

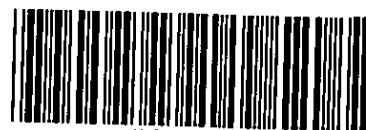
Imagination Technologies Limited

Directors' Report and Financial Statements

30 April 2012

Registered Number 1306335

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Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 2012

Principal Activities and Business Review

The principal activities of the Company are to create and license market-leading processor solutions for graphics, video, display, embedded processing, multi-standard communications and connectivity, and cross-platform Video and Voice over IP. These silicon and software intellectual property (IP) solutions for system-on-chip (SoC) are complemented by an extensive portfolio of software drivers, developer tools and extensive market and technology-focused ecosystems.

The target markets include mobile phone, handheld multimedia devices, connected home consumer, mobile and tablet computing, in-car electronics, telecoms, health, smart energy and connected sensors and controllers. The Company's licensees include many of the world's leading semiconductor, network operator and electronics OEM/ODM companies.

The Company has two divisions. The Technology division is a semiconductor, software and cloud IP licensing business which provides market-leading multimedia and communications capabilities for complex SoC devices. The Pure division designs and manufactures innovative consumer products, using Imagination's technologies as a key differentiator alongside high quality product design.

During the year the active and strengthening pipeline of opportunities led to a number of strategically and financially significant licensing agreements or deal extensions involving around 30 customers and just under 50 major IP licenses as well as a number of smaller deals and upgrades. The target markets for these include mobile phone, TV/STB, PMP, tablets/mobile computing, in-car navigation/dashboard and industrial/enterprise equipment. There was a strong increase in chip unit shipments from 245m to 325m units, with royalty revenues up 54% for the period.

Despite the economic environment in the UK, Pure was able to grow its revenues from £28.3m to £29.3m whilst also carrying its strategic tasks in support of the overall company objectives. This was driven by strong export business as digital radio deployment spreads across EU and elsewhere and the growth of the market for connected radio and audio devices.

The results for the period are shown on page 8, amounts transferred to reserves are given in note 19 to the financial statements. The directors do not recommend payment of a dividend for the period ended 30 April 2012 (2011: £nil).

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

	Year ended 30 April 2012	Year ended 30 April 2011	%
Technology business			
Licensing revenue	£33.8m	£28.3m	+19%
Partner chip design wins	136	115	+18%
Partner chips shipping	60	48	+25%

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Partner chips shipped (units)	325m	245m	+33%
Royalty revenue	£63.5m	£41.2m	+54%
Pure business			
Revenue	£29.2m	£28.2m	+4%
Operating profit	(£4.4m)	(£3.9m)	

Principal Activities and Business Review

	Year ended 30 April 2012	Year ended 30 April 2011	%
Company			
Revenue	£126.6m	£97.7m	+30%
Gross profit	£105.5m	£76.9m	+37%
Profit before taxation	£35.0m	£18.8m	+86%
Net cash	£64.9m	£48.6m	+34%

Principal Risks and Uncertainties

There are a number of risks and uncertainties which could impact the Company's performance. The Company has a risk management structure in place which is designed to identify, manage and mitigate business risk. The Company has experienced, and may in the future experience, fluctuations in the results of its operations. There are a number of factors that can affect the results. For the Technology business, these include the timing of new licence agreements with partners and the timing and volume of products incorporating the Company's technology shipped by our partners. The Company seeks to reduce this risk by both broadening the number of partners who utilise the Company's technology as well as widening the number of market segments that are targeted by the Company's partners. For the Pure business, these factors also include the rate of adoption of digital radio technologies worldwide, and the continuation of the supply of products from Chinese manufacturers. The Company has mitigated the latter by spreading the manufacture of the Company's products across a number of manufacturers in order to reduce the reliance on any one manufacturer.

The Company operates in fast moving competitive marketplaces characterised by rapid changes in technology. The Company's result will be impacted by the introduction of new technologies and products by the Company and by the Company's competitors as they respond to these changes in technology. In order to mitigate risk, the Company has detailed dialogue with existing partners, as well as systems companies and industry bodies, in order to align its future products with advances in technology and market requirements.

As a technology business, the development and ownership of intellectual property is fundamental to the Company's performance. Whilst the Company relies on patent, copyright, trademark and other intellectual property laws to establish and protect its propriety rights, it cannot be certain that its propriety rights will not be challenged, invalidated, circumvented or used without the Company's authorisation. The Company mitigates the risk by filing patents, trademarks and registered designs as

appropriate to protect its intellectual property and through monitoring technologies promoted by third parties

The Company transacts licence and development agreements with customers and purchases of products for Pure primarily in US dollars and, therefore, the Company's earnings are exposed to fluctuations in foreign exchange rates. The Company reviews its foreign exchange exposure on a regular basis and, where there is a material exposure to exchange rate fluctuations and the Board considers it appropriate, the Company will reduce the risk by currency hedging on net receivable/payable balances.

