriate valuation model, further details of which are given in Note 19.

The total amount to be expensed is determined by reference to the fair value and considers the following:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. As the end of each period, the Company revises its estimates of the entitlements that are expected to vest based on the non-market vesting and service conditions. It recognises the impact on the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

The total expense recognised in the year ended 31 December 2022 was £0.6 million (2021: £1.1 million), which has been allocated to research and development, sales and marketing and general and administrative expenses, with a corresponding increase in equity within capital contribution from Parent.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provisions for impairment.

Notes to the Financial Statements (continued)

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Company uses a Black-Scholes valuation model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Periodically, in accordance with IFRIC 23, the Company evaluates its tax return positions with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The Company receives significant government tax incentives including, in the United Kingdom, the Research and Development Expenditure Credit ("RDEC"). RDEC is a research and development ("R&D") tax credit incentive offered by the UK government to promote private sector investment in innovation. The expenditure credit is calculated as a percentage of qualifying R&D expenditure. The percentage increases to 20% from 1 April 2023 (13% previously). This benefit is recorded as income included in profit before tax as a component of other operating income. The credit is taxable at the normal Corporation Tax rate and is offset against tax liability or, in some circumstances, is payable in cash. The recoverability of the RDEC as it relates to future deferred tax asset recognition is recorded in current tax expense. To the extent that the RDEC relates to capitalised development expenses, a corresponding deferred income credit is recognised in contract liabilities and released over the useful life of the capitalised asset through other operating income.

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

Deferred tax is provided using the statement of financial position liability method on any temporary differences between the carrying amounts for financial reporting purposes and those for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the Statement of Financial Position date. Deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction (other than a business combination) that affects neither the accounting nor the taxable profit or loss.

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

Notes to the Financial Statements (continued)

Foreign exchange

Transactions in foreign currencies are translated to the functional currencies of the Company at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at rates of exchange ruling at the Statement of Financial Position date. Exchange gains and losses are taken to the Income Statement.

Intangible assets

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. When the Company makes an acquisition, management reviews the business and assets acquired to determine whether any intangible assets should be recognised separately from goodwill. Fair value of the intangible assets is assessed using a market participant approach. The Company utilises the income-based approach when reliable future cash flows are available. Alternatively, the cost approach or market approach are utilised.

The amortisation rates applied are:

Developed technology (including capitalised development costs)	4 to 10 years
Software, patents & trademarks	2 to 15 years

Investments

Upon initial recognition, the Company can elect to irrevocably classify its equity investments as equity instruments designated at fair value through other comprehensive income ("FVTOCI") when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Equity investments are classified at FVTOCI and are stated on the Statement of Financial Position at the fair value at the Statement of Financial Position date, with any gain or loss being recognised directly in the Statement of Comprehensive Income.

At initial recognition, the Company measures trade investments at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Gains and losses on these financial assets resulting from subsequent remeasurement are never recycled to profit or loss. 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. Equity instruments designated at FVTOCI are not subject to impairment assessment. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is reclassified to retained earnings.

The Company elected to classify irrevocably its non-listed equity investment in HeXinDa (as defined and discussed in Note 14) under this category.

The Company is exposed to equity securities price risk on strategic equity investments 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 investment is in the best interests of the Company. Funds for such ventures are

Notes to the Financial Statements (continued)

limited in order that the financial effect of any potential decline of the value of investments will not be substantial in the context of the Company's financial results.

Property, plant and equipment

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

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

Freehold land	No depreciation
Freehold buildings	25 years
Leasehold improvements	Equally over the period of the lease
Plant and equipment	3 to 10 years

Impairment

Non-financial assets

Goodwill has an indefinite useful life, is not subject to amortisation and is tested annually for impairment. Assets that are subject to amortisation 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 CGU 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 CGU.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying value of the asset or CGU is reduced to its recoverable amount.

Impairment losses are recognised immediately in the Income Statement.

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

Financial assets

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

Notes to the Financial Statements (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the Income Statement.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of less than or equal to three months. As of 31 December 2022, the Company had access to a £3.0 million overdraft facility, which was undrawn at that date. This facility is subject to review and renewal annually in October.

Inventories — consumables

Inventories are measured at the lower of cost and net realisable value. Cost comprises all cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of inventory on actual cost basis. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Provisions

A provision is recognised in the Statement of Financial Position 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.

Dividends

Dividend distributions to the Company's ordinary shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for

Notes to the Financial Statements (continued)

transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value, and trade receivables that do not contain a significant financing component, which are measured at the transaction price in accordance with IFRS 15.

Subsequent measurement of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement of financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through profit or loss ("FVTPL"); and
- fair value through other comprehensive income ("FVTOCI").

The classification is determined by both:

- the Company's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in the Income Statement are presented within finance costs or finance income, except for impairment of trade receivables which is presented within operating expenses.

Financial assets at amortised cost

The Company's financial assets measured at amortised cost include cash, trade and other receivables.

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated at FVTPL):

- they are held within the business model whose objective is to hold the financial asset and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Impairment

The Company assesses, on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Company applies the simplified approach permitted by IFRS 9 and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Notes to the Financial Statements (continued)

Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Individually significant receivables and contract assets are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables and contract assets that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

In measuring the expected credit losses, the receivables and contract assets have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographic location of customers.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are comprised of derivative financial instruments that are designated and effective as hedging instruments, are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments

Derivative financial instruments held by the Company are forward foreign exchange contracts which are accounted for at FVTPL. The asset or liability position of the derivative at the reporting date is recorded within Trade and other receivables or Trade and other payables on the Statement of Financial Position.

