

Imagination Technologies Limited

Annual Report and Financial Statements

31 December 2020

Registered Number 01306335

FRIDAY



AAD0ZKHC

A06

24/09/2021

#31

COMPANIES HOUSE

Imagination Technologies Limited

for the year ended 31 December 2020

Contents	Page
Strategic report	3-14
Directors' report	13-18
Independent auditor's report	19-21
Income statement	22
Statement of other comprehensive income	23
Statement of financial position	24
Statement of changes in equity	25
Notes to financial statements	26-47

Imagination Technologies Limited

Strategic report
For the year ended 31 December 2020

Business Model, Strategy and Products

Imagination creates and license market-leading processor solutions for graphics, artificial intelligence (AI) and central processing unit (CPU) processing. Imagination enables leading products from many innovators in electronics. Imagination achieved this position by delivering technologies that solve their customers' key problems in new, more efficient ways.

Imagination's reputation is built on innovation. The focus of Imagination on low power consumption, the smallest silicon area, and the highest efficiency are three key reasons our technology is the choice of leading chip companies. These design imperatives permeate the operations of Imagination. Imagination is an expert in virtualization for safety and security, which is increasingly important in heterogeneous System-on-Chip (SoCs).

Imagination is known for its 'smart' solutions to difficult challenges, such as: the tile-based deferred rendering (TBDR) of PowerVR graphics; and the disruptive variable precision approach of its PowerVR AI/Neural Network Acceleration cores. These differentiators help their customers stand out in crowded markets and deliver better solutions to their customers.

Imagination's business model means they only succeed if their customers succeed. Imagination receives a royalty payment when Imagination creates products using their technologies. If their customers do not ship in volume, the company does not receive additional revenues. As a result, Imagination is motivated to work in partnership with their customers to deliver the support and services they need to reach their target market, on time and in volume. Innovation and collaboration is in Imagination's DNA.

General Business Review

Covid-19 has disrupted the World, creating a difficult backdrop for all industries. However, 2020 proved to be a year of considerable achievement and forward progress for Imagination.

2020 was kicked off by announcing Imagination's new multi-year license agreement with Apple, under which they have access to a wider range of Imagination's intellectual property in exchange for license fees.

Imagination also developed a strong position in Android based smartphones and tablets.

Imagination built considerable traction in automotive despite stiff competition and our partners are the leaders in automotive SoC (System On Chip) market share. A significant new lead customer was gained to take their IP (Intellectual Property) into autonomous vehicles.

Imagination also built a strong position in desktop and cloud gaming markets with multiple licensees globally, and with notable success in the emerging Chinese desktop market where Imagination is now the clear leader for GPU (Graphics Processing Unit) IP.

Imagination made significant progress in their turnaround strategy and as this year's results show, the company is continuing on its growth trajectory.

In 2020, licensing revenues grew strongly, a very positive sign that customers were happy, both with Imagination's reinvigorated executive management and ownership by Canyon Bridge, and with Imagination's range of product offerings.

Royalty revenue in 2020 notably improved over 2019, but it is expected to remain relatively flat in the coming year as it takes typically two-to-three years for royalty revenues to arise from a licensing agreement. However, the strong licensing in 2019 and 2020 should lead to significant royalty streams from 2022 onwards.

Notable events

This year Imagination successfully launched IMG B-Series GPU and IMG Series4 NNA (Neural Network Accelerator) and delivered marketing campaigns that spoke to its leadership in ray tracing and automotive safety. IMG B-Series builds on the significant performance leap was achieved with A-Series.

In October 2020, a new CEO, Simon Beresford-Wylie was appointed in line with the shareholder's on-going re-development plans of Imagination's business, product lines and brand. Sir Peter Bonfield also joined the board as a non-executive director.

Imagination Technologies Limited
Strategic report
For the year ended 31 December 2020 (continued)

Notable events (continued)

Under the new leadership, Imagination continued to make organisational changes that focus on speed of decision-making, effective strategy and organisational resilience.

Imagination ran an intensive strategy review process, which has involved dozens of contributors from across the business and extensive consultation with customers, partners and analysts. This strategy will form the basis for an exciting period of growth for the Group. Imagination's goal is to become the undisputed leader in heterogeneous semiconductor IP solutions.

In December 2020 the Enigma Wi-Fi development operations and Wi-Fi IP tech assets were sold to Nordic Semiconductor (OSX: NOD), which specialises in low-power wireless communications technology. The move enables Imagination to focus on the world-leading graphics, vision and AI processing technologies that represent the majority of the business.

As part of the ongoing CSR activities, Imagination is now delivering a comprehensive introduction to CPU design for undergraduates using RISC-V to complement our existing course on mobile graphics as part of the Imagination University Programme, which will seed the industry with incoming talent familiar with Imagination technology.

Imagination has received and expects to continue to receive, significant support from Canyon Bridge as the company seek to advance their position in the global semiconductor industry and penetrate new high-growth application areas, such as edge computing. Imagination continues to leverage Canyon Bridge's international network to discover new opportunities.

Imagination's innovative technology underpins many leading electronics products from top tier brands. Imagination appreciates that its' customers have a choice and are very grateful that they chose to work with Imagination through 2020. Its innovative technology, and its success, is directly linked to its immensely talented global workforce, who have remained with the business as they continue the turnaround journey, and have proven its resilience and drive during the challenges of Covid-19.

Despite the challenges of a 'lockdown' global environment Imagination took part in multiple on-line events in the USA, Europe, China, Taiwan, and Japan and extended their digital marketing capability.

Imagination has proactively sought to engage more with government on issues that resonate with Imagination, such as education, access to talent and investment in technological R&D (research and development). Imagination is also a member of the Industry & Parliamentary Trust, a non-profit organisation that champions engagement between Parliament and UK businesses.

Staff have continued to deliver during the crisis and as a result Imagination is embracing a move towards flexible and agile working.

Imagination has an engaged, diverse and inclusive workforce and have formalised their commitments to Diversity & Inclusion ('D&I'). As well as internal forums for discussion of D&I, Imagination is also working to hire and retain talented professionals from an array of diverse backgrounds.

Our people receive a remuneration package, including this year a >100% bonus pay-out, that match our industry's demanding norms.

Values, Mission, Vision & Strategy

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

Imagination have taken a number of steps to develop its distinct Imagination culture. This year we launched Imagination's refreshed values: Customer First, Collaborative, Innovative, Straightforward and Committed.

Imagination Technologies Limited
Strategic report
For the year ended 31 December 2020 (continued)

Values, Mission, Vision & Strategy (continued)

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

By keeping to Imagination's core values and unleashing the creativity of its people, the company aims to be the trusted partner for all technology companies looking to solve complex challenges and build the world's best products.

Imagination's vision is to be the undisputed leader for semiconductor IP solutions that transform billions of lives.

Imagination's strategy is to focus our R&D resources on innovative GPU, CPU and AI hardware and software for key markets where there is potential to deliver disruptive, differentiated and innovative solutions via our partners in mobile, automotive, DCD (desktop, cloud, data centre) and CPU.

Through doing this Imagination captures available value through strong partnerships with both their customers and their OEMs, as well as potential business partners, governments and investors. Working in partnership Imagination can ensure their customers' challenges are shared and their complex challenges solved.