The Company's performance is also subject to external macro-economic conditions. Changes in factors such as interest rates, inflation, unemployment and commodity prices can create uncertainty in the Company's markets and affect consumer spending. This may result in the Company's customers and potential customers delaying the placing of orders with the Company and/or reduce the shipment of product incorporating the Company's technology. In turn, both of these would adversely affect the Company's result.

Research and Development

The Company spent £51,904,000 (2011 £43,421,000) on research and development and advanced technology projects.

Donations

During the period, the Company made donations for charitable purposes of £3,785 (2011 £1,209). There were no political donations during the period.

Employees

The Company recognises the importance and contribution of its employees. There is considerable value placed on the involvement of employees in the development of the business and their involvement in the decision making process. This is encouraged by the open environment in the Company and through the delegation of responsibility throughout the business. Presentations are made to all staff on a regular basis to encourage a full understanding of the Company's performance, strategy, vision and operational developments. All employees usually receive share awards on a bi-annual basis and are invited to participate in the SAYE scheme every year. A number of employees have become shareholders thereby encouraging employee share ownership.

The Company is committed to the principle of equal opportunity in employment and to ensure that no applicant or employee receives less favourable treatment on the grounds of age, gender, disability, ethnic origin, political or other opinion, religion or sexual orientation. We have an international workforce employing more than 20 nationalities from around the world in the UK and we have offices in India, Japan, China, Taiwan, Korea, USA, Poland, Italy, France, Germany and Australia.

Disability is not seen as an inhibitor to employment or career development. Employees who become disabled are, wherever possible, given assistance to continue in their existing employment or to be trained for other positions.

Creditor Payment Policy

It is Company policy to agree payment terms with suppliers when negotiating contracts or transactions. The Company ensures that, subject to any necessary variations which may result from supplier-related problems, the agreed payment terms are adhered to. The number of days billings from suppliers outstanding to the Company at 30 April 2012 was 43 days (2011: 39 days).

Directors

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

H Yassaie
R Smith (appointed 1 July 2011)
T Selby (resigned 1 July 2011)

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

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

By order of the Board



A Lewellyn
Secretary

Imagination House
Home Park Estate
Kings Langley
Hertfordshire
WD4 8LZ

25 January 2013

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

We have audited the financial statements of Imagination Technologies Limited for the year ended 30 April 2012 set out on pages 8 to 28. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 April 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

A handwritten signature in black ink, appearing to read 'Tudor Aw', is written over a horizontal line.

Tudor Aw (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

25 January 2013

Imagination Technologies Limited
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Profit and loss account

	Note	Year to 30 April 2012	Year to 30 April 2011
		<u>£'000</u>	<u>£'000</u>
Turnover	2	126,557	97,658
Cost of sales		<u>(21,014)</u>	<u>(20,792)</u>
Gross profit		105,543	76,866
Research and development expenses		(51,904)	(43,421)
Sales and administrative expenses		(19,153)	(14,606)
Gain on investment		677	-
Total operating expenses		<u>(70,380)</u>	<u>(58,027)</u>
Operating profit	3	35,163	18,839
Net interest (payable)	6	<u>(129)</u>	<u>(58)</u>
Profit on ordinary activities before taxation		35,034	18,781
Taxation (charge) / credit on profit on ordinary activities	7	<u>(4,467)</u>	<u>2,628</u>
Profit for the financial year		<u>30,567</u>	<u>21,409</u>

During the period all operations arose from continuing operations. There is no difference between the total reported result for the period and that on a historical cost basis. The notes on pages 10 to 28 form part of these financial statements.

Statement of total recognised gains and losses

	Year to 30 April 2012	Year to 30 April 2011
	<u>£'000</u>	<u>£'000</u>
Profit for the financial year	30,567	21,409
Change in fair value of assets classified as available for sale	866	(300)
Gain on currency translation	<u>-</u>	<u>6</u>
Total gain recognised since last annual report	<u>31,433</u>	<u>21,115</u>

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Balance sheet
as at 30 April 2012

