

Imagination Technologies Limited

Annual Report and Financial Statements

30 April 2014

Registered Number 1306335

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Directors' report and financial statements

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Strategic report

The directors present their strategic report for the year ended 30 April 2014.

Principal activities and business review

The principal activities and operations 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 internet protocol 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 original equipment manufacturer and original design manufacturer 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.

As expected the momentum in licensing accelerated in the second half of the year leading to a number of important licensing agreements and deal extensions. There were expanding licensing activities for graphics and video with initial customer engagements for the new vision technology. Increasing numbers of customers signed licenses for IP from multiple families. There is a growing and general trend towards demand for IP sub-systems or solutions combining multiple IP cores, an aspect that the strategy is designed to fully support. Partner chip unit shipments were broadly flat with prior year at 530m (2013: 535m), with royalty revenues down 4% for the year, although the average royalty rate was maintained at prior year levels due to a better mix than expected. Imagination has seen an increasing proportion of shipments using Series6 graphics technology and given the design wins achieved during the year this is expected to continue to grow.

Pure continues to experience a difficult environment in the UK and some export markets which resulted in revenue of £23.2m. There was some organisational restructuring in the Pure division during the year to further align the activities, reduce cost and increase the focus on the critical projects for this business. The organisational changes are expected to result in annual savings of £2.0m p.a.

Pure introduced a new mini version of its iconic Evoke digital radio, the Evoke D2, while Bluetooth has been introduced to selected digital radios to reflect the growing trend for wireless streaming. Pure also expanded its new Jongo multiroom speaker range by adding three tabletop wireless speakers, the Jongo T2, T4 and T6. Jongo is the first multiroom speaker range that can be used with any audio or radio app, thanks to the integration of Imagination's Bluetooth Caskeid technology. Pure's in-car digital radio range was boosted by a strategic relationship with the UK's biggest car accessory

Strategic report (continued)

retailer Halfords, which produced a range of two exclusive 1-DIN car radios, the Highway 260DBi and the Highway 240Di.

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

	Year ended 30 April 2014	Year ended 30 April 2013	%
Technology business			
Licensing revenue	£30.9m	£25.5m	22%
Partner chips shipped (units)	530m	535m	(1%)
Royalty revenue	£85.6m	£89.3m	(4%)
Pure business			
Revenue	£23.2m	£25.7m	(10%)
Operating profit	(£8.6m)	(£7.6m)	

Principal activities and business review

	Year ended 30 April 2014	Year ended 30 April 2013	%
Company			
Revenue	£147.5m	£140.5m	3%
Gross profit	£125.5m	£120.2m	3%
Profit before taxation	£3.1m	£22.8m	(86%)
Net cash	£14.2m	£13.3m	7%

Principal risks and uncertainties

The company places great importance on the identification and effective management of risks. The approach to risk management helps to deliver the objectives and maximise the returns of the company.

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

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

Strategic report (continued)

Risk or uncertainty and potential impact	How we manage it
Competitive environment The business operates in a highly competitive market and needs to be able to respond rapidly to competitive threats	<ul style="list-style-type: none"> • Drive and deliver new product developments and enhancements which differentiate us competitively • Monitoring and understanding our competitors • Focus on being responsive to customers and improving the quality and delivery of our products • Seek out new market opportunities
Intellectual property Patent-related threats from third parties seeking to use patents as an alternative way of generating revenue	<ul style="list-style-type: none"> • Build a portfolio of strategically important patents • Build strong relationships with external counsel to enable us to act quickly and defend our position • Work closely with customers to respond quickly to potential threats
Customer concentration The business currently has a large portion of revenue related to specific customers and technologies. Consolidation within the industry could drive this further and increase Imagination's dependence on a limited number of customers	<ul style="list-style-type: none"> • Building a portfolio of technology that appeals to a broad range of customers • Developing relationships with a wider number of customers spread across different sectors and jurisdictions • Monitor trends and changes in the semiconductor industry • Develop business models that reflect the changing industry landscape
Change in customer dynamics A change in the business environment or business models employed by our customers could have a detrimental impact on our financial performance	<ul style="list-style-type: none"> • Establish trusted relationships with customers to ensure we fully understand their strategic direction • Adapt a flexible approach to different business models
Supporting business growth With the significant growth expected in the business there is a need to effectively scale the infrastructure, people and processes to capitalise on the opportunities	<ul style="list-style-type: none"> • Continue to develop procedures and processes to support the growing business • Add resources in key areas • Long term planning undertaken across the business to identify requirements
Completion and integration of acquisitions In the fast developing technology market, acquisitions can be beneficial to develop the technology portfolio and enhance the business. Failure to effectively integrate the acquisition and deliver the benefits expected is a risk	<ul style="list-style-type: none"> • Project team manages all elements of acquisitions • Comprehensive board review of potential targets before, during and after acquisition • Comprehensive due diligence conducted prior to acquisition with particular attention given to how the company will be integrated • Comprehensive integration plan pursued until all elements have been completed
Products meeting customer requirements Unable to deliver new products on time or achieve performance that does not meet market requirements in terms of specification, quality or timeliness could result in loss of market share with a corresponding impact on financial performance	<ul style="list-style-type: none"> • Close project management, including using project management systems • Checks throughout the project to ensure the expected outcomes including specification and timing will be achieved • Thorough roadmap planning process including discussion with key customers for each business unit • Additional R&D resources allocated to key projects
Macro-economic developments Changes in global economic conditions can have a significant impact on our partners and customers and therefore may affect the financial performance of the business	<ul style="list-style-type: none"> • Broad customer, engineering and products base to balance risk • Flexible in responding to changing demands • Effective forecasting of business performance • Foreign exchange hedging strategy implemented