Innovation is the company's DNA as a result of over 25 years of experience in designing and licensing market-leading IP processor solutions. Imagination's compute, graphics and AI IP delivers security, high-performance and low power consumption in the smallest silicon area, enabling chip makers to create products that offer the highest value. Imagination has expert knowledge of automotive, consumer, computing, desktop/cloud and mobile challenges enabling Imagination to be a true partner to leading companies.

Financial performance

Imagination's trading performance during 2020 remained challenging, resulting in an operating loss of £0.7m (2019: £15.1m). Net finance income of £0.8m (2019: expense £0.2m) and taxation expense of £3.8m (2019: £2.6m) resulted in a statutory operating loss for 2020 of £6.2m (2019: £27.4m).

Revenue for the year was £95.9m compared to £68.2m in 2019.

Within this, licensing revenue was £74.8m (2019: £48.9m), with a particularly strong second half of the year as customers started to re-commit to the Company's roadmap, following some pause to new business from partners after CBFi's acquisition, helped by Imagination's latest range of product offerings.

Royalty revenue for the 2020 year was £21.1m (2019: £19.2m). Royalty performance held strong in the backdrop of global Covid-19 pandemic.

Operating expenses for continuing group were £103.1m (2019 £88.8m). The increase is largely due to bonus accruals following the strong financial performance during 2020.

The Company's statement of financial position at 31 December 2020 shows net liabilities of £56.7m (2019: £53.2m). This is due to an amount outstanding to the parent company from prior years which does not significantly move year on year (see note 13: 2020: £91.7m, 2019: £93.3m). Excluding balances due to or from fellow Imagination Group companies shows a healthy net current assets of £41.3m (2019: £49.3m).

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

Imagination Technologies Limited
Strategic report
For the year ended 31 December 2020 (continued)

Going concern

In preparing the financial statements on a going concern basis, the directors have considered whether the Company can continue in operational existence for a period of at least 12 months from the date of the authorisation of the financial statements. This has involved considering and evaluating all conditions and events both positive and negative, that are relevant to the Company's ability to continue as a going concern. The directors have assessed detailed financial forecasts covering a period to 2025 and considered a number of different forecast scenarios.

The Covid pandemic has been assessed in terms of the continued uncertainty it presents. During the pandemic, the business productivity has not been negatively impacted. Also, the 'new normal' and ways of working has enabled the business to significantly reduce its property footprint and associated costs prospectively. Although the pandemic has not significantly affected the business ability to sell and deliver new licenses; management continue to monitor the impact of the pandemic on royalties.

The Directors of the Company have obtained from Canyon Bridge a letter of support, which commits that Canyon Bridge will seek no repayment of the facilities for a period of at least 15 months from the date these financial statements are signed. The only exception to this is quarterly repayments to make against a working capital facility, which are only required to be made where affordable for the Company. Canyon Bridge has also provided a commitment to provide further funding, or support, to the Company and company should it be required during this 15-month period.

In light of the expected trading performance of the Company and the aforementioned commitment of financial support from the parent, the directors are satisfied as to Imagination's ability to continue as a going concern for the foreseeable future and that no material uncertainties have been identified in connection with the Company of Company's ability to continue as a going concern.

Outlook

With the backing of Canyon Bridge, Imagination Technologies is fully capitalising on opportunities in the global semiconductor industry. Imagination has a strong roadmap, a compelling strategy, extensive partnerships and committed staff.

Imagination entered 2021 with considerable confidence and on a much stronger footing with an extremely supportive investor and a strong and capable leadership team. Imagination has an appealing portfolio of IP and a pipeline of excellent prospects. As a result, Imagination's forecasted is to be both profitable and cash-generative in 2021.

Imagination Technologies Limited
Strategic report
For the year ended 31 December 2020 (continued)

Principal Risks and Uncertainties

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

The following table describes the risks that the Board considers to have a potential material impact on the Company. With the exception of the Covid-19 risk all risks are specific to the nature of our business notwithstanding that there are other risks that may occur and may impact the achievement of the Company's objectives.

The Board discussions on risk have focused on these items and the actions being taken to both manage and review them regularly.

Risk or uncertainty and potential impact	How we manage it
Geopolitical & Macro-Economic Risks	
<p>As the Company conducts a significant proportion of its business in China and the US, the Company's customers could be impacted by the ongoing US-China trade tensions.</p> <p>The increasingly complex geopolitical environment is fuelling more restrictive export control regulations, presenting the possibility that certain semiconductor products will not be able to be licensed into certain regions or individual companies will be denied access to such products.</p>	<ul style="list-style-type: none"> ➤ Active monitoring of geopolitical developments regarding US/China relations and changes in UK/US/China regulations that may impact the Company's customers; ➤ Application for Export Control licenses in accordance with local regulations; ➤ Diversification of customer base across multiple geographies; ➤ Extensive Know Your Customer ('KYC') frameworks are in place to identify unacceptable risks.
COVID-19	

Imagination Technologies Limited
Strategic report
For the year ended 31 December 2020 (continued)

Principal Risks and Uncertainties

<p>The COVID-19 pandemic continues to be an unprecedented global crisis. While the impact of COVID-19 has become a 'new normal', it continues to be actively managed. Key areas of concern are:</p> <ul style="list-style-type: none"> • Employee mental and physical wellbeing • The ability to meet commitments to customers • The ability to meet product release schedules • Financial impact on key markets • The sustainability of the Company's current operating model <p>The global nature of the pandemic brings added complexity as this risk needs to be managed across all global sites taking account of local conditions, legislation and governance guidelines.</p>	<ul style="list-style-type: none"> ➤ Taskforce formed to manage the response to COVID-19 pandemic; ➤ Workforce currently working remotely in regions where there is high risk of COVID-19. Minimal impact upon productivity; ➤ Government guidelines across each region are tracked and are met or exceeded by Company policy; ➤ A range of long-term operating models being investigated to ensure disruption to output and risk to employee wellbeing is effectively managed; ➤ Customer activity is being tracked and financial impact of pandemic is being modelled under numerous scenarios.
Customer Concentration	
<p>A large portion of the Company's revenue relates to a small number of customers and technologies.</p> <p>Consolidation within the industry could drive this further and increase Imagination's dependence on a limited number of customers.</p>	<ul style="list-style-type: none"> ➤ Strategy review completed in Q1 2021 delivers plan for diversified revenues across key market segments; ➤ Licensing deals with wider number of customers across different markets and geographies; ➤ Trends and changes in the semiconductor industry actively monitored to identify further market consolidation.
Company Strategy	
<p>In depth, top-down and bottom-up strategy review completed in Q1 2021, providing short, medium and long term strategic direction for the Company.</p> <p>In a fast-moving business environment, there is a risk that the Company will be unable to execute to the defined strategy or that the strategy may become obsolete before it has been fully executed leaving the business without a meaningful place in the market.</p>	<ul style="list-style-type: none"> ➤ Increased focus on core activities contributing to the strategy; ➤ Development of execution plans and governance mechanisms to track progress against strategy; ➤ Strategy to be reviewed annually to reaffirm its validity and allow course corrections where required; ➤ Continuous horizon scanning to identify opportunities to accelerate strategy.