	Note	As at 30 April 2012 £'000	As at 30 April 2011 £'000
Fixed Assets			
Intangible assets	8	1,219	1,106
Tangible assets	9	24,707	15,893
Investments	10	13,162	5,894
Deferred Tax	15	<u>10,458</u>	<u>13,685</u>
		49,546	36,578
 Current assets			
Stock and work in progress	11	5,416	6,202
Debtors	12	49,793	29,635
Cash at bank and in hand		<u>64,885</u>	<u>48,575</u>
		120,094	84,412
 Creditors: amounts falling due within one year	13	(96,434)	(87,619)
 Net current assets/liabilities		<u>23,660</u>	<u>(3,207)</u>
 Total assets less current liabilities		<u>73,206</u>	<u>33,371</u>
 Creditors: amounts falling due after more than one year	14	(5,031)	(5,527)
 Net assets		<u>68,175</u>	<u>27,844</u>
 Capital and reserves			
Called up share capital	16	14,161	14,161
Revaluation reserve	17	586	(280)
Profit and loss account	18	<u>53,428</u>	<u>13,963</u>
 Shareholders' funds	19	<u>68,175</u>	<u>27,844</u>

The notes on pages 10 to 28 form part of these financial statements. These financial statements were approved by the board of directors on 25 January 2013 and were signed on its behalf by



R Smith
Director

Notes

(forming part of the financial statements)

1. Accounting Policies

The following accounting policies have been consistently applied throughout the period except as noted below

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards

The directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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

Under Financial Reporting Standard No 1, the Company is exempt from the requirement to prepare a cash flow statement on the basis that the ultimate parent company, Imagination Technologies Group plc, includes the Company in its own published consolidated financial statements.

Turnover

Turnover comprises -

1. the value of licence fees, development income, maintenance and royalties from licence and development agreements,
2. revenues from the sale of products to support technology licensees, and
3. revenues from the sale of systems products utilising the Company's technology to third parties

Revenue is recognised to the extent that the economic benefits associated with the transaction will flow into the Company

Revenue from licences is recognised on delivery to the customer. Revenue on licence agreements for products which are either not finished or which need to be modified to meet specific customer requirements is recognised on a percentage-to-completion basis over the period from starting development of the product to delivery. The percentage-to-completion is measured by monitoring progress compared with the total estimated project requirement. Progress is measured by an assessment of performance against key development milestones.

Revenue associated with rights in licence agreements to unspecified current and future products is recognised on a straight-line basis over the term of the arrangement.

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

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

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

The excess of licence fees, development income and maintenance invoiced over revenue recognised is recorded as deferred income.

Royalty revenues are earned on the sale by licensees of products containing the Company's technology. Revenues are recognised as they are earned to the extent that the Company has sufficient evidence of sales of products containing the Company's technology by licensees.

Revenues from the sale of products to support technology licensees and systems products utilising the Company's technology to third parties are recognised upon delivery and are accounted for net of VAT, discounts and returns. Returns are recognised at the point at which the Company has adequate knowledge that products are likely to be returned by a customer.

Depreciation

Tangible fixed assets are depreciated to write down their cost to their estimated residual values over the period of their estimated useful economic lives. Periodic reviews are made of estimated remaining useful economic lives and residual values, and the depreciation rates applied are:

Freehold land	No depreciation
Freehold buildings	2 per cent on cost
Leasehold improvements	Equally over the period of the lease
Plant and equipment	10 per cent to 33 per cent on cost
Motor vehicles	25 per cent on cost

Research and development costs

Costs of basic and applied research and product development expenditure are written off in the period in which they are incurred.

Intellectual property rights and patents

Trademarks and patents are capitalised at cost of acquisition and registration and amortised over the anticipated period of profitable exploitation

Stock and work in progress

Stock is valued at the lower of cost and net realisable value. Finished goods include direct costs and attributable overheads based on the normal level of activity.

Work in progress is valued at the cost of work completed on contracts in hand, net of provisions.

Share based payment transactions

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

For cash bonuses which are calculated by reference to the value of shares, the fair value of these bonuses is recognised as an expense, with a corresponding increase in liabilities over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Where the parent company, Imagination Technologies Group plc, grants options over its own shares to the employees of its subsidiaries it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiary's financial statements with the corresponding credit being recognised directly in equity. The subsidiary company, Imagination Technologies Limited, recognises the FRS 20 charge relating to its employees as a charge to the profit and loss account in the period with a corresponding credit being recognised as a capital contribution directly in equity. No reimbursement is made to Imagination Technologies Group plc by Imagination Technologies Limited in relation to these share based payments.

Taxation

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

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

Deferred tax is provided using the balance sheet liability method on any temporary differences between the carrying amounts for financial reporting purposes and those for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

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.

Foreign exchange

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

Government grants

Revenue grants are taken to the profit and loss account in the period when the relevant expenditure is incurred.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension Scheme

The Company contributes to a defined contribution pension plan. Payments are charged to the profit and loss account in the period to which they relate.