By order of the board



Richard Smith, Director, 30 January 2015

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 2014.

Research and development

The company spent £92,680,000 (2013: £67,072,000) on research and development and advanced technology projects.

Donations

During the period, the company made donations for charitable purposes of £3,814 (2013: £3,643). There were no political donations during the period.

Employees

The company acknowledges the importance and contribution of its employees and as a global business values people from all cultures, nationalities, races, religions, and ethnicities regardless of characteristics such as age, gender, disability or sexual orientation. There is great demand for highly qualified staff within the company and disability is not seen as an inhibitor to employment or career development. In a situation where an employee becomes disabled during their employment the company, wherever possible, will provide assistance to allow them to continue in their existing role or adapt if necessary or offer training for another position.

Across the company there is considerable value placed on the involvement of employees in the decision making process. To this end regular departmental meetings are held to discuss strategy and future developments and any significant outputs are then fed back to senior management. This helps the flow of ideas through the company and allows employees to see their contributions are valued.

Employee engagement with the whole company is highly prioritised and there a number of communication channels in place to help employees develop their knowledge of the business. These channels include regular presentations by the CEO and CFO to staff covering the company's performance, strategy, vision and operational developments. There is a quarterly company magazine, namely 'Imagineer' which is used to report events and activities to all employees worldwide, covering things like the opening of new offices around the globe, introducing new starters to the company, arrival of children of employees and retirement tributes to employees.

Furthermore employee ownership is encouraged via the company's global share schemes. The company runs an employee share plan and all employees globally receive share awards on a bi-annual basis. A Save As You Earn ("SAYE") scheme has been operating in the UK since 2001 and employees are given the opportunity to participate annually. The company believes shares are a key tool to motivate and retain employees.

Directors' report (continued)

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 day's billings from suppliers outstanding to the company at 30 April 2014 was 42 days (2013: 42 days).

Directors

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

H Yassaie
R Smith

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

The external auditor KPMG Audit Plc has instigated an orderly wind down of their business. The Directors have decided to put KPMG LLP forward to be appointed as the external auditor and a resolution concerning their appointment will be put to the forthcoming AGM of the company.

By order of the Board



A Llewellyn
Secretary

Imagination House
Home Park Estate
Kings Langley
Hertfordshire
WD4 8LZ

30 January 2015

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 member of Imagination Technologies Limited

We have audited the financial statements of Imagination Technologies Limited for the year ended 30 April 2014 set out on pages 14 to 33. 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 8, 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 2014 and of its loss 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

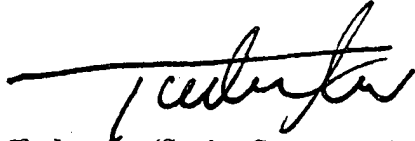
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Independent auditor's report to the member of Imagination Technologies Limited (continued)



Tudor Aw (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

30 January 2015

Profit and loss account
For the year ended 30 April 2014

	Note	Year to 30 April 2014 <u>£'000</u>	Year to 30 April 2013 <u>£'000</u>
Turnover	2	147,459	140,523
Cost of sales		<u>(21,974)</u>	<u>(20,309)</u>
Gross profit		125,485	120,214
Research and development expenses		(92,680)	(67,072)
Sales and administrative expenses		(26,055)	(23,346)
Acquisition related costs		(424)	(2,950)
Restructuring costs		(397)	-
Contingent acquisition consideration release		899	-
Loss on investment		<u>(3,773)</u>	<u>(3,917)</u>
Total operating expenses		<u>(122,430)</u>	<u>(97,285)</u>
Operating profit	3	3,055	22,929
Interest receivable and similar income	6	-	14
Interest payable	6	(7)	(102)
Profit on ordinary activities before taxation		3,048	22,841
Taxation charge on profit on ordinary activities	7	<u>(6,682)</u>	<u>(5,182)</u>
(Loss) / Profit for the financial year		<u>(3,634)</u>	<u>17,659</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 14 to 33 form part of these financial statements.