Leased assets

The Company considers whether a contract is or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration." To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use.

The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Notes to the Financial Statements (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the Statement of Financial Position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

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

On the Statement of Financial Position, right-of-use assets and lease liabilities have been disclosed separately.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity instruments.

Segmental reporting

In reviewing the operational performance of the Company and allocating resources, the chief operating decision maker ("CODM") of the Company, which is the Company's Executive Management Board ("EMB"), reviews selected items of the Income Statement, including profit before tax and EBITDA, and the Statement of Financial Position.

Notes to the Financial Statements (continued)

No information is reviewed by the CODM at a level below the Company level. The CODM therefore considers the whole Company as a single operating and reportable segment and it monitors operations, make decisions on fund allocation, and evaluates performance based on this single operating segment. The CODM reviews relevant financial data on a combined basis for all subsidiaries. The Company's revenue, results, and assets for this one reportable segment can be determined by reference to the Income Statement, including profit before tax and EBITDA, and the Statement of Financial Position.

Changes in accounting policies

New and amended IFRS standards that are effective for the current year

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2022.

Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37)

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Company has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract - e.g., direct labour and material; and
- An allocation of other costs that relate directly to fulfilling contracts: e.g., Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

The Company does not have any onerous contracts.

Property, plant and equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss.

These amendments had no impact on the year-end financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Annual improvements to IFRS standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 & IAS 41)

- IFRS 1: Subsidiary as a First-time Adopter (FTA)
- IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial liabilities

Notes to the Financial Statements (continued)

- IAS 41: Taxation in Fair Value Measurements

References to Conceptual Framework (Amendments to IFRS 3)

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

New and revised IFRS standards in issue but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the period beginning 1 January 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Company is currently assessing the impact of these new accounting standards and amendments. The Directors expect to apply these standards from the effective date.

2. Significant accounting judgments and estimates

In applying the Company's accounting policies described above, management has made the following judgments and estimates that have a significant impact on the amounts recognised in the financial statements.

Revenue recognition

Judgment is involved in determining how many performance obligations are in a license agreement and how to allocate fair value to these obligations. This is because contracts often contain options, and therefore there is judgment in determining whether these create material rights resulting in additional performance obligations. Management determines performance obligations which are capable of being distinct and distinct in the context of each contract.

For certain contracts there is judgment involved in determining the total transaction price the Company expects to receive for delivery of its services. Variability in consideration can arise from contractual or other factors and, for relevant contracts, the Company has estimated the total revenues it expects to realise to ensure it is highly probable there is no significant reversal of cumulative revenue in a future period. Where such contracts are spread across multiple periods the Company revisits the judgments made at each reporting date and adjusts the total transaction price accordingly. These estimates involve

Notes to the Financial Statements (continued)

the Company assessing the status of the contracted arrangements, services delivered to the customer, the relationship with the customer and any other relevant factors.

Judgment is also involved in determining the transaction price of a license agreement that contains variable consideration and how to allocate the transaction price to the identified performance obligations based on the standalone selling price of each performance obligation.

Where contracts contain variable consideration, there is judgement involved in determining the total transaction price the Company expects to receive for delivery of its services. The Company has estimated the total revenues it expects to realise under the expected value method to ensure it is highly probable there is no significant reversal of cumulative revenue in a future period. Where such contracts are spread across multiple periods, the Company revisits the judgements made at each reporting date and adjusts the total transaction price accordingly. These estimates involve the Company assessing the status of the contracted arrangements, services delivered to the customer, and any history of price concessions made to the customer or on similar contracts and any other relevant factors.

Once the transaction price has been determined, there is judgment involved in the allocation of the transaction price based on the standalone selling price of each performance obligation in the assessment of whether a standalone selling price is observable based on prices regularly charged for the performance obligation when it is sold separately or whether a residual method should be applied by allocating the excess of the total transaction price over the sum of the observable standalone selling prices of the other goods or services promised in the agreement.

Capitalisation of development costs

The Company invests on a continual basis in the development of new and enhanced features in products. There is a continual process of enhancements to and expansion of the overall product line. Judgment is required in assessing whether the development costs meet the criteria for capitalisation. Management evaluates, among other factors, whether there are future economic benefits beyond the current period, the stage at which technical feasibility has been achieved, management's intention to complete and use or sell the product, the likelihood of success, availability of technical and financial resources to complete the development phase, and management's ability to measure reliably the expenditure attributable to the project.

During the year ended 31 December 2022, management continued to capitalise development expenditure directly attributable to remuneration and associated costs of employment and development costs of £13.8 million (2021: £7.1 million) were capitalised, which represented approximately 21.5% of total research and development remuneration costs. Further information regarding the accounting policy for research and development is detailed in Note 1.

Determination of Cash-Generating Units

Identifying CGUs is the first step in carrying out impairment reviews as this establishes the level of aggregation at which impairment reviews would normally be carried out. An impairment test must be done at the lowest level of independent cash inflows, which are cash flows received from external parties. The independence of cash flows will be indicated by various factors, for example, how management

Notes to the Financial Statements (continued)

monitors an entity's operations, or how management makes decisions about continuing or disposing of an entity's assets and operations.

