Company Number 02920061

IMAGINATION TECHNOLOGIES GROUP PLC

Consolidated Financial Statements for the year ended 30 April 2012

Directors' Report

The Directors submit their Annual Report and audited Financial Statements for the year ended 30 April 2012

Principal Activities and Operations

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

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

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

Review of Business

The value and relevance of the Group's technologies is reflected in Imagination's continued strong growth despite the continuing challenges to the global economic environment

The full year saw excellent financial and strategic progress for the Technology business, with strong chip volume and royalty growth and a very active licensing period The Group successfully closed a number of important licensing deals and secured many new partners This resulted in a significant jump in operating profit for the Technology business

The Pure business continued to be constrained in the short-term by the general economic pressure on consumer spending This was particularly evident in the UK market, although stronger overseas sales helped to generate an overall increase in Pure's revenue It is also important to note that Pure, in its own right, is making very valuable contributions to the development of fundamental intellectual property that are critical for key aspects of the Group's future strategies

Cash resources, which have increased to £66 3m from £49 4m, are adequate for the Group's future needs

A more detailed assessment of the Company's position and future prospects has been included in the Chief Executive's Review This incorporates any significant events since the year end Further details are included in pages 3 to 9 of the Annual Report and Financial Statements

The profit before tax for the Group for the year ended 30 April 2012 was £28 5m There was a taxation charge of £8 1m which resulted in a net profit for the year of £20 5m Full details are set out in the Consolidated Income Statement on page 51

The Directors do not propose the payment of a dividend (2011 £Nil)

The key performance indicators used in the business are summarised below The performance of the business in the terms of these indicators is considered in the Chief Executive's Review in pages 3 to 9 of the Annual Report and Financial Statements

	Year to 30 April 2012	Year to 30 April 2011	%
Technology business			
Licensing Revenue	**£34 4m**	£28 5m	+21%
Partner Chip Design Wins	**136**	115	+18%
Partner Chips Shipping	**60**	48	+25%
Partner Chips Shipped (units)	**325m**	245m	+33%
Royalty Revenue	**£63 8m**	£41 3m	+54%
Pure business			
Revenue	**£29 3m**	£28 3m	+4%
Adjusted operating loss*	**(£2 9m)**	(£2 8m)	
Group			
Revenue	**£127 5m**	£98 0m	+30%
Gross Profit	**£106 5m**	£77 3m	+38%
Adjusted Profit before taxation*	**£36 8m**	£24 0m	+53%
Profit before taxation	**£28 5m**	£16 4m	+74%
Cash and cash equivalents	**£66 3m**	£49 4m	+34%

* The reconciliation from reported profit to adjusted profit is set out in note 2

Principal Risks and Uncertainties

There are a number of risks and uncertainties which could impact the Group's performance The Group has a risk management structure in place which is designed to identify, manage and mitigate business risk The relevant structures are more fully described in the Group's internal control and risk management procedures in the Corporate Governance Report on page 38 The Group has experienced, and may in the future experience, fluctuations in the results of its operations There are a number of factors that can affect the results For the Technology business, these include the timing of new licence agreements with partners and the timing and volume of products incorporating the Group's technology shipped by our partners The Group seeks to reduce this risk by both broadening the number of partners who utilize the Group's technology as well as widening the number of market segments that are targeted by the Group's partners For the Pure business, these factors also include the rate of adoption of digital radio technologies worldwide and the continuation of the supply of products from Chinese manufacturers The Group has mitigated the latter by spreading the manufacture of the Group's products across a number of manufacturers in order to reduce the reliance on any one manufacturer

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

As a technology business, the development and ownership of intellectual property is fundamental to the Group's performance Whilst the Group relies on patent, copyright, trademark and other intellectual property laws to establish and protect its proprietary rights, it cannot be certain that its proprietary rights will not be challenged, invalidated, circumvented or used without the Group's authorization The Group mitigates the risk by filing patents, trademarks and registered designs as appropriate to protect its intellectual property and through monitoring technologies promoted by third parties

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

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

Future Developments

The Group intends to continue to develop its range of graphics, video, display, processing and communication technologies for use in SoC devices The Group will market these technologies to existing and new customers with a view to entering into commercial agreements for customers to incorporate the Group's technology in their SoC devices

The Pure business will continue to develop additional products using the Group's digital radio technology and internet connectivity/streaming audio technology These products will be marketed to existing customers in the UK, and increasingly to overseas customers as digital radio markets emerge worldwide

Research and Development

The Group spent £59,633,000 (2011 £44,696,000) on research and development and advanced technology projects