2. Revenue and segmental analysis

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

		2012	2011
		<u>£'000</u>	<u>£'000</u>
Revenue			
Technology business		97,299	69,427
Pure business		<u>29,258</u>	<u>28,231</u>
		126,557	97,658
Operating Profit			
Technology business		39,508	22,751
Pure business		<u>(4,345)</u>	<u>(3,912)</u>
		35,163	18,839
Total assets			
Technology business		84,140	46,227
Pure business		10,113	10,387
Unallocated assets		<u>75,387</u>	<u>75,559</u>
		169,640	132,173
Total liabilities			
Technology business		91,724	8,896
Pure business		4,711	5,055
Unallocated liabilities		<u>5,030</u>	<u>79,194</u>
		101,465	93,145
Other segment items			
Capital expenditure	Technology business	11,549	12,761
	Pure business	<u>290</u>	<u>503</u>
		11,839	13,264
Depreciation and amortisation	Technology business	2,535	1,924
	Pure business	<u>378</u>	<u>306</u>
		2,913	2,230

Revenue is segmented by geographical area of sales as follows

	2012	2011
	<u>£'000</u>	<u>£'000</u>
United Kingdom and Europe	32,807	28,951
Asia	29,410	20,218
North America	62,029	46,347
Rest of world	<u>2,311</u>	<u>2,142</u>
	<u>126,557</u>	<u>97,658</u>

All revenue originated from the United Kingdom and Europe

3. Operating profit

	2012	2011
	<u>£'000</u>	<u>£'000</u>
Operating profit is stated after charging:		
Depreciation and amortisation of owned tangible and intangible assets	2,913	2,230
Operating lease rentals:		
Other operating leases	5,688	3,895
Foreign exchange (gain)/loss	(203)	1,082
Auditors' remuneration		
Audit of these financial statements	54	57

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

4. Directors' Emoluments

	2012	2011
	<u>£'000</u>	<u>£'000</u>
Directors' emoluments	<u>796</u>	<u>574</u>

Remuneration includes pension contributions of £67,000 (2011: £169,000) and the monetary value of benefits in kind such as health insurance. The directors have retirement benefits accruing to them under a defined contribution pension plan.

The directors' interest to subscribe for share options in the ultimate parent company, Imagination Technologies Group plc, was disclosed in the report and financial statements of that group.

The emoluments of the highest paid director, was £546,000 (2011: £337,000), which included pension contributions of £43,000 (2011: £36,000).

5. Staff numbers and costs

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

	Number of employees	
	<u>2012</u>	<u>2011</u>
Research and development	516	441
Production	41	33
Administration	64	51
Marketing	<u>70</u>	<u>51</u>
	<u>691</u>	<u>576</u>

The aggregate payroll costs of these persons were

	2012	2011
	<u>£'000</u>	<u>£'000</u>
Wages and salaries	26,784	22,400
Share based payments	8,897	5,951
Social security costs	2,929	2,443
Pension costs	<u>2,480</u>	<u>2,110</u>
	<u>41,090</u>	<u>32,904</u>

Included in the charge for the share based payments of £10,314,000 (2011: £5,951,000) is £nil (2011: £nil) in respect of the share appreciation rights. Complete information on the share incentives and shares held by Directors is set out on the Remuneration Report within the Imagination Technologies Group Plc Annual Report on pages 45-49.

6. Net interest payable

	2012	2011
	<u>£'000</u>	<u>£'000</u>
Interest receivable	1	1
Less interest payable		
Amounts payable on bank loans and overdrafts	<u>(130)</u>	<u>(59)</u>
	<u>(129)</u>	<u>(58)</u>

7. Taxation

	2012	2011
	<u>£'000</u>	<u>£'000</u>
Analysis of the tax charge / (credit) in the period		
Current tax		
Foreign tax	1,241	1,334
Credit from UK R&D tax claim	-	(1,295)
Total current tax charge	<u>1,241</u>	<u>39</u>
Deferred tax		
Origination and reversal of timing differences	2,336	(2,667)
Effect of changes in tax rate on opening balance	106	-
Effect of changes in tax rate on closing balance	784	-
Total deferred tax charge/(credit)	<u>3,226</u>	<u>(2,667)</u>
Total tax charge/(credit)	<u>4,467</u>	<u>2,628</u>
Reconciliation of the notional tax charge at UK standard rate to the actual tax charge		
Profit on ordinary activities before taxation	35,034	18,781
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25.8% (2011 28%)	9,039	5,259
Effects of		
Permanent differences	(6,591)	(3,446)
Benefit from previously unrecognised tax assets	-	(7,418)
Effect of tax rate change	890	1,051
Adjustments in respect of prior periods	(112)	592
Withholding tax	<u>1,241</u>	<u>1,334</u>
Tax charge / (credit) for the period	<u>4,467</u>	<u>(2,628)</u>