Imagination Technologies Limited

Strategic report

For the year ended 31 December 2020 (continued)

Competitive Position	
<p>The business operates in a highly competitive market and needs to be able to respond rapidly to competitive threats as well as customer requirements.</p> <p>A change in the business environment or business models employed by our customers could have a detrimental impact on our financial performance.</p>	<ul style="list-style-type: none"> ➤ Revitalized R&D leadership in IMG Labs delivering increased focus on key innovation and differentiation; ➤ Continuous market scanning to identify and harness disruptions in the market; ➤ Focus on improved execution and efficiencies within Engineering teams, delivering customer focused products to market in accelerated timeframes; ➤ Integrated requirements management approach including customer facing teams, Engineering and IMG Labs.
Intellectual Property	
<p>Due to the nature of IP, there is a risk of unlicensed use of Imagination IP by a third party or patent-related threats from third parties seeking to use patents as an alternative way of generating revenue.</p> <p>As contractual indemnities are provided to customers covering IP ownership, there is possible financial exposure in the case of third party litigation against our customers.</p>	<ul style="list-style-type: none"> ➤ Building and maintaining a worldwide portfolio of strategically important patents; ➤ Membership of standardisation bodies and tracking industry movements to predict and avoid patent risks; ➤ Strong relationships with external counsel to enable us to act quickly and defend our position; ➤ Working closely with customers to respond quickly to potential threats.
Cyber Risk	
<p>Cyber risk causes disruption to the business or loss of IP following a cyber-attack. This could cause interruption of internal or external facing systems. Cyber-attack has the potential to cause interruption to the business due to loss of personal and/or confidential data causing potential reputational damage.</p>	<ul style="list-style-type: none"> ➤ Use next generation of firewall protection worldwide. ➤ Authentication processes including multi-factor authentication for VPN and cloud based SaaS; ➤ Improved protection of confidential data on portable computers including encryption, data-loss prevention and next generation anti-ransomware; ➤ Systematic software patching routines to close security vulnerabilities; ➤ Proactive network perimeter scanning for vulnerabilities; ➤ Use of third party audits; ➤ Compulsory staff training and education initiatives.
Products Meeting Customer Requirements	
<p>Rapidly moving industry drivers, changes to customer requirements or time required to design new products may result in being unable to deliver new products on time that satisfy customer requirements.</p> <p>Misalignment with customer requirements could result in loss of market share with a corresponding impact on financial performance.</p>	<ul style="list-style-type: none"> ➤ Focus around target market segments defined in strategy review; ➤ Strengthening of Product Management capability to deliver enhanced market and customer focus; ➤ Increased focus on product quality to ensure rapid, reliable time to market for customers; ➤ Close engagement with key customers on product requirements and roadmaps.

Imagination Technologies Limited

Strategic report

For the year ended 31 December 2020 *(continued)*

Foreign Exchange	
Significant amount of the Company's revenue is received in US dollars whilst cost base is primarily in GBP. Weakening of USD against GBP could result in loss against the Annual Operating Plan.	➤ Foreign exchange hedging strategy implemented
Effective Management of People	
In a complex, geographically diverse and fast moving business it is critical that the Company retains and attract the people skills and capabilities in sufficient numbers to deliver our objectives and maintain our entrepreneurial and dynamic culture.	<ul style="list-style-type: none"> ➤ Competitive remuneration package designed to attract, retain and reward employees; ➤ Increased focus on diversity and inclusion; ➤ Investment in learning and development; ➤ Flight risk analysis for key staff; ➤ Competency analysis completed; ➤ Company mission, vision and values defined and communicated to staff; ➤ Succession planning.

Imagination Technologies Limited

Strategic report

For the year ended 31 December 2020 *(continued)*

Section 172(1) Statement

The board takes very seriously transparency and accountability in the Company's corporate governance. A new Corporate Governance Manual has been introduced setting out the key governance arrangements and delegated authorities for the Company.

The board welcomes the S172(1) reporting requirement as an opportunity to explain how dialogue with stakeholders has informed and helped to shape its decisions. The Company regularly engages with stakeholders through customer and partner interactions, ongoing public affairs, public relations and internal communications; social media interactions; and a global programme of events.

Through working collaboratively with management and listening to feedback from the Company's many stakeholders, the board believes that the Company is well positioned to respond to both the uncertainty of the pandemic crisis and the opportunities created in the increasingly relevant semiconductor industry.

After the appointment of a new CEO, the board embarked upon two key activities to revisit and establish our: Values; Vision and Mission; and corporate strategy (pages 4-5). This latter activity commenced in September 2020 and finished in March 2021. As a result, we have provided updates on our strategy to key stakeholders.

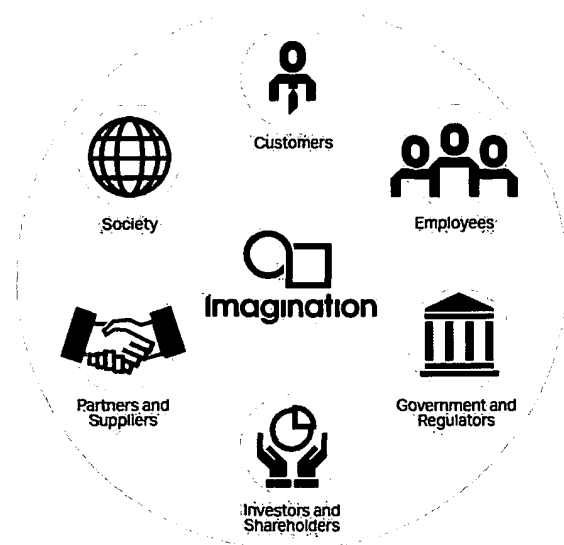
The board have also made further executive management appointments to give the company not only more engineering leadership but to provide more executive bandwidth to devote to important issues such as Corporate Social Responsibility (CSR) (lead by the Chief Marketing Officer (CMO)); Diversity & Inclusion (lead by the Chief HR Officer); governance (lead by the CEO and General Counsel/Company Secretary) and China strategy and oversight (lead by Chairman, China).

Additional appointments in China and at the Company's UK HQ enable the board to better support our private equity owners. The board provides regular updates to our private equity owners on a monthly basis.

The company has an ongoing exercise to establish new succession plans, due to complete in Q3 2021.

In addition, recognising the legitimate interests of investors, employees and society, the Company have strengthened our commitments to Environmental, Social and Governance (ESG) issues (see separate section on ESG on pages 12-13).

The board believes governance of Imagination is best achieved by delegation of its authority for the executive management of the Company to the CEO, subject to defined limits and monitoring by the board. The board routinely monitors the delegation of authority, ensuring that it is regularly updated, while retaining ultimate responsibility.



Imagination Technologies Limited

Strategic report

For the year ended 31 December 2020 (continued)

Section 172(1) Statement (continued)

A key area of focus this year has been the response to the Covid-19 pandemic. The Company are fortunate that it was not required to furlough any staff and our revenues increased despite the globally challenging environment.

The board took the opportunity to listen to our employees' feedback and have both introduced a hybrid working framework and revamped our workspaces to reflect new working practices that will require fewer employees to be in the office as a matter of course.

A number of one-off benefits for staff were introduced including subsidised sports equipment and extended online advisory and medical support.

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

We maintain continuing dialogue with a number of HM Government departments including BEIS, DIT, DCMS and others and hold both regular informal briefings and also a series of events, established this year, which have so far included topics such as the UK skills shortage and fostering R&D/innovation.

We have engagements with the wider business community via memberships in the CBI (national) and Dacorum Chamber of Commerce (regional).

Set out below is further discussion of how the board has regard to the factors under Section 172(1) in its decision making.