Donations

During the year the Group made donations for charitable purposes of £3,785 (2011 £1,209) There were no political donations during the year (2011 £Nil) The Parent Company made no donations in the current year (2011 £Nil)

Purchase of own shares

At the AGM in 2011, shareholders granted the Company the authority to purchase, in the market its own shares During the year the Company did not undertake to purchase any of its own shares in the market place At the AGM in 2012, the Directors will be presenting and proposing similar authority to shareholders

Directors during the Year

G S Shingles, H Yassaie, R A B Smith, T Selby, I R Pearson, D A Hurst-Brown and D Anderson served as Directors during the year G Delfassy was appointed a Non-Executive Director of the Company on 1 June 2012

Election and re-election of Directors

In line with the provisions of the UK Corporate Governance Code each Director will be standing for re-election at the Annual General Meeting of the Company to be held on 14 September 2012 Trevor Selby left the Board on 1 July 2011 and Richard Smith was appointed as a Director and replaced him as Chief Financial Officer on that date

Executive Directors' service agreements are contracts of employment with a rolling notice period of less than one year

Non-Executive Directors do not have any unexpired notice periods in their contracts

The terms and conditions of appointment of Directors are available for inspection at the company's registered office and at the AGM

The disclosable interests of Directors at 30 April 2012 including holdings, if any, of wives and children aged under 18 were as detailed in the Remuneration Report on page 45 and they remain unchanged as at 18 June 2012 Details of incentive awards to Directors are shown in the Remuneration Report on page 45

Corporate Governance

The Corporate Governance statement on pages 38 to 41 forms part of the Directors' Report

Disclosure of information to auditors

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

Share Capital

The Company's share capital consists of ordinary shares with a par value of 10 pence each and there were 264,246,455 ordinary shares in issue as at 30 April 2012 The rights attached to ordinary shares are as follows

1 Each share carries the right to one vote at general meetings of the Company, and

2 Shareholders are entitled to a dividend where declared

There are no specific restrictions on the transfer of ordinary shares in the Company other than certain restrictions imposed by laws, regulations and Listing Rules There are no persons holding securities in the Company carrying special rights with regard to control of the Company The Company is not aware of any agreement between holders of securities that may result in restrictions on the transfer of securities or on voting rights

Substantial Interests

As at 7 June 2012 the Company had been notified or was aware that the following had direct or indirect interests in 3% or more of the share capital of the Company

	Ordinary Shares of 10p in the Company	Percentage Holding
Intel Capital Corporation	38,396,664	14 5%
M&G Investment Management	25,628,416	9 7%
Apple Inc	23,047,770	8 7%
AXA Financial SA	22,694,557	8 6%
Legal & General Investment Management	8,183,362	3 1%

Going Concern Basis

As set out in Basis of Preparation in note 1, the Group continues to adopt the going concern basis in preparing the financial statements

Qualifying Indemnity Provision

The Company's Articles of Association has a qualifying indemnity provision The Company has in place insurance cover for its Directors and Officers with a cover limit of £10,000,000 throughout the year

Change of Control

The Company's share based incentive plans contain provisions relating to a change of control The outstanding long-term incentive plans, share awards and performance share award to the CEO and the performance share award to the CFO would normally vest and become exercisable on a change of control of the Company, subject to the satisfaction of the performance targets

Employee Involvement

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

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

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

Corporate Social Responsibility Statements

Information relating to employees, shareholders, graduate recruitment, scholarship sponsorship, charitable work in the local community and environment are provided in the Corporate Governance Report on pages 38 to 41

Significant Relationships

The Group does not have any contractual or other relationships with any single party which are essential to the business of the Group and therefore no such relationships have been disclosed

Creditor Payment Policy

It is Group policy to agree payment terms with suppliers when negotiating contracts or transactions

The Group ensures that, subject to any necessary variations which may result from supplier-related problems, the agreed payment terms are adhered to

The number of days billings from suppliers outstanding to the Group at 30 April 2012 was 43 (2011 39 days) The Parent Company is purely a holding Company with investments and does not have trade creditors

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report- and the Group and Parent Company financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period In preparing each of the Group and Parent Company financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business

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

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations

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

Directors' Responsibility Statement

The Directors confirm that, to the best of their 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 Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

Auditors

A resolution is to be proposed at the Annual General Meeting for the re-appointment of KPMG Audit Plc as auditors of the Company

Annual General Meeting (AGM)