As of 31 December 2022, the Directors have assessed the Company's entire business as a single CGU.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

The Company based its assumptions and estimates on the parameters available at the time of preparation of the financial statements. Existing circumstances and assumptions about future developments, however, may, change due to market changes or circumstances arising that are beyond the control of the Company. Such changes will be reflected in the assumptions when they occur.

Impairment of goodwill

Goodwill arising on acquisition is allocated to CGUs expected to benefit from the combination's synergies and represents the lowest level at which goodwill is monitored for internal management purposes and generates cash flows which are independent of other CGUs.

The recoverable amount of the CGU to which goodwill has been allocated is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. Where the carrying values exceed the estimated recoverable amount, the assets or CGUs are written down to their recoverable amount. The recoverable amount is the greater of net selling price and Value in Use ("VIU"). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Impairment losses if any are recognised in the Income Statement in the general and administrative expenses line item.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Company uses a Black-Scholes valuation model. The assumptions and models used for estimating fair value for share-based payment transactions are set out in Note 19.

Notes to the Financial Statements (continued)

Leases

There are a number of uncertainties and judgments in determining the application of the requirements of IFRS 16. These include the following judgments:

- calculating the appropriate discount rate;
- estimating the lease term; and
- estimating variable lease payments dependent on an index or rate.

The Directors have determined the best estimates of the above, based on facts and circumstances that have been identified. For example, where there are lease extensions included within agreements that are not conditional on the agreement of both parties, it is assumed that these will be exercised if they fall within three years of the Statement of Financial Position date. Lease options after this date are deemed sufficiently far enough into the future that alternative arrangements could be made.

Determination of the appropriate discount rate to use has considered market data (corporate bonds rate), inflation and other country-risk factors applicable to the Company.

Taxation

A deferred tax asset 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. Therefore, the ultimate realisability of deferred tax assets for the Company is contingent upon the estimates regarding the future profitability of the Company, which is judgmental given the Company's recent history of being loss making while taking into consideration profit recorded in the current year.

The use of losses is restricted to 50% of taxable profits over £5.0 million resulting in a spreading of losses across periods where brought forward losses are over £5.0 million. The value of the deferred tax asset recognised as of 31 December 2022 was £5.8 million (2021: £4.7 million). In order to support the recognition of the deferred tax asset on losses, modelling was undertaken to review the recovery period of the deferred tax asset. The modelling was based on management forecasts and showed that the deferred tax asset recognised on losses is expected to be recovered by 2024. No deferred tax asset has been recognised for forecast profits beyond 2024 due to the higher level of uncertainty of such profits in the future.

The estimates take account of the inherent uncertainties constraining the expected level of profit as appropriate. Changes in these estimates will affect future profits and therefore the recoverability of the deferred tax assets. The value of the unrecognised deferred tax assets as of 31 December 2022 was £32.1 million (2021: £31.5 million).

See Note 9 for further details in respect of deferred taxation balances and recognition.

Fair value measurement

A number of assets and liabilities included in the Company's financial statements require measurement at and disclosure of fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value

Notes to the Financial Statements (continued)

measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e., not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

The Company measures a number of items at fair value:

- Investments (Note 14)
- Financial instruments

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

3. Revenue from contracts with customers

(i) Disaggregation of revenue

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

	Year ended 31 December	
	2022 £ '000	2021 £ '000
Major product/service lines		
Licencing	**91,414**	87,997
Royalties	**28,893**	23,319
Total	**120,307**	**111,316**
Primary geographical markets by customers		
United States of America	**50,018**	44,309
China	**43,878**	38,527
Japan	**14,741**	13,637
Rest of world	**11,670**	14,843
Total	**120,307**	**111,316**
Timing of transfer of goods or services		
Products and services transferred at a point in time	**76,913**	70,212
Products and services transferred over time	**43,394**	41,104
Total	**120,307**	**111,316**

The two largest customers, accounted for 31.4% and 11.3% respectively, of revenue for the year ended 31 December 2022 (2021: two customers contributed 30.0% and 10.1% respectively).

Notes to the Financial Statements (continued)

(ii) Contract balances

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

		As of 31 December	
		2022	2021
	Note	£ '000	£ '000
Trade receivables, net	15	**6,119**	2,907
Contract assets	15	**18,543**	17,373
Contract liabilities - current		**(7,861)**	(14,235)
Contract liabilities - non-current		**(2,160)**	(742)

A reconciliation of contract asset and contract liabilities is below:

	Contract assets	Contract assets	Contract liabilities	Contract liabilities
	2022	2021	2022	2021
	£ '000	£ '000	£ '000	£ '000
As of 1 January	**17,373**	**12,538**	**(14,997)**	**(9,919)**
Transfers in the period from contract assets to trade receivables	**(17,373)**	(12,538)	**—**	—
Amounts included in contract liabilities that were recognised as revenue during the period	**—**	—	**14,997**	9,919
Revenue recognised for the period not yet invoiced	**18,543**	17,373	**—**	—
Cash received (or rights to receive) for revenue not yet recognised	**—**	—	**(10,021)**	(14,977)
As of 31 December	**18,543**	**17,373**	**(10,021)**	**(14,977)**

Revenue from contracts with customers

The contract assets relate to the Company's estimate of accrued royalty revenue, and an amount of accrued licence revenue. Regarding royalties, this revenue is invoiced (and transferred to receivables) once the quarterly royalty return is formally received from the customer. Regarding licence revenue, this revenue is invoiced (and transferred to receivables) when the customer is invoiced according to the invoicing timetable in the contract.