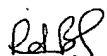
Statement of total recognised gains and losses
For the year ended 30 April 2014

	Year to 30 April 2014 <u>£'000</u>	Year to 30 April 2013 <u>£'000</u>
(Loss) / Profit for the financial year	<u>(3,634)</u>	17,659
Change in fair value of assets classified as available for sale	<u>997</u>	-
Total recognised gains and losses relating to the financial year	<u>(2,637)</u>	<u>17,659</u>

Balance sheet
As at 30 April 2014

	Note	As at 30 April 2014 £'000	As at 30 April 2013 £'000
Fixed Assets			
Intangible assets	8	24,378	3,132
Tangible assets	9	60,411	43,078
Investments in subsidiary undertakings	10	177	177
Trade investments	11	21,081	18,712
Deferred Tax	16	<u>2,189</u>	<u>6,707</u>
		108,236	71,806
Current assets			
Stock and work in progress	12	8,311	7,675
Debtors (including £846,000 (2013: £nil) due after more than one year)	13	42,519	73,820
Cash at bank and in hand		<u>14,168</u>	<u>13,321</u>
		64,998	94,816
Creditors: amounts falling due within one year	14	(66,631)	(69,642)
Net current (liabilities)/assets		(1,633)	25,174
Total assets less current liabilities		106,603	96,980
Creditors: amounts falling due after more than one year	15	(2,465)	-
Net assets		104,138	96,980
Capital and reserves			
Called up share capital	17	14,161	14,161
Revaluation reserve	17	1,583	586
Profit and loss account	17	<u>88,394</u>	<u>82,233</u>
Total Shareholders' funds		104,138	96,980

The notes on pages 14 to 33 form part of these financial statements. These financial statements were approved by the board of directors on 30 January 2015 and were signed on its behalf by:



R Smith

Director

Imagination Technologies Limited

Registered Number 1306335

**Reconciliation of movements in Shareholders' funds
For the year ended 30 April 2014**

	Share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
At 1 May 2012	14,161	586	53,428	68,175
Profit for the financial year	–	–	17,659	17,659
Other recognised gains and losses relating to the year: Change in fair value of assets classified as available for sale	–	–	–	–
Share based remuneration	–	–	11,146	11,146
At 30 April 2013	14,161	586	82,233	96,980
At 1 May 2013	14,161	586	82,233	96,980
Loss for the financial year	–	–	(3,634)	(3,634)
Other recognised gains and losses relating to the year: Change in fair value of assets classified as available for sale	–	997	–	997
Share based remuneration	–	–	12,975	12,975
Dividends paid	–	–	(3,180)	(3,180)
At 30 April 2014	14,161	1,583	88,394	104,138

Notes (forming part of the financial statements)

1. Accounting Policies

General

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of preparation

Imagination Technologies Limited is a company incorporated in the UK under the Companies Act. The address of the registered office is given in note 21. The nature of the company's operations and its principal activities are set out in the strategic report on pages 3 to 5.

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

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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. Details of the parent in whose consolidated financial statements the company is included are shown in note 21 to the 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

1. Accounting Policies (continued)

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 un-invoiced 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.

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

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

Revenues from the sale of goods are recognized upon delivery.

1. Accounting Policies (continued)

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

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

Tangible fixed assets

All tangible fixed assets are stated at historical cost and depreciated to write down their cost to their estimated residual values over the period of their estimated useful economic lives. Useful lives and residual values are reviewed at the end of every reporting period, and the depreciation rates applied are:

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

Research and development costs

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

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.

1. Accounting Policies (continued)

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.

Current tax

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

Deferred tax

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

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

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

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

1. Accounting Policies (continued)

Foreign exchange

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

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

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 (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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.

Trade investments

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

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

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

The company is exposed to equity securities price risk on available for sale financial assets. As there can be no guarantee that there will be a future market for securities or that the value of such investments will rise, the directors evaluate each investment opportunity on its merits before committing the company's funds. The directors review holdings in such companies on a regular basis

1. Accounting Policies (continued)

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

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

Impairment of tangible and intangible assets

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

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

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

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

Cash and equivalents

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

Loans and receivables

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

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.