Key Decision	Stakeholders Engaged	Scope of Engagement
Disposal of Enigma Group to Nordic Semiconductor	Employees; Owners	Effect on employees; appropriateness of sale
Responses to the Covid-19 crisis	Employees; Owners; Suppliers; Customers	Timing and level of response; Preparedness; Pastoral care; transition to Hybrid working model
Appointment of NEDs (at fellow Group company)	Owners; Executive management	Appointment and remit of NEDs
Approval of revised company strategy	Employees (senior leadership team and executive management board); Owners; Customers	Generation and approval of new strategic plan and associated budgets
Appointment of executives	Owners; Employees	Appointment of CEO and other C-level executives; resignations of previous CEO and CTO

Imagination Technologies Limited

Strategic report

For the year ended 31 December 2020 (continued)

Corporate and Social Responsibility Report

At Imagination, we aim to centre environmental, social and governance (ESG) factors throughout our business strategy. We believe that integrating ESG into our decision-making helps us to build a better, more adaptable business while increasing the positive impact we are able to make with our technology solutions. We seek to ensure that respect for the environment, our employee's labour rights and providing equal opportunities is reflected across all our Company's locations and policies.

Environment

We are committed to lowering our emissions and environmental impact across all of our locations. Our technology products are designed to deliver inherent low-power consumption, and that is a significant factor in their success. We therefore believe that active strategies to reduce environmental impact are essential if we are to be true to our core values. With our core values in mind, we will commit to setting, publishing and tracking meaningful targets that have a positive impact on our environment in alignment with one of the leading reporting frameworks on sustainability to provide structure and transparency.

- As a Company our environmental impact on the whole is low. With our main business being the development of intellectual property, our emissions come mainly from the use of electricity in our offices and air travel. With greater use of enhanced business technology such as video conferencing and tighter management of travel, we continue to reduce non-essential travel and the emissions we produce.
- The Company is headquartered in Kings Langley, occupying a building which has a BREEAM rating of 'Excellent' and the maintenance regime is such that this level of award will be maintained. We own and operate a dedicated data centre to meet the Company's considerable IT requirements. The data hall is supported by a highly efficient electrical distribution system that utilises state of the art static UPS systems to maximise energy efficiency. A low energy cooling solution has also been adopted. In the UK we use renewable energy exclusively.
- We take steps to ensure that across all our geographical locations we encourage and support employees to recycle their day-to-day waste, providing recycling bins and separate confidential bags in every office. Energy saving measures are also in place for recycling components.

Social

Our ambition at Imagination is to have an inclusive culture. We ensure that we follow all legal requirements and best practice in employment across the jurisdictions, based on equal opportunities for all employees, through the full employee life cycle.

Commitment

We are committed to creating a workplace founded on equality and fairness and a business that participates in society in all of our locations.

- The commitment to achieving equality is continually strengthened by work undertaken on reward structures, providing transparency into processes that relate to our workforce and reporting on our overall gender pay gap. Our Women in Technology (WIT) working Company meets regularly to promote awareness of gender issues as well as lead on specific activities. Through the group, Imagination has also become a member of WISE, a campaign for gender balance in science, technology and engineering.
- The Company is dependent on the continued contribution of its employees and as a global business, values people from all cultures, nationalities, religion and ethnicities irrespective of characteristics such as age, gender, marital status, sexual orientation or physical or mental disability. Responsibility for this activity rests with the chief human resources officer ('CHRO').
- We encourage open discussions and innovation across the teams through developed internal communication channels.
- The Company supports and encourages charitable giving directly by donations and contributions to charities local to its offices globally and to educational establishments allied to its areas of interests (particularly STEM subjects) and supports and encourages the work of our employees contributing time to local charities and communities, in addition to funding matching charitable activities. We enable our employees to guide charitable contributions and activities at a local level and support this through an employee CSR Company. Responsibility for this activity rests with our chief marketing officer.
- Our Imagination university programme (IUP) is designed to provide practical help to teachers around the world so that they can use Imagination's technologies in courses and student projects. The focus is on providing the four vital elements needed to teach a course: a suitable hardware platform at a reasonable price, free software development tools, effective technical support and excellent teaching materials that serve genuine teaching needs. The IUP is open to all members of academia.

Imagination Technologies Limited
Strategic report
For the year ended 31 December 2020 (continued)

Governance

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

- We have published a new Corporate Governance Manual, to document our procedural rules for decision-making, delegations and authorities for spending commitments and signing contracts.
- We have appointed two new non-executive directors to our parent company board whose role is to provide constructive challenge, strategic guidance and hold executive management to account.
- We have a Code of Conduct Policy that supports the high standards of conduct and ethics we expect from all parts of our businesses, our employees and our supply chain.
- We carefully select only those suppliers that share the same commitment as us to reducing the risk of slavery and human trafficking in their own supply chains.
- We have regular training for all appropriate staff on matters relating to the handling of Confidential & Proprietary Information, Cybersecurity, Data Protection, Intellectual Property Rights, Export Control & Trade Sanctions, Whistleblowing and Anti-Bribery, Corruption and Fraud. We are looking to implement a comprehensive compliance programme during 2021 that will enable us to ensure that all staff have training and education in all areas of legislation that are relevant to them and to regularly assess and monitor our compliance in these areas. Responsibility for this activity rests with our General Counsel.


Approval

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

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

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

This report was approved by the Board of directors on 30 July 2021 and signed on its behalf by:


Ray Bingham
Director

Imagination Technologies Limited

Directors' report For the year ended 31 December 2020

The Directors present their report and audited financial statements of the Company for the year ended 31 December 2020.

The Board has prepared a Strategic Report including a general business review, which provides an overview of the development and performance of the Company's business to 31 December 2020. Certain information required to be included in the Directors' report can be found in other sections of the Annual Report as described below. All information presented in these sections is incorporated by reference into this Directors' report and is deemed to form part of this report:

- Review of the performance and future development of the Company, Strategic Report, pages 5 to 6
- Principal risks and uncertainties, Strategic report, pages 7 to 9
- Employment matters, Strategic report, page 12
- Significant events since the statement of financial position date are disclosed in note 18 in the notes to the financial statements.

Directors

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

Ronald Black (appointed 1 January 2019, resigned 10 April 2020)

Ray Bingham (appointed 10 April 2020)

Simon Beresford Wylie (appointed 17 November 2020)

John Richardson (appointed 17 November 2020)

Mark Logan (appointed 17 November 2020)

Research and development

The continuing cost of research and development expenditure and advanced technology projects charged directly to the income statement was £68,413,000 (2019: £60,621,000). An indication of likely future developments in the business of the Company and details of research and development activities are included in the Strategic report.

Political donations

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

Share capital

Details of the issued share capital are shown in note 16, which is incorporated and deemed to be part of this report. The Company has a single class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. As at 31 December 2020, there were 14,161,291 ordinary shares in issue and all issued shares are fully paid.

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

Dividends

The directors do not recommend the payment of a dividend.

Directors' indemnities

All directors of the Company have the benefit of directors' and officers' liability insurance which was in place throughout the financial period. Qualifying third party provisions for the benefit of all directors of the Company were in place during the financial period. Article 83 of the Company's Articles of Association provides for the indemnification of directors of the Group (i.e. CBF1 Investment Ltd and its subsidiaries, of which Imagination Technologies Limited is one) against liability incurred by them in certain situations and is a 'qualifying indemnity provision' within the meaning of section 236 of the Companies Act 2006. The qualifying indemnity was in force during the financial period and was up to the date of signing the annual report.