The contract liabilities primarily relate to the advance consideration invoiced to customers relating to subscriptions, support and maintenance or licencing revenue – most of which are recognised over the next 12-36 months.

During 2021, royalty revenue of £1.5 million was released relating to advance royalties paid (and recognised as deferred revenue) in the prior period. No similar such amounts were released in the year ended 31 December 2022.

(iii) Transaction price allocated to the remaining performance obligations.

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. IFRS 15 requires disclosure

Notes to the Financial Statements (continued)

based on the time bands that would be most appropriate for the duration of the remaining performance obligations. The Company uses a one-year time band.

	1 year	2 years	3 years	4 years+
	£ '000	£ '000	£ '000	£ '000
Year ended				
2022	**62,503**	**8,031**	**3,742**	**8,922**
2021	71,238	47,055	5,946	3,723

The Company applies the practical expedient in IFRS 15.121 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

There are certain customer contracts which require greater judgement than compared to other contracts the Company entered in to. These have required a best estimate from management of the total transaction price receivable, currently resulting in a constraining of revenues. If these constraints were removed, licencing revenue in 2022 would have been approximately £8.4 million higher (2021: £18.6 million) than the recognised licencing revenue in the Income Statement.

Of these contracts at the Statement of Financial Position date, in the Statement of Financial Position there is associated accrued income of £7.6 million (2021: £5.1 million) and £nil associated deferred income (2021: £nil).

(iv) Contract costs

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

Revenue from individual customers that represents more than 10% of the Company's total revenue for the period have a total value of approximately £51.8 million (2021: £44.5 million). The customers' countries of domicile are USA and Japan.

4. Operating income and expenses

Included in operating income and expense accounts are the following items:

	Year ended 31 December	
	2022	2021
	£ '000	£ '000
Depreciation and amortisation of tangible and intangible assets	**7,429**	6,166
Loss on disposal of fixed assets	**—**	556
Net foreign exchange gain	**(3,608)**	(942)
Research and development	**57,266**	61,665
	61,087	**67,445**

Notes to the Financial Statements (continued)

Other operating income and expenses

	Year ended 31 December	
	2022	2021
	£ '000	£ '000
Other operating income		
Research and Development Expenditure Credits	**6,329**	9,018
Total other operating income	**6,329**	**9,018**
Other operating expenses		
Change in fair value on foreign currency forward exchange contracts	**(4,001)**	(1,619)
Total other operating expenses	**(4,001)**	**(1,619)**
Total other operating income and expenses	**2,328**	**7,399**

Other operating income arises from the significant government tax incentives received by the Company including, in the United Kingdom, Research and Development Expenditure Credits ("RDEC"). Since this is not considered to be part of the main revenue generating activities, the Company presents this income separately from revenue.

Other operating expenses arise from the change in fair value on forward foreign exchange contracts .

5. Auditor's remuneration

	Year ended 31 December	
	2022	2021
	£ '000	£ '000
Fees for the audit of the Group	**333**	200
Other assurance services	—	—
Total	**333**	**200**

6. Employees

The number of persons employed by the Company (including Directors) was:

	Year ended 31 December	
	2022	2021
	£ '000	£ '000
Research and development	**463**	436
Administration	**78**	70
Sales and marketing	**18**	18
Total	**559**	**524**

Notes to the Financial Statements (continued)

The aggregate payroll costs of these persons were:

	Year ended 31 December 2022 £ '000	Year ended 31 December 2021 £ '000
Wages and salaries	**46,890**	47,974
Social security costs	**5,113**	5,460
Pension costs	**2,984**	2,655
Share-based payments	**560**	1,116
Other staff costs	**2,955**	2,024
Total	**58,502**	**59,229**

7. Directors' remuneration

	Total 2022 £ '000	*Highest paid director* *2022* £ '000	Total 2021 £ '000	*Highest paid director* *2021* £ '000
Directors' remuneration	**2,476**	**1,059**	1,701	631
Pension contributions	**70**	**26**	36	22
Total	**2,546**	**1,035**	**1,737**	**653**

8. Finance income and expense

	Year ended 31 December 2022 £ '000	Year ended 31 December 2021 £ '000
Finance income		
Interest received on bank deposits	**27**	—
Total finance income	**27**	**—**
Finance expense		
Interest expense on lease liabilities	**(347)**	(353)
Total finance expense	**(347)**	**(353)**

9. Taxation

Analysis of tax charge for the year:

	Year ended 31 December 2022 £ '000	Year ended 31 December 2021 £ '000
Current tax expense		
U.K. corporation tax expense	**—**	233
Foreign withholding tax	**5,426**	3,406
Derecognition/(recognition) of RDEC tax assets	**1,433**	(1,649)
Adjustments in respect of prior periods	**3**	443
Total current tax expense	**6,862**	**2,433**
Deferred tax benefit		
Origination and reversal of temporary differences	**(1,072)**	(4,681)
Total income tax expense/(benefit)	**5,790**	**(2,248)**

Notes to the Financial Statements (continued)