		2014 <u>£'000</u>	2013 <u>£'000</u>
Revenue			
Technology business			
Licencing		30,930	25,587
Royalties		85,550	89,205
Other		<u>7,785</u>	<u>-</u>
		124,265	114,792
Pure business		<u>23,194</u>	<u>25,731</u>
		147,459	140,523
Operating Profit*			
Technology business		11,640	30,484
Pure business		<u>(8,584)</u>	<u>(7,555)</u>
		3,056	22,929
Total assets			
Technology business		136,950	104,096
Pure business		16,221	10,863
Unallocated assets		<u>21,097</u>	<u>51,663</u>
		174,268	166,622
Total liabilities			
Technology business		63,098	65,410
Pure business		5,998	4,232
Unallocated liabilities		<u>-</u>	<u>-</u>
		69,096	69,642
Other segment items			
Capital expenditure	Technology business	38,173	22,593
	Pure business	<u>5,723</u>	<u>1,443</u>
		43,896	24,036
Depreciation and amortisation	Technology business	4,947	3,417
	Pure business	<u>371</u>	<u>313</u>
		5,318	3,730

*2013 comparative restated to show Operating Profit rather than Gross Profit.

2. Revenue and segmental analysis (continued)

Revenue is segmented by geographical area of sales as follows:

	2014 £'000	2013 £'000
USA	81,254	78,653
Asia	32,835	28,865
United Kingdom	17,353	21,811
Rest of Europe	10,201	9,093
Rest of the world	4,501	1,218
Rest of North America	1,315	883
	<u>147,459</u>	<u>140,523</u>

3. Operating profit

	2014 £'000	2013 £'000
Operating profit is stated after charging:		
Depreciation and amortisation of owned tangible and intangible assets	5,318	3,730
Operating lease rentals:		
Property	1,085	1,095
Other operating leases	6,524	5,907
Net foreign exchange loss	1,529	1,253
Auditor's remuneration:		
Audit of these financial statements	68	60
Other assurance services	-	4

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

	2014 £'000	2013 £'000
Directors' emoluments	<u>1,184</u>	<u>952</u>

Remuneration includes pension contributions of £47,000 (2013: £75,000) 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 £935,000 (2013: £630,000), which included pension contributions of £32,000 (2013: £51,000).

5. Staff numbers and costs

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

	Number of employees	
	<u>2014</u>	<u>2013</u>
Research and development	688	644
Production	35	45
Administration	94	80
Marketing	<u>81</u>	<u>76</u>
	<u>898</u>	<u>845</u>

The aggregate payroll costs of these persons were:

	<u>2014</u>	<u>2013</u>
	<u>£'000</u>	<u>£'000</u>
Wages and salaries	38,809	32,971
Share based payments	12,975	11,146
Social security costs	3,241	3,596
Pension costs	<u>1,661</u>	<u>2,127</u>
	<u>56,686</u>	<u>49,840</u>

Included in the charge for the share based payments of £12,975,000 (2013: £11,146,000) is £nil (2013: £nil) in respect of the share appreciation rights. Complete information on the share incentives and shares held by directors is set out on the Director's Remuneration Report within the Imagination Technologies Group plc Annual Report on pages 55-71.

6. Finance charges

	<u>2014</u>	<u>2013</u>
	<u>£'000</u>	<u>£'000</u>
Interest receivable and other income	-	14
Interest payable:		
Amounts payable on bank loans and overdrafts	(7)	(102)

7. Taxation

	2014	2013
	<u>£'000</u>	<u>£'000</u>
Analysis of the tax charge in the period		
Current tax:		
Foreign tax	2,164	1,431
Deferred tax:		
Origination and reversal of timing differences	4,477	3,936
Effect of changes in tax rate on opening balance	41	36
Effect of changes in tax rate on closing balance	-	268
Adjustments in respect of prior periods	-	(489)
Total deferred tax charge	<u>4,518</u>	<u>3,751</u>
Total tax charge	<u>6,682</u>	<u>5,182</u>
Reconciliation of the notional tax charge at UK standard rate to the actual tax charge:		
Profit on ordinary activities before taxation	3,048	22,841
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.8% (2013:23.9%)	696	5,459
Effects of:		
Permanent differences	2,305	(1,523)
Effect of tax rate change	420	304
Adjustments in respect of prior periods	1,097	(489)
Withholding tax	<u>2,164</u>	<u>1,431</u>
Tax charge for the period	<u>6,682</u>	<u>5,182</u>

During 2013, reductions in the main rate of UK corporation tax to 21% with effect from 1 April 2014, and to 20% with effect from 1 April 2015 were substantively enacted. In addition, a reduced tax rate in respect of profits related to patents of 10% was also substantively enacted during 2013 (phased in over 5 years with effect from 1 April 2013). The expected reduction in future tax rate as a result of these changes has been reflected in the calculation of the deferred tax balance.