Imagination Technologies Limited

Directors' report
For the year ended 31 December 2020 (continued)

Energy and Carbon

As required by that Streamlined Energy and Carbon Reporting (SECR) which came into place on 1st April 2019, the Group has identified its energy and carbon usage in the year ending 31st of December 2020 as follows:

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

Energy Usage

Energy Use (mWh)	Year ended 31 December 2020
Natural Gas	755
Electricity	5,476
Gas Oil	N/A
Total	6,231

Carbon Emissions

CO2 Emissions (tCO2e)	Year ended 31 December 2020
Emissions from combustion of gas (Scope 1)	154
Emissions from electricity purchase for own use, including for the purposes of transport. (Scope 2)	1,277
Emissions from business travel in employee-owned vehicles. Where the Group have reimbursed staff business mileage claims (Scope 3)	0
Total	1,431

Intensity Ratio

CO2 Emissions (tCO2e)	Year ended 31 December 2020
Emissions from Electricity and Gas (premises related only) per Full Time Employee (FTE)	2.67

Methodology

Energy figures are based on data from all UK sites and include electricity and gas where applicable output is in MW hours (mWh). The carbon emission figures are calculated in accordance with the Greenhouse gas (GHG) protocol and outputs are in tCO2e using the most up-to date conversions factors from the Department of Business, Energy & Industrial Strategy (BEIS). Carbon emission figures are premises-related only (gas and electricity). We have followed the 2019 UK Government environmental reporting guidance. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Companies Reporting 2020 to calculate the above disclosure.

Energy Efficiency Measures

The Group introduced several measures during 2020 with the anticipation of increasing energy efficiency as listed below:

- Commenced a process to introduce agile working practices, reducing the need for our staff to visit offices as frequently.
- Upgrade air conditioning system in the Bristol office.
- Upgrade of lighting in our Kings Langley headquarter office.
- Onsite catering services at headquarter office streamlined and upgraded appliances.
- Reducing premises and upgraded existing sites for more energy efficient, space saving environments.

Imagination Technologies Limited
Directors' report
For the year ended 31 December 2020 (continued)

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

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

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

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

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

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

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

We confirm that to the best of our knowledge:

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

Basis of preparation

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

In preparing the financial statements on a going concern basis, the directors have considered whether the company can continue in operational existence for a period of at least 12 months from the date of the authorisation of the financial statements. This has involved considering and evaluating all conditions and events both positive and negative, that are relevant to the company's ability to continue as a going concern. The directors have assessed detailed financial forecasts covering a period to 2025 and considered a number of different forecast scenarios.

The Covid pandemic has been assessed in terms of the continued uncertainty it presents. During the pandemic, the business productivity has not been negatively impacted. Also, the 'new normal' and ways of working has enabled the business to significantly reduce its property footprint and associated costs prospectively. Although the pandemic has not significantly affected the business ability to sell and deliver new licenses; management continue to monitor the impact of the pandemic on royalties.

Imagination Technologies Limited
Directors' report
For the year ended 31 December 2020 (continued)

Basis of preparation (continued)

At the end of June 2021, the company had cash reserves of £49.0m and undrawn facilities of £3.0m. The Imagination Group's owners Canyon Bridge has also provided a commitment to provide further funding, or support, to the company should it be required during this 15-month period.

In light of the expected trading performance of the company and the aforementioned commitment of financial support from the parent, the directors are satisfied as to Imagination's ability to continue as a going concern for the foreseeable future and that no material uncertainties have been identified in connection with the company's ability to continue as a going concern.

Disclosure of information to auditors

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

Independent auditor

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

For and on behalf of the Board

Ray Bingham



Director
30 July 2021

Company number: 01306335

IMAGINATION TECHNOLOGIES LIMITED

Independent auditor's report to the members of Imagination Technologies Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Imagination Technologies Limited ("the Company") for the year ended 31 December 2020 which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

IMAGINATION TECHNOLOGIES LIMITED

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

Other Companies Act 2006 reporting

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

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

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

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework, the Companies Act 2006 and relevant tax compliance legislation.
- We understood how Company are complying with those legal and regulatory frameworks by making enquiries of management and through reviewing legal correspondence. We corroborated our enquiries through our review of board minutes and discussion with management.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it is considered there was a susceptibility of fraud.

IMAGINATION TECHNOLOGIES LIMITED

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

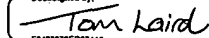
- Our audit planning identified fraud risks in relation to management override and inappropriate or incorrect revenue recognition. We obtained an understanding of the processes and controls that the Company has established to address the risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors that processes and controls.
- We designed our audit procedures to detect irregularities, including fraud. Our procedures included journal transaction testing, with a focus on large or unusual transactions based on our knowledge of the business, reviewing revenue contracts, seeking substantiation for a sample of accrued and deferred revenue transactions and challenging the assumptions made by management in their significant accounting estimates. Our audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

Use of our report

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

DocuSigned by:


Tom Laird (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London, UK

Date: 30 July 2021

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

IMAGINATION TECHNOLOGIES LIMITED

Income statement for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Turnover	1, 2	95,916	68,220
Other operating income	7	6,548	5,481
Operating expenses	3	(103,115)	(88,781)
Operating loss		(651)	(15,080)
Financial income/(expense)	6	804	(155)
Profit/(loss) before taxation		153	(15,235)
Taxation charge	7	(3,830)	(2,562)
Loss after tax from continuing operations		(3,677)	(17,797)
Loss on discontinued operations, net of tax	20	(2,572)	(9,590)
Loss for financial year		(6,249)	(27,387)

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

The notes on pages 26 to 47 form an integral part of these financial statements.

IMAGINATION TECHNOLOGIES LIMITED

Statement of other comprehensive income for the year ended 31 December 2020

	2020 <u>£'000</u>	2019 <u>£'000</u>
Loss for the financial year	(6,249)	(27,387)
<i>Other comprehensive income</i>		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Change in fair value of assets classified as fair value through other comprehensive income	-	(2,211)
Other comprehensive income for the year, net of income tax	-	(2,211)
Total comprehensive loss for the year	(6,249)	(29,598)

The notes on pages 26 to 47 form an integral part of these financial statements.

IMAGINATION TECHNOLOGIES LIMITED

Statement of financial position As at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
Non-current assets			
Intangible assets	8	11,651	9,889
Tangible assets	9a/9b	31,071	36,459
Investments in subsidiary undertakings	10	549	2,884
Trade investments	11	543	-
		43,814	49,232
Current assets			
Debtors	12	45,747	35,130
Cash at bank and in hand		42,203	48,195
		87,950	83,325
Creditors: amounts falling due within one year	13	(142,683)	(133,381)
Provisions: amounts falling due within one year	15	(1,918)	(3,135)
Net current liabilities		(56,651)	(53,191)
Total assets less current liabilities		(12,837)	(3,959)
Creditors: amounts falling due after more than one year	14	(14,530)	(16,826)
Provisions: amounts falling due after more than one year	15	(326)	(660)
Net liabilities		(27,693)	(21,445)
Capital and reserves			
Called up share capital	16	14,161	14,161
Retained earnings		(41,854)	(35,606)
Total Shareholders' deficit		(27,693)	(21,445)

The notes on pages 26 to 47 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 30 July 2021 and were signed on its behalf by:



Ray Bingham
Director
Registered Number 1306335

IMAGINATION TECHNOLOGIES LIMITED

Statement of changes in equity for the year 31 December 2020

	Share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2019	14,161	2,211	(8,219)	8,153
Loss for the financial period	–	–	(27,386)	(27,386)
Other comprehensive income	–	(2,211)	–	(2,211)
Transactions with owners, recorded directly in equity	–	–	–	–
At 31 December 2019	14,161	–	(35,605)	(21,444)
At 1 January 2020	14,161	–	(35,605)	(21,444)
Loss for the financial year	–	–	(6,249)	(6,249)
Other comprehensive income	–	–	–	–
Transactions with owners, recorded directly in equity	–	–	–	–
At 31 December 2020	14,161	–	(41,854)	(27,693)

The notes on pages 26 to 47 form an integral part of these financial statements.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020

1. Accounting Policies

Basis of preparation

Imagination Technologies Limited is a company incorporated in the UK under the Companies Act 2006. The address of the registered office is given in note 21. The nature of the company's operations and its principal activities are set out in the strategic report on pages 3 to 6.