The AGM will be held at 11 00 a m on 14 September 2012 at Imagination House, Home Park Estate, Kings Langley, Hertfordshire WD4 8LZ Business to be transacted at the Meeting is set out in full in the Notice of the AGM After the AGM, the Company will publish on its website the proxy votes cast in respect of each resolution voted on at the AGM

By order of the Board
A Llewellyn
Secretary
18 June 2012
Company Number 2920061

Corporate Governance

Compliance with the UK Corporate Governance Code

The Board is accountable to shareholders for the effective direction and control of the Group and this Annual Report provides details of the framework of corporate governance and internal controls that the Directors have put in place to enable them to carry out this responsibility The Group has complied with the UK Corporate Governance Code ('the Code') and applied the principles of the Code throughout the year Any areas of non-compliance of the Code are noted at the end of this section

Board Composition and Operation

The Company operates through the Board of Directors and after the appointment of Gilles Delfassy on 1 June 2012, the Board comprised seven Directors, three Executive Directors and four Non-Executive Directors Biographical details for each of the Directors are set out on pages 31 to 32

The Board is planning to add a further Non-Executive Director In the forthcoming months it is the intention of the Company to carry out a review of the composition of all its sub-committees

Chairman

The Chairman is responsible for the leadership and management of the Board He ensures its effectiveness in all aspects of its role, setting its agenda and ensuring that the Directors receive accurate, timely and clear information The Chairman facilitates the effective contribution of Non-Executive Directors and ensures constructive relations between Executive and Non-Executive Directors The Chairman maintains the proper and appropriate level of communication with shareholders During the year the Chairman has held meetings with the Non-Executive Directors without the Executives being present

The Board is satisfied that the Chairman's other professional commitments listed on page 31 do not interfere with the performance of his duties for the Company

Chief Executive Officer

The Chief Executive Officer is the key driver for proposing, developing and implementing the Group's strategy and commercial targets as agreed by the Board He is responsible for the day-to-day management of the business The Chief Executive Officer carries out his duties in consultation with the Chairman, the Board and Executive Management Board (EMB') which in turn are responsible for the commercial and operational activities of the Group He holds weekly meetings with the CFO and EMB to ensure the Group are actively managing the overall strategy of the business The Chief Executive Officer is also responsible, with the Executive team, for implementing the decisions of the Board and its Committees

Senior Independent Director

The Senior Independent Non-Executive Director of the Company is Ian Pearson He has appropriate dialogue with institutional shareholders to ensure their views are communicated to the Group and ensures that the performance evaluation of the Chairman is conducted effectively

Ian Pearson and David Hurst-Brown became Directors of the Company in 1998 and 2000, respectively, and have therefore been connected with the Group for more than 9 years Non-Executive Directors have shareholdings in the Company as disclosed in the table on page 49 The Board continues to monitor the composition of the Board in line with the recommendations of the Code Taking into account that both Ian Pearson and David Hurst-Brown have been connected with the Group for more than 9 years, the Board has reviewed and considered the independence of the Non-Executive Directors with particular care and scrutiny All Directors contribute significantly through their individual skills and their considerable knowledge of both the Group and the industry, and they currently provide continuity and an overall balance to the Board In particular, they continue to demonstrate a strong independence of management in the manner in which they discharge their responsibilities as Directors Accordingly, the Board considers that Ian Pearson and David Hurst-Brown are Independent Non-Executive Directors

Operation of the Board

The Board is responsible for the overall direction, strategy and performance of the Group The Board usually meets formally on a monthly basis There is a formal agenda of items to be addressed at Board Meetings which includes matters specifically reserved for the Board, principally comprising Group-wide business and financial reviews, major capital or revenue expenditure, acquisitions or disposals, onerous business terms, treasury, risk items and Board appointments At each meeting both the Chief Executive Officer and Chief Financial Officer present their respective reports, the Chief Executive Officer giving a full business update with focus on the Group's relationships with current and potential partners and highlighting business-critical issues, and the Chief Financial Officer presenting the financial results for the year to date together with latest financial forecasts All Directors have access to the advice and services of the Company Secretary, who attends the monthly Board meetings and is responsible to the Board for ensuring that Board procedures are complied with and that good information flows within the Board and Committees Both the appointment and removal of the Company Secretary are a matter for the Board as a whole

By also attending and monitoring the content of meetings and agendas, the Directors consider that there is sufficient structure to ensure the Company's strategy and control remain in the Board's hands