8. Intangible fixed assets

	Developed Technology		Software, Patents & Trademarks		Total	
	2014	2013	2014	2013	2014	2013
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cost						
At beginning of year	-	-	7,275	4,561	7,275	4,561
Additions	<u>21,905</u>	-	<u>1,044</u>	<u>2,714</u>	<u>22,949</u>	<u>2,714</u>
At 30 April	<u>21,905</u>	-	<u>8,319</u>	<u>7,275</u>	<u>30,224</u>	<u>7,275</u>
Amortisation						
At beginning of year	-	-	4,143	3,342	4,143	3,342
Charged in year	<u>730</u>	-	<u>973</u>	<u>801</u>	<u>1,703</u>	<u>801</u>
At 30 April	<u>730</u>	-	<u>5,116</u>	<u>4,143</u>	<u>5,846</u>	<u>4,143</u>
Net Book Value						
At 30 April 2014 and 30 April 2013	<u>21,175</u>	-	<u>3,203</u>	<u>3,132</u>	<u>24,378</u>	<u>3,132</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 2013	35,945	3,227	26,237	65,409
Additions	12,443	36	8,470	20,949
Disposals	-	-	-	-
Transfers	<u>(114)</u>	<u>84</u>	<u>30</u>	<u>-</u>
At 30 April 2014	<u>48,274</u>	<u>3,347</u>	<u>34,737</u>	<u>86,358</u>
Depreciation				
At 1 May 2013	962	1,931	19,438	22,331
Charge for year	569	355	2,692	3,616
Disposals	-	-	-	-
Transfers	<u>(17)</u>	<u>10</u>	<u>7</u>	<u>-</u>
At 30 April 2014	<u>1,514</u>	<u>2,296</u>	<u>22,137</u>	<u>25,947</u>
Net book value				
At 30 April 2014	<u>46,760</u>	<u>1,051</u>	<u>12,600</u>	<u>60,411</u>
At 30 April 2013	<u>34,983</u>	<u>1,296</u>	<u>6,799</u>	<u>43,078</u>

	2014	2013
	<u>£'000</u>	<u>£'000</u>
The net book value of freehold land and buildings comprises:		
Land	9,349	9,349
Buildings	<u>37,411</u>	<u>25,634</u>
	<u>46,760</u>	<u>34,983</u>

10. Investments

	2014	2013
	<u>£'000</u>	<u>£'000</u>
Shares in subsidiary undertakings		
Cost at beginning of year	1,835	1,835
Provision for diminution in value	<u>(1,658)</u>	<u>(1,658)</u>
Net book value of subsidiary undertakings at 30 April	<u>177</u>	<u>177</u>

Shares in subsidiary undertakings

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

Name of subsidiary undertaking	Country of incorporation	Class of shares	Ownership 2014	Ownership 2013
Imagination Technologies NZ Limited	New Zealand	Ordinary	100%	100%
Imagination Technologies GmbH	Germany	Ordinary	100%	100%
Imagination Technologies India Private Limited	India	Ordinary	99%	99%
Pure Australasia Pty Limited	Australia	Ordinary	100%	100%
Metagence Technologies Limited (Dormant)	UK	Ordinary	100%	100%
Pure Digital Limited (Dormant)	UK	Ordinary	100%	100%
Bristol Interactive Limited (Dormant)	UK	Ordinary	100%	100%

11. Trade investments

	2014	2013
	<u>£'000</u>	<u>£'000</u>
Current asset investments		
Available for sale financial assets	<u>21,081</u>	<u>18,711</u>

Trade investments

Net book value at beginning of year	18,712	12,985
Additions	4,830	12,767
Disposals	(1,221)	(3,123)
Loss on investment	(2,237)	(3,917)
Movement in revaluation reserve	997	-
Net book value at end of year	<u>21,081</u>	<u>18,712</u>

The investments relate to the company's holdings in Toumaz Limited ('Toumaz'), GreenPlug, Inc. ('Greenplug'), Orca Systems, Inc. ('Orca'), Blu-Wireless, UBC Media Group Plc ('UBC'), 7digital Group, Inc. ('7digital'), Ineda Systems, Inc. ('Ineda'), Onkyo Corporation ('Onkyo') and NetSpeed Systems, Inc. ('NetSpeed'). Movement in the carrying value of each investment during the period is analysed below.

11. Trade investments (continued)

Toumaz – The company received additional shares at nil cost as deferred consideration relating to Toumaz's acquisition of Frontier Silicon during 2012. This resulted in an immediate gain of £91,000 by reference to the quoted share price, which has been recognized in the profit and loss account. A further investment was made during the year for £1,936,000 split equally between cash and non-cash, with the latter being the provision of licenced deliverables. This was made at below market value, thereby generating a further gain of £363,000 which was recognised through the profit and loss account. At the balance sheet date, the company's investment in Toumaz was valued at £8,268,000 by reference to the quoted share price of Toumaz at the reporting date. £925,000 of the reduction in the investment value was recognised in the profit and loss account in accordance with IAS 39 given that particular holding of shares had previously been impaired, with the remaining £8,000 increase in value on the latest tranches of shares acquired being recognised through the Statement of total recognised gains and losses.