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

The company, via its direct parent company Imagination Technologies Group Limited, is a subsidiary undertaking of CBFI Investment Limited, which is the parent company whose 31 December 2020 financial statements the results of Imagination Technologies Limited are consolidated. The ultimate parent company is China Venture Capital Fund Corporation Limited.

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

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- IAS 36 Impairments; and
- IFRS 16 Leases.

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

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

Measurement convention

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

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

1. Accounting Policies (continued)

Going concern

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

In preparing the financial statements on a going concern basis, the directors have considered whether the company can continue in operational existence for a period of at least 12 months from the date of the authorisation of the financial statements. This has involved considering and evaluating all conditions and events both positive and negative, that are relevant to the company's ability to continue as a going concern. The directors have assessed detailed financial forecasts covering a period to 2025 and considered a number of different forecast scenarios.

The Covid pandemic has been assessed in terms of the continued uncertainty it presents. During the pandemic, the business productivity has not been negatively impacted. Also, the 'new normal' and ways of working has enabled the business to significantly reduce its property footprint and associated costs prospectively. Although the pandemic has not significantly affected the business ability to sell and deliver new licenses; management continue to monitor the impact of the pandemic on royalties.

At the end of June 2021, the company had cash reserves of £49.0m and undrawn facilities of £3.0m. The Imagination Group's owners Canyon Bridge has also provided a commitment to provide further funding, or support, to the company should it be required during this 15-month period.

In light of the expected trading performance of the company and the aforementioned commitment of financial support from the parent, the directors are satisfied as to Imagination's ability to continue as a going concern for the foreseeable future and that no material uncertainties have been identified in connection with the company's ability to continue as a going concern.

Revenue

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

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

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

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

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

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

1. Accounting Policies (continued)

Revenue (continued)

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

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

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

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

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

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

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

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

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

1. Accounting Policies (continued)

Revenue (continued)

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

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

Revenues from the sale of goods are recognised upon delivery.

Revenue is accounted for net of VAT.

Research and development costs

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

Tangible fixed assets

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

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

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

Intellectual property rights and patents

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

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

Pension Scheme

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

Provisions

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

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

1. Accounting Policies (continued)

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 statement of financial position date. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of profit and loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position 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 statement of financial position 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 statement of financial position date.

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

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

Foreign exchange

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

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

Leased assets

The Company as a lessee

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

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

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

1. Accounting Policies (continued)

Leased assets (continued)

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

Measurement and recognition of leases as a lessee

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

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

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

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

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

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

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

Trade investments

One of the Imagination's strategic investments is a 19.9% interest in Beijing HeXinDa Science and Technology Co., Ltd. This investment is not accounted for using the equity method (as an associate) as Imagination does not have the power to participate in the company's operating and financial policies, evidenced by the lack of any direct or indirect involvement at board level and a contractual arrangement which enables the board to take all operational and strategic decisions without consultation with shareholders.

Trade investments are classified at fair value through other comprehensive income (FVTOCI) and are stated on the statement of financial position at the fair value at the statement of financial position date, with any gain or loss being recognised directly in the statement of other comprehensive income.

Impairment losses and gains or losses on initial recognition are recognised in the income statement. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement. Where there has been more than one investment made in the same company, each tranche is assessed in isolation to calculate the movements in fair value.

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

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

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

1. Accounting Policies (continued)

Trade investments (continued)

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

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

1. Accounting Policies (continued)

Derivative financial instruments

Currency exchange contracts are utilised to manage the exchange risk on actual transactions related to accounts receivable, denominated in a currency other than the functional currency of the business. These currency exchange contracts do not subject the Company to risk from exchange rate movements because the gains and losses on such contracts offset losses and gains, respectively, on the transactions being hedged. The currency exchange contracts and related accounts receivable are recorded at fair value at each period end. The fair value of forward exchange contracts is determined using quoted forward exchange rates at the statement of financial position date. The fair value of foreign currency options is based upon valuations performed by management and the respective banks holding the currency instruments. All recognised gains and losses resulting from the settlement of the contracts are recorded within general and administrative expenses in the profit and loss account. The Company does not enter into currency exchange contracts for the purpose of hedging anticipated transactions.

Significant accounting judgements and estimates

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

Revenue recognition

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

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

Investments

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

Taxation

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

Recoverability of debtors

The company regularly reviews any outstanding debtors and monitors the aging profile to determine whether any further action is required by management in accordance with IFRS9. There is an element of judgement in determining whether debts will eventually be paid, but where there is significant uncertainty the debt is specifically provided for in full.

Leases

There are a number of uncertainties and judgements in determining the application of the requirements of IFRS16. These include:

- calculating the appropriate discount rate to use
- estimating the lease term
- estimating variable lease payments dependant on an index or rate.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

1. Accounting Policies (continued)

Management have worked with a specialist to determine the most suitable judgements regarding each of these points based on the best estimate of facts and circumstances. For example, where there are lease extensions included within agreements that are not conditional on both parties agreement, management have assumed that these will be exercised if they fall within 3 years of the Statement of financial position date, Lease options after this date are sufficiently far enough in to the future that alternative arrangements could be made.

2. Revenue from contracts with customers

(i) Disaggregation of revenue

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

	2020 £'000	2019 £'000
<u>Major product / service lines</u>		
Licencing	74,824	48,901
Royalties	21,078	19,184
Other	14	135
Total	95,916	68,220
<u>Primary geographical markets</u>		
USA	56,011	40,946
Asia	37,782	24,210
Rest of Europe	893	1,495
United Kingdom	1,093	1,344
Rest of world	137	225
Total	95,916	68,220

(ii) Contract balances

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

	Note	31-Dec-20 £'000	31-Dec-19 £'000
Receivables	12	13,771	16,793
Contract assets	12	14,401	5,719
Contract liabilities – to be recognised over time		(11,781)	(10,095)

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

2. Revenue from contracts with customers (continued)

A reconciliation of contract asset and contract liabilities is below:

	Contract Assets 2020 £'000	Contract Assets 2019 £'000	Contract Liabilities 2020 £'000	Contract Liabilities 2019 £'000
At 1 January	5,719	23,990	(10,095)	(9,849)
Transfers in the period from contract assets to trade receivables	(5,719)	(23,990)	-	-
Amounts included in contract liabilities that was recognised as revenue during the period	-	-	10,095	9,849
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	14,401	5,719	(19,355)	(10,095)
Net off contract liabilities with trade receivables.	-	-	7,574	-
At 31 December	14,401	5,719	(11,781)	(10,095)

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

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

The amount of revenue recognised in the current year which relates to performance obligations satisfied in previous periods was £21.1m (2019: £19.2m) – royalty revenue.