The Board also meets periodically with senior management from the Group's Technology and Pure divisions in order to review the strategic direction of the business The main objectives are to assess and decide upon the key technologies/products/markets for the business to exploit by assessing the potential returns against the risks The result is a common vision of the future aspirations of the business and an understanding of the function and goals that each division has within the strategy Divisional business plans are built around executing the strategic plan

The Company's EMB meets on a weekly basis, with attendance by the Chief Executive Officer and Chief Financial Officer At a formal monthly meeting of the EMB, each member provides a monthly operational report in which progress against plan is reviewed to ensure that this is in line with the Group's strategic and business targets

Performance Evaluation

During the year, the Board reviewed its performance along with that of the Audit and Remuneration Committees This assessment of performance is carried out by considering the objectives of each body and assessing the degree to which these objectives have been met In the case of each Director, the performance review takes into account an individual's level of commitment to the role, effective contribution and achievement in carrying out the role The Non-Executive Directors are responsible for performance evaluation of the Chairman, taking into account the views of the Executive Directors

During the year, the Chairman periodically held meetings with the Non-Executive Directors without the Executive Directors being present and, in addition, the Non-Executives periodically held meetings without the Chairman or the Executive Directors being present

Board Appointments and changes

All nominations to the Board will be considered by the Board and on 1 June 2012 Gilles Delfassy was appointed a Non-Executive Director to the Board On 1 July 2011 Trevor Selby left the Board and Richard Smith was appointed as a Director and replaced him as Chief Financial Officer The Board considers the appropriate composition of the Board from time to time and in future will continue to review its make-up As the Board is small, a Nominations Committee has not been appointed

Audit Committee

Members of the Committee

During the year, the Audit Committee comprised David Hurst-Brown as Chairman, Ian Pearson and David Anderson as members With effect from 8 June 2011, David Anderson took over as Chairman of the Audit Committee from David Hurst-Brown The Code requires that the Board be satisfied that at least one member of the Committee has recent and relevant financial experience The Board has considered this requirement and, taking into account the financial background of the Chairman of the Committee, is satisfied that this requirement has been met and that the Committee has sufficient experience to fulfil its obligations in an effective manner

Responsibilities

The Committee is required to satisfy itself as to the adequacy and effectiveness of internal controls and compliance procedures within the Group and that the principles, policies and practices adopted in the preparation of the accounts of the Group and the annual financial statements comply with statutory requirements The Audit Committee has written terms of reference which are available to be viewed at the AGM, and are available at www imgtec com

In discharging its responsibilities, the Committee reviews the interim and annual financial statements and the terms and scope under which the external auditors are appointed or reappointed The Committee also reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements The Committee holds meetings with the external auditors whenever it feels it needs advice or clarification of issues, but in any case the Audit Committee meets formally with the external auditors at least three times per year with, if required, a portion of the meeting without the Executive Directors present The Committee is also responsible for determining and reviewing the policy for engaging the external auditor in respect of non-audit work

The Audit Committee reviews arrangements by which staff of the Group may in confidence raise concerns over possible improprieties in financial reporting or other matters

Remuneration Committee

A description of the composition, responsibility and operation of the Remuneration Committee is set out in the Remuneration Report on pages 45 to 49 which is prepared in accordance with the Companies Act 2006

Board and Committee Meeting Attendance

The attendance of Directors at Board meetings and Committee meetings is set out below

	Main Board Meetings	Audit Committee	Remuneration Committee
No of meetings	9	3	5
G S Shingles	8	1*	3*
H Yassaie	8	–	3*
R A B Smith	9	3*	3*
T Selby	1	1*	1*
I R Pearson	6	3	5
D A Hurst-Brown	8	3	5
D Anderson	8	3	5

* Denotes attendance by a Director, who is not a member of the Committee, at a Committee meeting, as requested by the Chairman of the Committee

Independent Professional Advisers

The Directors are able to bring necessary matters to the attention of the Board so that the appropriate professional advisers can be briefed and authorized to provide the required independent advice However, all Directors can, if they feel it necessary, take independent professional advice in furtherance of their duties, at the Company's expense

Share Capital

The share capital details are provided in the Directors' Report on page 35

Financial Reporting

The financial position of the Group is discussed in the Chairman's Statement, Chief Executive's Review and the Directors' Report, giving a balanced and understandable assessment of the Company's position and prospects

After reviewing current performance and plans, and making enquiries considered appropriate, the Directors are satisfied that at the time of approving the Financial Statements adequate resources are available to the Group to enable it to continue in business for the foreseeable future For this reason the Directors believe it is appropriate to adopt the going concern basis in preparing the financial statements