Orca – The company made an additional cash investment of £484,000. At the balance sheet date a £9,000 decrease in the value of the investment due to foreign exchange movements resulted in a carrying value of £1,055,000. The £9,000 decrease has been recognized as a change in fair value of available for sale investments in the Statement of total recognised gains and losses.

Blu-Wireless – The company participated in two rounds of share purchase totalling £250,000 paid in cash. Based on Imagination Technologies' accounting policy of using the latest funding rounds to value unquoted shares, the previously impaired shareholding was revalued, resulting in a gain of £50,000 being recognised in the Statement of total recognised gains and losses. A subsequent gain of £9,000 has been recognised in the Statement of total recognised gains and losses on the earlier share purchase when the second share purchase occurred based on the value of this later round of funding.

UBC – The company made a further cash investment in UBC by the way of a loan for £100,000. At the balance sheet date a gain of £1,078,000 has been created as a result of the movement in UBC's share price, and this has been recognized as a change in fair value of available for sale investments in the Statement of total recognised gains and losses. The carrying value of the investment in UBC at the balance sheet date is £1,841,000.

7digital – At the balance sheet date a £352,000 decrease in the value of the investment due to foreign exchange movements resulted in a carrying value of £4,162,000. The £352,000 decrease has been recognized as a change in fair value of available for sale investments in the Statement of total recognised gains and losses.

Ineda – The company increased its shareholding converting the \$2,000,000 promissory note, rather than utilising additional cash, for equity shares at a discount. This resulted in a gain on the initial recognition of the shares of £307,000 which has been recognised in the profit and loss account. At the balance sheet date a £631,000 increase in the value of the investment due to foreign exchange movements and this funding round resulted in a carrying value of £4,597,000. The £631,000 increase

11. Trade investments (continued)

has been recognized as a change in fair value of available for sale investments in the Statement of total recognised gains and losses.

Onkyo – The company purchased an investment in Onkyo for £359,000. On the same date Onkyo made a reciprocal investment in Imagination Technologies Group plc. There was a gain on the initial recognition of the shares of £41,000 which has been recognised in the profit and loss account. At the balance sheet date a loss of £27,000 has been created as a result of the movement in Onkyo's share price and foreign exchange, and this has been recognized as a change in fair value of available for sale investments in the Statement of total recognised gains and losses. The carrying value of the investment in Onkyo at the balance sheet date is £373,000.

NetSpeed – During the year the company made a cash investment in NetSpeed for £481,000. At the balance sheet date a loss of £5,000 has been created due to foreign exchange movements and this has been recognized as a change in fair value of available for sale investments in the Statement of total recognised gains and losses. The carrying value of the investment in NetSpeed at the balance sheet date is £476,000.

GreenPlug – At the balance sheet date a £273,000 decrease in the value of the investment due to foreign exchange movement has been recognized as a change in fair value of available for sale investments in the Statement of total recognised gains and losses. Due to continued delays in the commercial exploitation of the technology, management made a decision to write the investment value to nil. The reduction in value has first been charged against the brought forward gains of £113,000 on the available for sale reserve for this investment, with the remaining carrying value of the investment of £2,114,000 being recognized as an impairment through the profit and loss account.

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

All Gains and losses for the period recognised in the profit and loss account are included within the loss on investment row within the profit and loss account. All gains or losses for the period recognised in total recognised gains and losses are included within the 'change in fair value of assets classified as available for sale' row within the statement of total recognised gains and losses.

12. Stock and work in progress

	2014	2013
	<u>£'000</u>	<u>£'000</u>
Raw materials and components	979	1,036
Finished goods	<u>7,332</u>	<u>6,639</u>
	<u>8,311</u>	<u>7,675</u>

13. Debtors

	2014 <u>£'000</u>	2013 <u>£'000</u>
Trade debtors	16,200	30,733
Prepayments and accrued income	20,266	17,148
Amounts owed by subsidiary undertakings	359	18,916
Amounts owed by fellow subsidiary undertaking	-	4,935
Other debtors	<u>5,694</u>	<u>2,088</u>
	<u>42,519</u>	<u>73,820</u>

Other debtors includes a corporation tax asset of £846,000 (2013:£nil) due after more than one year.