(iii) Contract costs

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

Revenue from individual customers that represent more than 10% of the Company's total revenue for the period have values of approximately £37,125,000 (2019: £30,943,000). The customer's country of domicile is USA, and these revenues are included in the PowerVR CGU.

All revenue is from external customers, and originates materially from the United Kingdom.

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

3. Operating loss

	£'000	£'000
Operating loss is stated after charging:		
Depreciation and amortisation and impairment of owned tangible and intangible assets	8,839	9,819
Net foreign exchange gain/(loss)	689	864
Research and development	64,413	60,621
Auditor's remuneration:		
Audit of these financial statements	122	124
Other assurance services		15
	122	139

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

4. Directors' Emoluments

	Total	Highest paid director	Total	Highest paid director
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Directors' remuneration	644	208	568	568
Pension contributions	10	2	-	-
	654	210	568	568

Number of directors 2020 2019

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

Money purchase schemes - -

The number of directors who exercised share options was - -

The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was - -

5. Staff numbers and costs

Number of employees 2020 2019

Research and development	460	449
Administration	57	68
Marketing	21	21
	538	538

The aggregate payroll costs of these persons were:

	2020	2019
	£'000	£'000
Wages and salaries	46,178	40,932
Social security costs	5,079	4,165
Pension costs	2,386	2,193
	53,643	47,290

6. Financial income/(expense)

	2020	2019
	£'000	£'000
Interest payable on bank loans and overdrafts	-	(6)
Interest receivable	-	2
Foreign exchange loss on finance leases	-	(42)
Finance charge on unwind of leases	(413)	(513)
Movement in fair value of forward contracts	1,217	404
	804	(155)

No interest was payable to company undertakings.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

7. Taxation

	2020 £'000	2019 £'000
Analysis of tax charge in the period		
Current tax charge		
UK corporation tax	1,244	1,042
Foreign tax	2,586	1,520
Total current tax charge	3,830	2,562
Deferred tax		
Total deferred tax charge	-	-
Total income tax charge	3,830	2,562

The total tax charge for the period of £3,830,000 (2019: £2,562,000) is higher (2019: higher) than the standard rate of corporation tax in the UK of 19.00% (2019:19.00%). The difference is explained below:

	2020 £'000	2019 £'000
Loss before taxation	(2,419)	(24,825)
Notional tax credit at UK standard rate of 19.00% (2019: 19.00%)	(460)	(4,717)
Tax effect of:		
Income not taxable	(1,946)	(799)
Expenses not deductible for tax purposes	1,483	945
Fixed asset timing differences	-	65
Permanent differences	(491)	(289)
Deferred tax not recognised	3,693	4,796
Group relief	181	-
Effect of changes in tax rates (on deferred tax balances)	(2,460)	-
Reversal of tax assets	1,244	1,041
Withholding tax	2,586	1,520
Total income tax charge	3,830	2,562

Current tax

The company receives significant government tax incentives including Research and Development Expenditure credits ("RDEC") which is shown as an 'above the line' relief. This has the impact of a 'credit' being recorded in operating expenditure of £6,548,000 (2019: £5,481,000) which is then taxed at the prevailing UK corporation tax rate. If the company makes a taxable loss for the period, losses generated by the RDEC claim can be reclaimed in cash from HMRC.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

7 Taxation (continued)

Deferred taxation

The movement on the deferred tax account is as follows:

	As at 31 December 2019 £'000	Recognised in Statement of profit and loss £'000	As at 31 December 2020 £'000
Tax losses	-	-	-
Capital allowances	-	-	-
Gain on foreign exchange contract	-	-	-
	-	-	-

Given the uncertainty of future profit generation, and taking into account the factors discussed in note 1, management have decided not to recognise any deferred tax assets at 31 December 2020. There is a £24.6m unrecognized deferred tax asset as at 31 December 2020.

Factors affecting future tax charge

The Spring Budget announced that the previously enacted decrease in the UK corporation tax rate from 19% to 17% from 1 April 2020 would no longer proceed and that the UK corporation tax rate would remain at 19% for the foreseeable future. The new law was substantively enacted on 17 March 2020.

8 Intangible fixed assets

	Developed Technology		Software, Patents & Trademarks		Total	
	Dec 20 £'000	Dec 19 £'000	Dec 20 £'000	Dec 19 £'000	Dec 20 £'000	Dec 19 £'000
Cost						
At beginning of year	17,875	17,875	17,078	15,267	34,953	33,142
Additions	-	-	4,436	3,298	4,436	3,298
Disposals	-	-	(1,570)	(1,487)	(1,570)	(1,487)
At 31 Dec	17,875	17,875	19,944	17,078	37,819	34,953
Amortisation						
At beginning of year	17,875	17,387	7,189	6,653	25,064	24,040
Charged in year	-	488	1,601	1,354	1,601	1,842
Disposals	-	-	(497)	(818)	(497)	(818)
At 31 Dec	17,875	17,875	8,293	7,189	26,168	25,064
Net Book Value						
At 31 Dec	-	-	11,651	9,889	11,651	9,889

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements
for the year 31 December 2020 (continued)

9a. Tangible fixed assets

Property Plant and Equipment

	Freehold land and buildings £'000	Leasehold improvements £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 January 2020	11,694	853	26,152	38,699
Additions		80	765	845
Reclass between assets class		239	(239)	-
Disposals			(760)	(760)
At 31 December 2020	11,694	1,172	25,918	38,784
Depreciation				
At 1 January 2020	1,659	800	19,811	22,270
Charge for the year	391	48	2,136	2,575
Reclass between assets class		199	(199)	-
Disposals			(514)	(514)
At 31 December 2020	2,050	1,047	21,234	24,331
Net book value at 31 December 2019	10,035	53	6,341	16,429
Net book value at 31 December 2020	9,644	125	4,684	14,453

	2020 £'000	2019 £'000
The net book value of freehold land and buildings comprises:		
Land	1,101	1,101
Buildings	8,543	8,934
	<u>9,644</u>	<u>10,035</u>
	1,101	1,101

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

9b. Right-of-Use-Assets

	Leasehold building improvements £'000	Plant and equipment £'000	Total £'000
At 1 January 2019	-	-	-
Additions	21,803	2,048	23,851
Amortisation	(2,592)	(1,229)	(3,821)
At 31 December 2019	19,211	819	20,030
At 1 January 2020	19,210	819	20,029
Amortisation	(2,592)	(857)	(3,449)
Foreign exchange movements	-	38	38
At 31 December 2020	16,618	-	16,618

10. Investments in subsidiary undertakings

	2020 £'000	2019 £'000
Shares in subsidiary undertakings		
Net book value at beginning of period	2,884	2,883
Additions	-	1
Disposals	(2,335)	-
Net book value of subsidiary undertakings at end of period	549	2,884

On 31 December 2020 the Enigma Wi-Fi development operations and Wi-Fi IP tech assets within the Imagination Group were sold to Nordic Semiconductor (OSX: NOD), who specialise in low-power wireless communications technology. Please refer to note 20 for details of the relevant components disposed of by Imagination Technologies Limited.