The total tax charge for the year of £5.8 million (2021: benefit £2.2 million) differs from the standard rate of corporation tax in the UK of 19.0% as explained below:

	Year ended 31 December 2022 £ '000	Year ended 31 December 2021 £ '000
Profit before income taxes	**17,026**	20,180
Expected tax charge based on the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	**3,235**	**3,834**
Tax effect of:		
Income not taxable for tax purposes	**(505)**	(760)
Tax effect of expenses that are not deductible for tax purposes	**142**	547
Tax effect of fixed asset timing differences	**122**	(364)
Adjustments to brought forward balances	**2**	443
Permanent differences	**(1,031)**	(647)
Utilisation of losses brought forward	**—**	(1,183)
Movement in unrecognised deferred tax	**(3,363)**	(5,875)
Withholding tax	**5,426**	3,406
Derecognition/(recognition) of RDEC tax assets	**1,761**	(1,649)
Total income tax expense/(benefit)	**5,790**	**(2,248)**

Current tax

RDEC recorded as other operating income in 2022 was £6.3 million (2021: £9.0 million — £6.7 million related to the 2021 claim and £2.3 million related to prior year claims submitted in 2021).

Deferred tax

The movement on the deferred tax account is as follows:

	As of 31 December 2020 £ '000	Recognised in consolidated income statement £ '000	Recognised in equity and reserves £ '000	As of 31 December 2021 £ '000
Tax losses	—	5,181	—	**5,181**
Fixed asset taxable differences	—	(500)	—	**(500)**
	—	**4,681**	—	**4,681**

	As of 31 December 2021 £ '000	Recognised in consolidated income statement £ '000	Recognised in equity and reserves £ '000	As of 31 December 2022 £ '000
Tax losses	**5,181**	(2)	—	**5,179**
Fixed asset taxable differences	**(500)**	1,074	—	**574**
	4,681	**1,072**	—	**5,753**

Deferred tax assets have been recognised against the deferred tax liabilities arising on fixed asset taxable differences on the basis that there is a legal right of offset of these assets against the deferred tax liabilities, the asset and liability have been offset on the face of the Statement of Financial Position.

Notes to the Financial Statements (continued)

The cumulative carryforward value of losses as of 31 December 2022 was £114.7 million (2021: £108.9 million). The value of the unrecognised deferred U.K. tax asset as of 31 December 2022 was £32.1 million (2021: £31.5 million).

None of the recognised tax assets or liabilities expire.

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

Factors affecting future tax charge

The Finance Bill 2021 amended the main rate of U.K. corporation tax to 25%. This main rate of corporation tax and marginal relief will be relevant for any asset sales or timing differences expected to reverse on or after 1 April 2023. The new law was considered substantively enacted on 24 May 2021. Deferred tax has therefore been calculated at a hybrid rate where necessary, reflecting the 19% rate to still be in place for the first three months of 2023 and the 25% rate thereafter.

10. Intangible assets

	Development costs £ '000	Developed technology £ '000	Software, patents and trademarks £ '000	Total £ '000
Cost				
At 1 January 2021	—	17,875	19,944	37,819
Additions	7,083	—	4,029	11,112
At 31 December 2021	**7,083**	**17,875**	**23,973**	**48,931**
Additions	13,810	—	5,354	19,164
Disposals	—	—	(1,507)	(1,507)
At 31 December 2022	**20,893**	**17,875**	**27,820**	**66,588**
Amortisation				
At 1 January 2021	—	17,875	8,293	26,168
Charge for the period	20	—	1,863	1,883
At 31 December 2021	**20**	**17,875**	**10,156**	**28,051**
Charge for the period	1,027	—	2,254	3,281
Disposals	—	—	(1,297)	(1,297)
At 31 December 2022	**1,047**	**17,875**	**11,113**	**30,035**
Net book value at 1 January 2021	—	—	11,651	11,651
Net book value at 31 December 2021	7,063	—	13,817	20,880
Net book value at 31 December 2022	**19,846**	**—**	**16,707**	**36,553**

Notes to the Financial Statements (continued)

11. Tangible fixed assets

Property, plant and equipment

	Freehold land and buildings £ '000	Leasehold improvements £ '000	Plant and equipment £ '000	Total £ '000
Cost				
At 1 January 2021	11,694	1,172	25,918	38,784
Additions	—	1,177	1,236	2,413
Reclass between asset classes		240	(337)	(97)
Disposals	—	—	(1,229)	(1,229)
At 31 December 2021	**11,694**	**2,589**	**25,588**	**39,871**
Additions	—	386	2,601	2,987
Disposals	—	(746)	(14,390)	(15,136)
At 31 December 2022	**11,694**	**2,229**	**13,799**	**27,722**
Amortisation				
At 1 January 2021	2,050	1,047	21,234	24,331
Charge for the period	391	131	1,684	2,206
Reclass between asset classes	—	221	(221)	—
Disposals	—	—	(674)	(674)
At 31 December 2022	**2,441**	**1,399**	**22,023**	**25,863**
Charge for the period	391	318	1,569	2,278
Disposals	—	(746)	(14,390)	(15,136)
At 31 December 2022	**2,832**	**971**	**9,202**	**13,005**
Net book value at 1 January 2021	9,644	125	4,684	14,453
Net book value at 31 December 2021	9,253	1,190	3,565	14,008
Net book value at 31 December 2022	**8,862**	**1,258**	**4,597**	**14,717**