14. Creditors: amounts falling due within one year

	2014 <u>£'000</u>	2013 <u>£'000</u>
Trade creditors	6,376	5,414
Amounts owed to parent undertaking	32,202	39,789
Amounts owed to subsidiary undertakings	174	-
Amounts owed to fellow subsidiary undertaking	7,629	7,482
Taxation and social security	1,852	1,392
Accruals and deferred income	<u>18,398</u>	<u>15,565</u>
	<u>66,631</u>	<u>69,642</u>

Contained within accruals and deferred income is £377,000 due within 12 months relating to liabilities owed under a finance lease.

15. Creditors: amounts falling due after one year

	2014 <u>£'000</u>	2013 <u>£'000</u>
Other creditors	<u>2,465</u>	<u>-</u>

Contained within other creditors is £1,510,000 due after 12 months relating to liabilities owed under a finance lease. The corresponding asset has been identified and disclosed in note 9.

16. Deferred taxation

The amounts recognised as a deferred tax asset are:

	2014 <u>£'000</u>	2013 <u>£'000</u>
Capital allowances	(3,832)	299
Short term timing differences	86	115
Share incentive	1,719	4,464
Trading losses	<u>4,216</u>	<u>1,829</u>
	<u>2,189</u>	<u>6,707</u>

17. Capital and Reserves

Called up share capital	2014 £'000	2013 £'000
<i>Authorised</i>		
15,000,000 (2013: 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 (2013: 14,161,291) ordinary shares of £1 each	<u>14,161</u>	<u>14,161</u>

18. Commitments

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

	2014 £'000	2013 £'000
Authorised and contracted	<u>16,256</u>	<u>14,535</u>

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

	2014		2013	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	849	6,514	308	440
In two to five years	283	11,050	1,945	1,025
Over five years	-	-	-	-
	<u>1,132</u>	<u>17,564</u>	<u>2,253</u>	<u>1,465</u>

19. 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 £1,661,000 (2013: £2,127,000) 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 2014, the company recognised an expense of £12,975,000 (2013: £11,146,000) 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.

19. Employee Benefits (continued)

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 2014.

Year of Issue	Outstanding at 30 April 2014	Exercise price	Date from which first exercisable	Expiry date
2004	15,500	82p	2007	2014
2005	422,346	64.25p	2008	2015
2005	287,630	67.5p	2008	2015
2006	*145,000	55p	2009	2016
2010	261,277	305.2p	2013	2014
2011	226,244	366.2p	2014	2015
2012	180,918	381.2p	2015	2016
2013	702,107	228p	2016	2017
2013	*416,007	351.2p	2016	2023

Sub-total of options with exercise price 2,657,029

Year of Issue	Outstanding at 30 April 2014	Exercise price	Date from which first exercisable	Expiry date
2010	703,827	0p	2013	2013
2011	1,327,934	0p	2014	2014
2011	863,346	0p	2011	2016
2011	1,548,397	0p	2014	2019
2011	76,674	0p	2013	2017
2012	1,600,616	0p	2015	2020
2012	224,998	0p	2012	2017
2012	1,000	0p	2014	2019
2012	1,000	0p	2015	2020
2012	386,002	0p	2015	2020
2012	153,401	0p	2014	2019
2013	1,668,673	0p	2016	2021
2013	1,928,649	0p	2016	2021

Sub-total of nil cost options 10,484,517

13,141,546

* Options granted under the Long Term Incentive Plan.

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

Year of Issue	Weighted average exercise price 2014	Number of options 2014	Weighted average exercise price 2013	Number of options 2013
Outstanding at the beginning of the period	216p	2,112,378	143p	2,916,975
Exercised during the period	68p	(117,812)	87p	(1,157,922)
Granted during the period	273p	1,135,937	381.2p	392,747
Lapsed during the period	349p	(473,474)	254p	(39,422)
Outstanding at the end of the period	223p	2,657,029**	216p	2,112,378**
Exercisable at the end of the period	120p	1,131,753	64p	1,002,240

19. Employee Benefits (continued)

The weighted average share price during the period was 250.00p (2013: 491.44p).

The options outstanding at the year end have an exercise price in the range of 0p to 381.2p and a weighted average contractual life of 2.3 years.

**Excludes 10,484,517 nil cost options. Movements of which are shown with share awards below.

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 2014.