8. Intangible fixed assets

	Patents & Trademarks	
	2012	2011
	<u>£'000</u>	<u>£'000</u>
Cost		
At beginning of year	4,025	3,611
Additions	<u>536</u>	<u>414</u>
At 30 April	<u>4,561</u>	<u>4,025</u>
Amortisation		
At beginning of year	2,919	2,525
Charged in year	<u>423</u>	<u>394</u>
At 30 April	<u>3,342</u>	<u>2,919</u>
Net Book Value		
At 30 April 2012 and 30 April 2011	<u>1,219</u>	<u>1,106</u>

9. Tangible fixed assets

	Freehold Land and Buildings	Leasehold improvements	Plant and equipment	Total
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cost				
At 1 May 2011	10,614	3,109	19,519	33,242
Additions	<u>8,266</u>	<u>264</u>	<u>2,773</u>	<u>11,303</u>
At 30 April 2012	<u>18,880</u>	<u>3,373</u>	<u>22,292</u>	<u>44,545</u>
Depreciation				
At 1 May 2011	240	1,738	15,371	17,349
Charge for year	<u>278</u>	<u>261</u>	<u>1,950</u>	<u>2,489</u>
At 30 April 2012	<u>518</u>	<u>1,999</u>	<u>17,321</u>	<u>19,838</u>
Net book value				
At 30 April 2012	<u>18,362</u>	<u>1,374</u>	<u>4,971</u>	<u>24,707</u>
At 30 April 2011	<u>10,374</u>	<u>1,371</u>	<u>4,148</u>	<u>15,893</u>
			2012	2011
			<u>£'000</u>	<u>£'000</u>
The net book value of freehold land and buildings comprises				
Land			5,072	3,971
Buildings			<u>13,290</u>	<u>6,403</u>
			<u>18,362</u>	<u>10,374</u>

10. Investments

	2012	2011
	<u>£'000</u>	<u>£'000</u>
Shares in subsidiary undertakings		
Cost at beginning of year	1,835	1,779
Additions	<u>-</u>	<u>56</u>
	1,835	1,835
Provision for diminution in value at 1 April	<u>(1,658)</u>	<u>(1,658)</u>
Net book value of subsidiary undertakings at 30 April	<u>177</u>	<u>177</u>
	2012	2011
	<u>£'000</u>	<u>£'000</u>
Trade investment		
Cost and net book value at beginning of year	5,717	4,550
Additions	5,724	672
Reclassification from loan note debtor	-	795
Gain on investment	677	-
Movement in revaluation reserve	<u>867</u>	<u>(300)</u>
	<u>12,985</u>	<u>5,717</u>
Net book value of trade investments		
Total net book value of investments	<u>13,162</u>	<u>5,894</u>

The investments relate to the Group's holdings in Toumaz Holdings, Frontier Silicon, GreenPlug, Audiboo, Orca Systems Inc and Blu-Wireless

Toumaz Holdings ('Toumaz') – During the year the Group increased its holding in Toumaz, a company listed on AIM. The fair value of the shares acquired on the date of acquisition was £6,069,000, which generated a gain on investment of £822,000 due to the difference in the fair value of the shares received and the consideration given. This gain on investment was recognised in the income statement during the year. At the balance sheet date, the Group's investment in Toumaz was valued at £9,338,000 (2011: £2,459,000) by reference to the quoted share price of Toumaz Holdings at the reporting date. The increase in value of £810,000 created as a result of the movement in Toumaz' share price has been recognized as a change in fair value of available for sale investments in the Statement of Comprehensive Income.

Frontier Silicon ('Frontier') – As a result of Frontier's capital structure, the Group's equity investment in this company remains at £Nil (2011: £Nil). The Group also has a Loan Note from Frontier for £795,000 (2011: £795,000) which was reclassified from Loans to Investments in the previous year. The Loan Note in Frontier Silicon is redeemable in the event of a sale or listing of Frontier, or at the discretion of Frontier, or the Loan note holders in Frontier, subject to approval by a majority of the Loan Note holders. The fair value of the Loan Note remains at £795,000.

GreenPlug – The Group's holding in GreenPlug at the balance sheet date was valued by means of a discounted cashflow forecast which supported the value of the Group's holding at £2,170,000 (2011: £2,116,000). The £54,000 increase in the value of the investment due to foreign exchange has been recognized as a change in fair value of available for sale investments in the Statement of Comprehensive Income.

Audioboo – During the year the Group increased its holding in Audioboo by acquiring 21,644 shares for £49,000. Audioboo was valued at the balance sheet date at £251,000 (2011: £301,000) by reference to a funding round held in December 2011. The £99,000 reduction in the value of the Group's investment as a result of this valuation has been recognised in the income statement during the year.

Orca Systems Inc ('Orca') – During the year the Group made an investment of £428,000 in Orca. At the balance sheet date a £2,000 increase in the value of the investment due to foreign exchange movements resulted in a value of £430,000. The £2,000 increase has been recognized as a change in fair value of available for sale investments in the Statement of Comprehensive Income.