The net book value of freehold land and buildings comprises:

	As of 31 December	
	2022 £'000	2021 £'000
Land	1,101	1,101
Buildings	7,761	8,152
	8,862	**9,253**

Notes to the Financial Statements (continued)

12. Right-of-use assets

	Leasehold buildings £ '000	Plant and equipment £ '000	Total £ '000
As of 1 January 2021	**16,618**	**—**	**16,618**
Additions	523	1,073	1,596
Depreciation	(1,729)	(348)	(2,077)
Disposals	(1,808)	—	(1,808)
Foreign exchange movements	12		12
As of 31 December 2021	**13,616**	**725**	**14,341**
Additions	1,273	—	1,273
Depreciation	(1,523)	(348)	(1,871)
Foreign exchange movements	(12)	—	(12)
As of 31 December 2022	**13,354**	**377**	**13,731**

13. Investments in subsidiary undertakings

The net book value of subsidiary undertakings at end of 2021 and 2022 was £549 thousand. There were no additions or disposals in either year.

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	Type of shares	Percentage of issued share capital held
Imagination Technologies GmbH	Hansenweg 54, 60599 Frankfurt am Main, Germany	Ordinary	100%
Imagination Technologies KK	AIOS Gotanda Annex Bldg 3F, 1-7-11 Higashi Gotanda, Shinagawa-ku, Tokyo 141-0022, Japan	Ordinary	100%
Imagination Technologies India Private Limited	2nd Floor, Bajaj IT Tower, Building Bajaj Brandview, Survey no. 25, A/1, Plot No. 38, Wakdewadi, Shivajinagar, Pune, Maharashtra 411005, India	Ordinary	100%
Imagination Technologies Pty Limited	20-22 Kerry Road, Warranwood VIC 3134, Australia	Ordinary	100%
Imagination Technologies (China) Co., Ltd	Room 903, 904 & 905, Floor 9, No.1155 Fangdian Road, Kerry Parkside Office Building, Pudong, Shanghai 201204, China	Ordinary	100%
Imagination Technologies B.V. (Netherlands)	Kabelweg 57, Unit 1, 06.05 A, 1014 BA, Amsterdam, Netherlands	Ordinary	100%
IMG Technologies LLC	8 The Green, Suite A, Dover, Delaware 19901, United States of America	Ordinary	100%
Imagination Technologies Romania S.R.L.	Strada Martin Luther nr. 2, First Floor, Timișoara 300054, Romania	Ordinary	100%

Notes to the Financial Statements (continued)

14. Investments

	As of 31 December	
	2022	2021
	£ '000	£ '000
Investments classified as equity investments at fair value through other comprehensive income (FVTOCI)	**4,968**	573

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

	% of shares held as of 31 December 2021	Carrying value as of 31 December 2020	Increased holding in investments	Change in FVTOCI	Carrying value as of 31 December 2021
		£ '000	£ '000	£ '000	£ '000
HeXinDa	11.88%	543	558	(528)	573

	% of shares held as of 31 December 2022	Carrying value as of 31 December 2021	Increased holding in investments	Change in FVTOCI	Carrying value as of 31 December 2022
		£ '000	£ '000	£ '000	£ '000
HeXinDa	**10.35%**	**573**	**—**	**4,395**	**4,968**

The Company also has investments in Ineda Systems, Inc. and Orca Systems, Inc., representing shareholding of approximately 8% (2021: 8%) and 5% (2021: 5%), respectively. As of 31 December 2022, these both have a carrying value of £nil (2021: £nil).

Beijing HeXinDa Science and Technology Co. Ltd. ("HeXinDa")

In 2020, the Company entered into a contract with a number of third parties to establish HeXinDa. In 2021, the Company made a further investment of RMB 4.975 million (£0.5 million). Subsequent calls for new capital which occurred during the year ended 31 December 2022 were declined, and as of 31 December 2022 the Company's holding reduced to 10.35% (2021: 11.88%) of HeXinDa's registered capital.

As of 31 December 2022, the Company commissioned a third-party valuation review of its investment in HeXinDa to assess the fair value of the investment. Based on this assessment, it was determined that there was an increase in fair value of £4.4 million (2021: diminution in fair value of £0.5 million).

In 2022, the fair value of the Company's investment in HeXinDa was conducted using a combination of income and market approaches. The incorporation of market approaches, a change from 2021, was a result of the investment being in an early development stage and not yet earning revenues. As a result, the market approaches add observable inputs from public operating companies in order to balance management's projections with mature company data.

The approaches utilised and their weightings in the valuation:

- Market Approach - Guideline Public Company Method – 25.0%
- Market Approach - Guideline Transactions Method – 25.0%
- Income Approach - Discounted Cash Flow – 50%

Notes to the Financial Statements (continued)

Guideline Public Company Method

This methodology focuses on comparing the subject entity to guideline publicly traded entities. In applying this method, valuation multiples are: (i) derived from historical or forecasted operating data of selected guideline entities; (ii) evaluated and / or adjusted based on the strengths and weaknesses of the subject entity relative to the selected guideline entities; and (iii) applied to the appropriate operating data of the subject entity to arrive at a value indication.