Shares in subsidiary undertakings

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

Name of subsidiary undertaking	Address of registered office	Class of shares	Ownership 2020	Ownership 2019
Imagination Technologies GmbH	Hansenweg 54, 60599 Frankfurt am Main, Germany	Ordinary	100%	100%
Imagination Technologies India Private Limited	1st, 2nd and 3rd floor, Bhalerao Towers, Plot No. 36, CTS No.1669-1670, Shivajinagar, Pune 411005 India	Ordinary	99%	99%
Imagination Technologies Pty Limited	9 Help Street, Level 4, Chatswood, NSW 2067, Australia	Ordinary	100%	100%
Imagination Technologies KK	AIOS Gotanda Annex Bldg 3F, Tokyo 141-0022, Japan	Ordinary	100%	100%
Imagination Technologies B.V. (Netherlands)	Kabelweg57, Unit 1, 06.05 A, 1014 BA Amsterdam, Netherlands	Ordinary	100%	100%
Imagination Technologies (Shanghai) Co. Ltd	Room 1711-1712 Shui on Plaza, 333 Huai Hai Zhong Road, Huangpu District, Shanghai 200021, China	Ordinary	100%	100%

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

10. Investments in subsidiary undertakings (continued)

Shares in subsidiary undertakings

Name of subsidiary undertaking	Address of registered office	Class of shares	Ownership 2020	Ownership 2019
Imagination Technologies LLC (US)	8 The Green, Suite A, Dover, Delaware 19901, USA	Ordinary	100%	100%
Imagination Technologies Romania S.R.L.	First Floor, No2 Strada Martin Luther, Timisoara 300054, Romania	Ordinary	100%	100%

11. Trade Investments

	2020 £'000
Trade investments classified as Equity investments at fair value through other comprehensive Income (FVTOCI)	543

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

	% of shares held as at 31 December 2020	Carrying value at 31 Dec 2019 £'000	Increased holding in investments £'000	Carrying value at 31 December 2020 £'000
HeXinDa	19.90%	–	543	543
Total		–	543	543

Beijing HeXinDa Science and Technology Co., Ltd. (HeXinDa) – In 2020, Imagination Technologies Limited entered into an equity joint venture contract with a number of third parties to establish HeXinDa.

Imagination had agreed to make an investment of ¥9.95m in cash by way of a capital contribution representing 19.9% of the company's ¥50m registered capital.

Imagination Technologies Limited also has trade investments in Ineda Systems, Inc. and Orca Systems, Inc., representing shareholding of approximately 8% (2019: 8%) and 5% (2019: 6%) respectively. At 31 December 2020 these both have a carrying value of £nil (2019: £nil), following impairments in prior years.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

11. Trade Investments (continued)

Fair value hierarchy

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

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

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

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

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

	2020 £'000	2019 £'000
Level 1	-	-
Level 2	543	-
Level 3	-	-
	543	-

12. Debtors

	2020 £'000	2019 £'000
Trade debtors	13,771	16,793
Prepayments and accrued income	18,230	9,231
Amounts owed by group undertakings	361	142
Other debtors	12,854	8,364
Assets held for resale	450	600
Financial instrument asset	81	0
	45,747	35,130

Other debtors includes £9,744,000 relating to an R&D tax credit (2019: £4,440,000) all of which is due within one year, and other items such as deposit on head office buildings. Intercompany receivables are non-interest bearing and repayable on demand.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

13. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	4,891	2,459
Amounts owed to parent undertaking	91,735	93,317
Amounts owed to subsidiary undertakings	6,609	7,388
Amounts owed to fellow subsidiary undertakings	-	1,913
Taxation and social security	1,099	1,016
Accruals, deferred income and other creditors	38,349	27,288
	142,683	133,381

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

Contained within accruals and deferred Income is £2,295,000 (2019: £4,096,000) due within 12 months relating to liabilities owed under IFRS16 leases. The corresponding asset has been identified and disclosed in note 9.

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

14. Creditors: amounts falling due after one year

	2020	2019
	£'000	£'000
Other creditors	14,530	16,826

This balance relates to liabilities owed under IFRS16 leases. The corresponding asset has been identified and disclosed in note 9.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

15. Provisions

	2020 £'000	2019 £'000
Onerous revenue contract provision	-	2,055
Other	2,244	1,741
	2,244	3,796

	Onerous revenue contract provision £'000	Other £'000	Total £'000
At 1 January 2020	2,055	1,741	3,796
Additional provision required	-	992	992
Release of provision	-	(345)	(345)
Net utilisation of provision	(2,055)	(144)	(2,199)
At 31 December 2020	-	2,244	2,244

Onerous contract provision relates to an ongoing contract associated with IMG Works division which was disposed of in 2017. The provision relates to recharges outstanding from onward customer.

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

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

Of the total amount provided, £326,000 (2019: £660,000) is expected to fall due after more than one year and has shown as a non-current liability.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

16. Capital and Reserves

	2020	2019
	£'000	£'000
Called up share capital		
<i>Allotted, called up and fully paid</i>		
14,161,291 (2019: 14,161,291) ordinary shares of £1 each	<u>14,161</u>	<u>14,161</u>

17. Commitments

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

	2020	2019
	£'000	£'000
Authorised and contracted	<u>319</u>	<u>248</u>

18. Subsequent events

Following the year end a \$2m payment was subsequently received from a legacy balance that had previously been credit loss impaired.

Considering the factors, the Directors are satisfied the subsequent payment does not provide sufficient evidence that the judgements applied at the reporting date, and the businesses understanding of the credit risk of the related balances at that time, were inappropriate. It would therefore be inappropriate to seek to adjust the level of credit loss provision at the balance sheet date.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

19. Related parties

	Dec 2020 £'000	Dec 2019 £'000
Income Statement		
Revenue – Atomos*	-	(327)
Operating expense – Orca*	-	(136)
Operating expense – Canyon Bridge**	(415)	(528)
Operating expenses – Close family of key management personnel	(121)	(106)
	(536)	(1,097)
Statement of Financial Position		
Trade Debtors – Atomos*	-	379
Trade Creditors – Canyon Bridge	(74)	(35)
Accruals – Canyon Bridge**	(20)	(35)
	(94)	309

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

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

20. Disposal of business units

On 31 December 2020 the Company completed the sale of its Enigma Wi-Fi Business Unit ('BU') to Nordic Semiconductor ASA (OSX: NOD), who specialise in low-power wireless communications technology. The division was sold for cash consideration of £6,099,000 (\$8,000,000).

<u>Results of the discontinued Enigma BU</u>	Dec 2020 £'000	Dec 2019 £'000
Revenue	-	-
Expenses	(7,756)	(9,590)
Loss before tax	(7,756)	(9,590)
Taxation	-	-
Gain recognised on disposal of BU	5,184	-
Loss for the period	(2,572)	(9,590)

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2020 (continued)

20. Disposal of business units (continued)

The Enigma BU assets and liabilities, and their respective book values, that were disposed of are shown in the gain calculation below:

	£'000
Cash consideration received	6,099
Net cash inflow on disposal	6,099
Net assets disposed (other than cash):	
PPE	146
Intangibles	1,073
Investment in subsidiary	2,336
	3,554
Other related gains/(expenses)	2,639
Pre-tax gain on disposal	5,184
Related tax charge	-
Gain on disposal of discontinued operation	5,184

21. Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of Imagination Technologies Group Limited, who in turn are a subsidiary undertaking of CBF Investment Limited, which is the parent company whose 31 December 2020 financial statements the results of Imagination Technologies Limited are consolidated. No other group financial statements include the results of the company. The consolidated financial statements of this Group are available to the public from Imagination House, Home Park Industrial Estate, Station Road, Kings Langley, WD4 8LZ which is also the registered address of this company.

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