Blu-Wireless – At the balance sheet date the Group's investment in Blu-Wireless was valued at £Nil (2011: £46,000). The £46,000 impairment has been recognised in the income statement during the 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	Country of incorporation and of operation	Type of shares	Percentage of issued share capital held
Imagination Technologies Inc	USA	Ordinary	100%
Imagination Technologies GmbH	Germany	Ordinary	100%
Metagence Technologies Limited (Dormant)	UK	Ordinary	100%
PURE Digital Limited (Dormant)	UK	Ordinary	100%
Imagination Technologies India Private Limited	India	Ordinary	99%
PURE Australasia Pty Limited	Australia	Ordinary	100%
Bristol Interactive Limited (Dormant)	UK	Ordinary	100%

11. Stock and work in progress

	2012	2011
	<u>£'000</u>	<u>£'000</u>
Raw materials and components	252	1,100
Finished goods	<u>5,164</u>	<u>5,102</u>
	<u>5,416</u>	<u>6,202</u>

12. Debtors

	2012	2011
	<u>£'000</u>	<u>£'000</u>
Trade debtors	24,636	12,974
Prepayments and accrued income	14,155	13,858
Amounts owed by fellow subsidiary undertaking	9,597	2,116
Other debtors	<u>1,405</u>	<u>687</u>
	<u>49,793</u>	<u>29,635</u>

13. Creditors: amounts falling due within one year

	2012	2011
	<u>£'000</u>	<u>£'000</u>
Bank loan	496	60
Trade creditors	5,320	3,951
Amounts owed to parent undertaking	71,334	70,616
Amounts owed to subsidiary undertakings	132	243
Amounts owed to fellow subsidiary undertaking	2,999	2,748
Taxation and social security	1,501	909
Accruals and deferred income	<u>14,652</u>	<u>9,092</u>
	<u>96,434</u>	<u>87,619</u>

14. Creditors: amounts falling due after one year

	2012	2011
	<u>£'000</u>	<u>£'000</u>
Long-term loan	<u>5,031</u>	<u>5,527</u>

The maturity of obligations under the loan is as follows:

	2012	2011
	<u>£'000</u>	<u>£'000</u>
Within one year	496	60
In the second to fifth years	5,031	5,470
Over five years	<u>-</u>	<u>57</u>
	<u>5,527</u>	<u>5,587</u>

The Company has two loans secured on freehold buildings. One loan has a balance of £312,000 with fixed repayments. The unexpired term of the loan is 5 years and the interest rate on the loan floats at 2.0% above base rate. The second loan for £5,215,000 floats at 1.6% above LIBOR and the unexpired term is 4 years. The Company considers the requirements for long term borrowings by assessing the future cash flows of the business.

15. Deferred taxation

The amounts recognised and unrecognised for deferred taxation are

	2012		2011	
	Amount Recognised	Amount Unrecognised	Amount Recognised	Amount Unrecognised
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Capital allowances	(1,848)	-	(1,067)	-
Short term timing differences	132	-	13	-
Share incentive	2,433	-	3,349	-
Trading losses	<u>9,741</u>	<u>-</u>	<u>11,390</u>	<u>-</u>
	<u>10,458</u>	<u>-</u>	<u>13,685</u>	<u>(11,215)</u>

16. Called up share capital

	2012 £'000	2011 £'000
<i>Authorised</i>		
15,000,000 (2011 15,000,000) ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>
<i>Allotted, called up and fully paid</i>		
14,161,291 (2011 14,161,291) ordinary shares of £1 each	<u>14,161</u>	<u>14,161</u>

17. Revaluation reserve

	2012 £'000	2011 £'000
Opening balance	(280)	20
Change in fair value of assets classified for sale	<u>866</u>	<u>(300)</u>
Closing balance	<u>586</u>	<u>(280)</u>

18. Profit and loss account

	2012 £'000	2011 £'000
Opening balance	13,963	(13,333)
Profit for the financial year	30,567	21,409
Gain on currency translation	-	6
Share based incentives	<u>8,898</u>	<u>5,881</u>
Closing balance	<u>53,428</u>	<u>13,963</u>

19. Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Profit for the financial year	30,567	21,409
Change in fair value of assets classified for sale	866	(300)
Recognised gain relating to the year	-	6
Share based incentives	<u>8,898</u>	<u>5,881</u>
Net increase to shareholders' funds	<u>40,331</u>	<u>26,996</u>
Opening shareholders' funds	<u>27,844</u>	<u>848</u>
Closing shareholders' funds	<u>68,175</u>	<u>27,844</u>