Key unobservable inputs in the estimation of fair value under this approach:

- Selected Industry: Semiconductors
- Selected Multiple Type: Enterprise Value
- Multiple Selection Methodology: Average
- Selected Multiple Weighting:
  - Revenue: 100.0%
  - EBITDA: 0.0%
  - Last twelve months revenue: 0.0%
  - Next twelve months revenue: 100.0%
  - Selected revenue multiple: 5.9x

Guideline Transactions Method

This methodology utilises valuation multiples based on actual transactions that have occurred in the subject entity's industry or related industries to arrive at an indication of value. These derived multiples are then adjusted and applied to the appropriate operating data of the subject entity to arrive at an indication of value.

Key unobservable inputs in the estimation of fair value under this approach:

- Selected Industry: Semiconductors
- Transaction Date Range: 12/31/2019 to 12/31/2022
- Selected Multiple Type: Enterprise Value
- Multiple Selection Methodology: Mid-point (10th/1st)
- Selected Multiple Weighting
  - Revenue: 100.0%
  - EBITDA: 0.0%
  - Last twelve months revenue: 0.0%
  - Next twelve months revenue: 100.0%
  - Selected revenue multiple: 6.4x

Discounted Cash Flow

This approach focuses on the income-producing capability of a business. The income approach estimates value based on the expectation of future cash flows that a company will generate. These cash flows are discounted to the present using a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment.

Notes to the Financial Statements (continued)

Key unobservable inputs in the estimation of fair value under this approach:

- Growth rate in perpetuity: 3.5%
- Risk adjusted discount rate: 20%

For the income approach, changes of 1% at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects on the fair value of the investment based on the 50% weighting in the fair value:

- Growth rate in perpetuity: Increase or decrease of approximately £413 thousand
- Risk adjusted discount rate: Increase or decrease of approximately £1.7 million

HeXinDa's capital structure consists entirely of shares that participate in liquidation proceeds on a pro rata basis. Given this simple capital structure, the Current Value Method was utilised to allocate fair value to the owners. The Company's value of its investment in HeXinDa is equivalent to its 10.4% ownership share of the estimated fair value of HeXinDa.

15. Debtors

	As of 31 December	
	2022	**2021**
	£ '000	**£ '000**
Current debtors		
Trade receivables	**8,165**	2,907
Less: provision for impairment of trade receivables	**(2,046)**	—
Trade receivables, net	**6,119**	**2,907**
Prepayments	**3,510**	1,998
Contract assets	**18,543**	17,372
Amount owed by subsidiary undertakings	**345**	544
Other receivables	**3,119**	3,037
Research and Development Expenditure Credit receivable	**13,344**	6,757
Forward foreign exchange contracts	**2,907**	—
Total current debtors	**47,887**	**32,615**
Non-current debtors		
Research and Development Expenditure Credit receivable	**2,113**	2,197
Other debtors	—	3
Total non-current debtors	**2,113**	**2,200**

Research and Development Expenditure Credit is a scheme introduced by the U.K. government with the primary goal to reward the companies operating within the United Kingdom and concentrating on investing in innovation. The current receivable relates to benefits which will be received as a cash refund within twelve months, while the non-current receivable will be recovered as a reduction on income tax liability in future years.

Allowance for credit losses as at 31 December 2022 was £2.0 million relating to specific customer balances (2021: £nil). During the year, trade receivables with a total value of £2.1 million (2021 £nil) had lifetime expected credit losses of £2.1 million recorded. The majority of these receivables, which originated in the year and were provided for in full, relate to two customers placed under US Government trade sanctions which has severely restricted their ability to trade. Accordingly, management have taken

Notes to the Financial Statements (continued)

the view that the recoverability of these amounts is uncertain, however, management continue to pursue collection. Movement in the allowance for credit losses is recognised in the Income Statement.

The financial instrument asset as of 31 December 2022 relates to net receivable on forward currency exchange contracts.

16. Creditors: amounts falling due within one year

	As of 31 December	
	2022 £ '000	2021 £ '000
Creditors: amounts falling due within one year		
Trade creditors	**4,818**	910
Amounts owed to parent undertaking	**72,337**	84,333
Amounts owed to subsidiary undertakings	**9,154**	8,719
Taxation and social security	**1,678**	1,260
Other creditors	**1,611**	1,987
Lease liability	**1,882**	1,815
Forward foreign exchange contracts	—	1,461
Accruals and contract liabilities	**19,502**	33,711
Total creditors: amounts falling due within one year	**110,982**	**134,196**

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

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

17. Creditors: amounts falling due after more than one year

	As of 31 December	
	2022 £ '000	2021 £ '000
Creditors: amounts falling due after more than one year		
Lease liability	**12,484**	12,925
Contract liabilities and other creditors	**2,111**	693
Total creditors: amounts falling due after more than one year	**14,595**	**13,618**

18. Provisions

	Legal £ '000	Dilapidations £ '000	Other £ '000	Total £ '000
As of 1 January 2021	**1,399**	**1,073**	**200**	**2,672**
Additional provision required	—	74	—	74
Release of provision	(399)	—	(200)	(599)
Net utilisation of provision	—	(686)	—	(686)
As of 31 December 2021	**1,000**	**461**	**—**	**1,461**
Additional provision required	653	62	—	715
Release of provision	—	—	—	—
Net utilisation of provision	—	—	—	—
As of 31 December 2022	**1,653**	**523**	**—**	**2,176**

Notes to the Financial Statements (continued)

The dilapidation provision has been raised in respect to contractual requirement to restore leased premises to their original condition at the end of the respective lease terms. Of the dilapidation provision, £461 thousand (2021: £399 thousand) is expected to fall due after more than one year and has been shown as a non-current liability. The legal provision has been raised in respect to several ongoing cases and the recognised provision reflects the Company's best estimate of the most likely outcome following obtaining legal advice and is expected to be utilised within one year after 31 December 2022.