Year of Issue	Outstanding at 30 April 2014	Date from which first exercisable	Expiry date
2009	1,468,978	2012	2019
2009	2,250,000	2012	2014
2010	121,000	2013	2014
2011	18,288	2014	2014
2011	18,023	2013	2014
2011	58,148	2014	2014
2012	8,170	2012	2019
2012	55,360	2015	2015
2012	46,701	2014	2015
2012	46,697	2015	2016
2012	228,264	2015	2016
2012	1,183,590	2015	2022
2013	61,381	2016	2023
2013	565,309	2016	2021
2013	589,227	2016	2021
	6,719,136		

The movements in nil cost share options and share awards are as follows:

Year of Issue	Number of share awards and options 2014	Number of share awards and options 2013
Outstanding at the beginning of the period	14,582,953	13,172,245
Exercised during the period	(1,772,878)	(2,142,263)
Granted during the period	4,912,713	4,677,024
Lapsed during the period	(519,135)	(1,124,053)
Outstanding at the end of the period	17,203,653	14,582,953
Exercisable at the end of the period	7,081,238	5,005,709

As at 30 April 2014, 1,996,246 (2013: 1,763,940) shares are held by the Company's Employee Benefit Trust.

The company has share option schemes and an Employee Share Plan (ESP). The company aims to ensure that individuals are fairly rewarded for their contribution to the success of the company. Share

19. Employee Benefits (continued)

options are no longer being granted, with the focus of incentives turning to bi-annual awards under the ESP 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.

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.

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	Oct 2009	Oct 2010	Oct 2011	Jun 2012	Oct 2012
Share price at grant date (pence)	67.5	56	210	432	457.8	466.6	456.6
Exercise price (pence)	84-101	69-82	—	—	—	—	—
Expected volatility	60%	60%	63%	64%	62.4%	51.2%	54.4%
Risk free interest rate	4.4%	4.5%	1.7%	0.8%	0.51%	0.38%	0.26%
Time to maturity (years)	5	5	3	3	3	3	1
Fair value per option (pence)	34.4	28.0	118	235	243.9	333.6	289.1

Date of share option grant	Oct 2012	Oct 2012	Nov 2012	Dec 2012	Jun 2013	Jun 2013	Sep 2013
Share price at grant date (pence)	456.6	456.6	467.0	409.2	287.4	287.4	351.2
Exercise price (pence)	—	—	381.2	—	—	—	351.2
Expected volatility	54.0%	51.1%	51.0%	50.7%	51.5%	51.5%	52.8%
Risk free interest rate	0.26%	0.32%	0.35%	0.39%	0.62%	0.62%	0.86%
Time to maturity (years)	2	3	3	3	3	3	3
Fair value per option (pence)	321.3	343.5	233.0	300.8	28.3	287.4	262.0

Date of share option grant	Sep 2013	Sep 2013	Oct 2013	Dec 2013	Dec 2013
Share price at grant date (pence)	351.2	351.2	293.5	162.3	162.3
Exercise price (pence)	351.2	351.2	—	—	—
Expected volatility	50.9%	57.3%	53.1%	54.9%	54.9%
Risk free interest rate	1.33%	1.67%	0.78%	0.85%	0.85%
Time to maturity (years)	4	5	3	3	3
Fair value per option (pence)	261.1	351.2	130.6	162.3	79.6

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

Date of ESP grant	Oct 2009	Dec 2009	Apr 2010	Oct 2010	Dec 2010	Apr 2011	Oct 2011
Share price at grant date (pence)	208	228	226	435	378	435	428.1
Expected volatility	63%	59%	63%	—	—	—	36.0%
Risk free interest rate	1.7%	2.2%	1.7%	—	—	—	0.87%
Time to maturity (years)	3	3	3	3	3	3	3
Fair value per option (pence)	156.3	145.0	182.0	435	378	435	356.2

19. Employee Benefits (continued)

Date of ESP grant	June 2012	Oct 2012	Oct 2012	Oct 2012	Dec 2012	Jan 2013
Share price at grant date (pence)	466.6	456.6	456.6	456.6	409.2	464.5
Expected volatility	51.2%	54.4%	54.0%	51.1%	50.7%	51.1%
Risk free interest rate	0.38%	0.26%	0.26%	0.32%	0.39%	0.45%
Time to maturity (years)	3	1	2	3	3	3
Fair value per option (pence)	333.6	289.1	321.3	343.5	300.8	264.0

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

Share-based payments for the year

Share-based payments for the current and prior year are:

Year of Award	2014 £'000	2013 £'000
2009/10	393	1,819
2010/11	3,382	4,717
2011/12	2,594	2,096
2012/13	4,567	2,684
2013/14	2,039	-
	12,975	11,316

Included in the current year charge are additional costs as a result of some historical schemes being modified during the year to remove certain market based vesting conditions. These schemes had between 9 and 24 months of the vesting period remaining at the modification date.

The future estimated expense for share award schemes outstanding at 30th April 2014 is:

Year of Award	2014 £'000	2013 £'000
To be incurred within one year	10,311	10,344
To be incurred after one year	6,377	6,790
	16,688	17,134

20. Post balance sheet events

There have been no post balance sheet events.

21. 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.