20. Commitments

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

	2012 <u>£'000</u>	2011 <u>£'000</u>
Authorised and contracted	<u>7,152</u>	<u>702</u>

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

	2012		2011	
	Land & Buildings <u>£'000</u>	Other <u>£'000</u>	Land & Buildings <u>£'000</u>	Other <u>£'000</u>
Operating leases which expire.				
• Within one year	28	183	87	6
• In two to five years	869	4,104	154	2,599
• Over five years	<u>-</u>	<u>-</u>	<u>383</u>	<u>-</u>
	<u>897</u>	<u>4,287</u>	<u>624</u>	<u>2,605</u>

21. Employee Benefits

Pension scheme

Imagination Technologies Limited is a member of the Imagination Technologies Group plc defined contribution pension plan. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost of £2,480,000 (2011 £2,110,000) represents contributions paid by the Company to the fund. There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

The Company has share option schemes, and an Employee Share Plan in the shares of the parent company, Imagination Technologies Group plc. During the year ended 30 April 2012, the Company recognised an expense of £8,898,000 (2011 £5,951,000) in respect of outstanding share awards and employee share plan awards granted from 7 November 2002 onwards. In determining the appropriate expense, the Group has made judgements on the likelihood that internal performance targets will be achieved and on the number of employees that will be employed on vesting.

Share options

The following options in shares of Imagination Technologies Group plc have been granted under the Imagination Technologies Key Employee Share Option Schemes, Savings Related Share Option Scheme and Long Term Incentive Plan and remain outstanding at 30 April 2012

	Outstanding at 30 April 2012	Exercise price	Date from which first exercisable	Expiry date
Year of Issue				
2002	280,992	19p	2005	2012
2003	178,580	34 5p	2006	2013
2003	32,500	60p	2006	2013
2004	31,500	82p	2007	2014
2005	584,533	64 25p	2008	2015
2005	330,573	67 5p	2008	2015
2006	*145,000	55p	2009	2016
2008	8,115	55 6p	2011	2012
2009	581,572	139p	2012	2013
2010	340,486	305 2p	2013	2014
2011	1,018,869	0p	2011	2016
2011	403,124	366 2p	2014	2015
Total	3,935,844			

Options marked* have been granted under the Long Term Incentive Plan

The number and weighted average exercise prices of share options are as follows.

	Weighted average exercise price 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 2011
Outstanding at the beginning of the period	82p	4,991,729	65p	7,100,745
Exercised during the period	53p	(2,411,932)	60p	(1,673,440)
Granted during the period	355p	413,982	305p	358,381
Lapsed during the period	191p	(76,804)	79p	(793,957)
Outstanding at the end of the period	143p	2,916,975	82p	4,991,729
Exercisable at the end of the period	53p	1,591,793	46p	2,473,230

The weighted average share price during the period was 488 94p (2011 364 8p)

The options outstanding at the year end have an exercise price in the range of 0p to 366.2p and a weighted average contractual life of 2.0 years.

Employee Share Plan

The following awards in shares of Imagination Technologies Group plc have been granted under the Imagination Technologies Employee Share Plan and remain outstanding at 30 April 2012

	Outstanding at 30 April 2012	Date from which first exercisable	Expiry date
Year of Issue			
2009	415,620	2012	2012
2009	3,406,030	2012	2012
2009	2,250,000	2012	2014
2010	1,200,818	2013	2013
2010	380,000	2013	2014
2011	1,884,889	2014	2014
2011	1,680,827	2014	2014
2011	6,861	2012	2017
2011	10,820	2011	2016
2011	382,303	2012	2017
2011	535,208	2013	2018
Total	12,153,376		

As at 30 April 2012, 3,600,600 shares (2011: 3,600,600) were held by the Group's Employee Benefit Trust

The Company has share option schemes and an Employee Share Plan. The Company aims to ensure that individuals are fairly rewarded for their contribution to the success of the Company. Share options are no longer being granted, with the focus of incentives turning to bi-annual awards under the Employee Share Plan and annual invitations to join the SAYE scheme. There are a number of share options outstanding under the old schemes, including approved and unapproved key employee schemes, an Enterprise Management Incentive (EMI) scheme and a Long-Term Incentive Plan (LTIP) scheme.

The Awards issued in 2009 and 2010 have no performance criteria. With the exception of the 2011 awards issued in October 2011 (1,884,889 outstanding awards at 30 April 2012) the Awards issued in 2011 have no performance criteria. The Awards issued in October 2011 (1,884,889 outstanding awards at 30 April 2012) have 50% performance criteria based on the increase in the share price relative to the increase in the FTSE techMARK All-Share Index and 50% have no performance criteria.