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

19. Share-based payments

Canyon Bridge International Holding Investment Limited ("CBIHIL") granted equity incentive shares, designated as A and B Class Growth Shares to be issued in CBIHIL, to each of the Imagination Technologies Limited's Executive Management Board members (participants), in exchange for the services provided to and for the benefit of that company a wholly owned subsidiary of the Company.

The total allotted A Shares was 825 and the total allotted B Shares was 175, with a subscription price of $72 per share, which is immediately payable in full.

The awards vest 20% annually over five years. If a participant leaves employment with the subsidiary, and is a "good leaver", the restriction on the vested proportion of its award will be lifted at the leave date and the unvested proportion will be forfeited. Otherwise, the award will be forfeited.

Upon an Initial Public Offering ("IPO"), Change in Control or Asset Sale event, where the value of the subsidiary exceeds $800 million (individually and collectively considered as "Exit Events"), A and B Class Growth Shares will vest in full at that point, and will convert into ordinary shares of the new listed entity (in an IPO scenario).

The following table summarises unvested A and B Class Growth Shares outstanding:

	A Class Growth Shares	B Class Growth Shares
	(not in thousands)	
Outstanding as of 1 January 2021	**660**	**175**
Vested	(155)	(35)
Forfeited	(40)	—
Outstanding as of 31 December 2021	**465**	**140**
Vested	(155)	(40)
Forfeited	(40)	(60)
Outstanding as of 31 December 2022	**270**	**40**

The grant date fair value for both A and B Growth Shares was $4,185 per share. The following table lists the inputs to the model used for the A and B Class Growth Shares fair value determination at grant date:

Risk-free interest rate	37%
Expected volatility	39%
Dividend yield	0%
Model used	Black-Scholes

Notes to the Financial Statements (continued)

Volatility was estimated based on the selected volatility of guideline companies and 'relevered' to account for differences in leverage.

At 31 December 2022, the total unrecognised shared-based payment related to the A and B Growth Shares was £447 thousand, which the Company expects to recognise over a maximum period of three years.

20. Capital and Reserves

Share capital

	Allotted, called-up and fully paid	
	(not in thousands)	**£ '000**
Ordinary shares of 10p each		
As of December 31, 2021	14,161,291	14,161
As of December 31, 2022	14,161,291	14,161

Capital contribution from Parent

The Capital contribution from Parent of £560 thousand in 2022 (2021: £1.1 million) comprises other non-capital equity contributions made by the Company's Parent, associated with the share-based incentives described in Note 19.

Fair value reserve of financial assets at FVOCI

The amount presented in this reserve reflects the change in the asset valuation of investments designated at FVOCI (Note 13).

21. Capital commitments

At 31 December 2022, the Company had no capital commitments (2021: £nil).

22. Related parties

	Year ended 31 December	
	2022	**2021**
	£ '000	**£ '000**
Consolidated Income Statements		
Revenue from HeXinDa – Investment	**(9)**	1,580
Monitoring fee charged by Canyon Bridge*	**(324)**	(246)
Total	**(333)**	**1,334**

Notes to the Financial Statements (continued)

	As of 31 December	
	2022	2021
	£ '000	£ '000
Consolidated Statements of Financial Position		
Trade and other payables - Canyon Bridge	**(28)**	(14)
Accruals - Canyon Bridge*	**(75)**	(45)
Trade Debtors - loans to Directors related to Growth Shares**	**19**	23
Trade receivables relating to HeXinDa	**—**	16
Contract assets relating to HeXinDa	**—**	555
Capital contribution from Parent	**(2,387)**	(1,827)

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

** During the year ended 31 December 2021, the Company advanced unsecured loans to the Directors of the Company which totalled £23 thousand. As at 31 December 2022, £19 thousand remains outstanding. The loans are interest free and repayable at the latest by 31 December 2030. During the year to 31 December 2022 no expense for bad and doubtful debts has been incurred in respect to the loans (2021: £nil), and no provisions for doubtful debts have been recognised against the loan balances (2021: £nil).

23. Subsequent events

On 10 March 2023, the Silicon Valley Bank was closed by the California Department of Financial Protection & Innovation and the Federal Deposit Insurance Corporation ("FDIC") was named as Receiver. No advance notice is given to the public when a financial institution is closed. The FDIC has created the Deposit Insurance National Bank of Santa Clara (DINB) to facilitate the resolution of Silicon Valley Bank. To protect the depositors, the FDIC created the Deposit Insurance National Bank of Santa Clara (DINB) to allow depositors access to their insured deposits and time to open accounts at other insured institutions.

The Company held no cash balances with Silicon Valley Bank and to date no exposures have been noted in our customer base.

In the period from 1 January 2023 to the date of signing of these Company Financial Statements, no other subsequent events have been identified.

24. Ultimate parent company and parent undertaking of larger group

The Company is a subsidiary undertaking of CBFI Investment Limited, the parent company into whose 31 December 2022 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 the Group are available 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.