Discretionary options have been granted at market value whilst SAYE options have been issued at a 20% discount to market value. The discretionary options have performance criteria based on the achievement of targets in the market price of Imagination Technologies Group plc shares. The SAYE scheme does not have performance conditions.

In accordance with FRS 20, the fair value of services received in return for share options and employee share plan awards granted to employees is measured by reference to the fair value of share options and employee share plan awards granted.

Imagination Technologies Limited
Directors' Report and Financial Statements
30 April 2012

The estimate of the fair value of the services is measured based on the Black-Scholes or Monte Carlo Simulation models, financial models used to calculate the fair value of options and awards under the employee share plans

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

Date of share option grant	Dec 2005	Jun 2006	Sep 2006	Sep 2007
Share price at grant date (pence)	67.5	5	88	113
Exercise price (pence)	84.101	69.82	-	-
Expected volatility	60.0%	60.0%	60.0%	41.0%
Risk free interest rate	4.4%	4.5%	4.5%	5.8%
Time to maturity (years)	5	5	3	3
Fair value per option (pence)	34.4	28.0	34.7	44.5

Date of share option grant	Sep 2008	Oct 2009	Oct 2010	Oct 2011
Share price at grant date (pence)	69.5	210	432	457.8
Exercise price (pence)	-	-	-	-
Expected volatility	46.0%	63.0%	64.0%	62.4%
Risk free interest rate	4.4%	1.7%	0.8%	0.51%
Time to maturity (years)	3	3	3	3.25
Fair value per option (pence)	31.2	118	235	243.9

The assumptions used in the calculation of the fair value of the employee share plan awards are set out below

Date of ESP grant	Sep 2006	Jul 2007	Aug 2007	Jan 2008	Oct 2008	Oct 2009
Share price at grant date (pence)	70.75	128.5	127.5	119	48	208
Expected volatility	60.0%	41.0%	41.0%	41.0%	49.0%	63.0%
Risk free interest rate	4.5%	5.8%	5.8%	5.8%	3.4%	1.7%
Time to maturity (years)	3	3	3	3	3	3
Fair value per option (pence)	53.0	78.4	77.6	72.6	34.2	156.3

Date of ESP grant	Dec 2009	Apr 2010	Oct 2010	Dec 2010	Apr 2011	Oct 2011
Share price at grant date (pence)	228	226	435	378	435	428.1
Expected volatility	59.0%	63.0%	-	-	-	36.0%
Risk free interest rate	2.2%	1.7%	-	-	-	0.87%
Time to maturity (years)	3	3	3	3	3	3
Fair value per option (pence)	145.0	182.0	435.0	378.0	435.0	356.2

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

Share-based payments for the year

Share-based payments for the current and prior year are

	2012 £'000	2011 £'000
Incentives awarded in		
2005/6	-	57
2006/7	2	13
2007/8	-	179
2008/9	326	676
2009/10	3,024	3,163
2010/11	3,606	1,863
2011/12	1,940	-
	8,898	5,951

The future estimated expense for share award schemes outstanding at 30th April 2012 is

	2012 £'000	2011 £'000
To be incurred within one year	8,937	9,666
To be incurred after one year	7,490	12,013
	16,427	21,679

A deferred tax asset of £2,433,000 has been recognized relating to share-based payments. It arises from the potential future tax benefit on the exercise of incentives.

22. Related party transactions

As the Company is a wholly owned subsidiary of Imagination Technologies Group plc, the Company has taken advantage of the exemption in Financial Reporting Standard No 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

23. Post balance sheet events

There have been no post balance sheet events.

24. Ultimate parent company and parent undertaking of larger group

The Company is a subsidiary undertaking of Imagination Technologies Group plc, which is the ultimate parent company, in whose financial statements the results of Imagination Technologies Limited are consolidated. Imagination Technologies Group plc is incorporated and registered in England and Wales. Copies of its financial statements may be obtained from Imagination House, Home Park Estate, Kings Langley, Hertfordshire WD4 8LZ, or at www.imgtec.com.

Creditor Payment Policy

It is Company policy to agree payment terms with suppliers when negotiating contracts or transactions. The Company ensures that, subject to any necessary variations which may result from supplier-related problems, the agreed payment terms are adhered to. The number of days billings from suppliers outstanding to the Company at 30 April 2012 was 43 days (2011: 39 days).

Directors

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

H Yassaie
R Smith (appointed 1 July 2011)
T Selby (resigned 30 June 2011)

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

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

By order of the Board

A Llewellyn
Secretary

Imagination House
Home Park Estate
Kings Langley
Hertfordshire
WD4 8LZ

25 January 2013

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Granted during the period	355p	413,982	305p	358,381
Lapsed during the period	191p	(76,804)	79p	(793,957)
Outstanding at the end of the period	143p	2,916,975	82p	4,991,729
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