Conflicts of Interest

The Company has put in place procedures for the disclosure and review of any conflicts or potential conflicts of interest which the Directors may have and for the authorization of such conflict matters by the Board In deciding whether to authorize a conflict, or potential conflict, the Directors have regard to their general duties under the Companies Act 2006 The authorization of any conflict matter, and the terms of authorization, may be reviewed at any time and are reviewed formally by the Group on an annual basis There have been no conflicts of interest in the year

Health and Safety

The Group takes the health and safety of its employees, business partners, contractors and any visitors to Group premises seriously During the year the Group changed insurance broker from Henderson Risk Management to Marsh and they are now providing advice on health and safety matters The Group has a health and safety committee and it held meetings at its UK sites to consider health and safety issues The Committee reviews new relevant and appropriate legislation and regulations governing the workplace and responds to feedback from employees on any particular items in their division or building The Company Secretary is Chairman of the Committee which meets on a quarterly basis

Internal Controls/Risk Management

The Board has overall responsibility for ensuring that the system of internal control is effective This covers all material controls including financial, operational, compliance and risk management systems This system is intended to manage rather than eliminate the risk of failure to achieve business objectives, and provides only reasonable and not absolute assurances against material misstatement or loss

The Directors reviewed the existing risk management processes within the operating businesses to document and report on significant areas of business risks and their controls and that the process accords with the Turnbull Guidance There is an on-going process for the effective identification, evaluation and management of significant risks faced by the Group

This process was in place throughout the year and as at the date of approval of the Annual Report and Financial Statements Under this process the Board receives a detailed report outlining all the main risks associated with both the Technology and Pure businesses and the report is reviewed thoroughly to consider if any necessary action is required to address these risks If the Board concludes that action is required, it is given regular updates on progress and is also made aware of any new risks that are identified as an on-going process continues throughout each year

Executive members of the Board have day to day involvement in all aspects of the business and attend monthly management/divisional meetings at which both financial and operational performance against targets are reviewed Any items found during the monthly review which do not meet previously agreed targets are discussed in order to ensure that any corrective actions are implemented

A comprehensive budget is presented for the forthcoming year and approved by the Board Expenditure is controlled against formal authorization limits Major items of capital and revenue expenditure and all treasury matters are reserved for members of the Board alone

The Board and the Audit Committee have considered the need for an Internal Auditor, and, after taking into account the size of the Group, have concluded that at this stage there is no requirement

Compliance Statement

The Listing Rules require the Board to report on compliance with the provisions of the Code throughout the period The Group has complied throughout the year ended 30 April 2012 with the provisions set out in the Code, with the exception of the requirement to appoint a nominations committee As the Board is small, a Nominations Committee has not been appointed All nominations to the Board will be considered by the full Board and a careful recruitment process is undertaken with assistance from external recruitment firms In the recent appointment of Gilles Delfassy as Non-Executive director, the Chairman, CEO, CFO, Non-Executive directors and some members of the EMB were involved in the interview process along with external recruitment advice from Russell Reynolds

The Board are aware that both Ian Pearson and David Hurst-Brown have been Non-Executive Directors for more than nine years and that, in accordance with the Code, they will be submitting themselves for re-election at the Annual General Meeting The Board has carefully considered their roles in the Group and believe that they are Independent Directors

The Board appointed David Anderson in 2011 as a Non-Executive Director and he is the Chairman of the Audit Committee and on 1 June 2012 Gilles Delfassy became a Non-Executive Director and he will be taking on roles in the Remuneration and Audit Committee The Group will continue to review the composition of the Board

Corporate Social Responsibility Statements

Corporate Social Responsibility

The Group recognizes that it has responsibilities to all stakeholders which include the interests of employees and their families, the need to foster the Group's business relationships with partners, customers, suppliers and others and the impact of the Group's operations on the local communities and the surrounding environment where it operates Employees are highly regarded and valued, and their employment and other rights are respected The Group is committed to the important principle of equal opportunity which is reflected in the Group's recruitment, graduate recruitment, disciplinary and grievance policies The Group is dedicated to supplying products of top quality to meet its customers' requirements in a manner that is consistent with high environmental and ethical standards The Group makes a contributions to local communities charities and communities in the areas which it operates its business

Relations with Shareholders

The Group actively encourages open communications with shareholders Principally through the Board, the Group endeavours to establish and maintain healthy relationships with its institutional shareholders by holding regular meetings throughout the year, particularly after the announcement of full and interim results Shareholders can register to receive the Group's press releases via the internet and any queries from individual shareholders are answered promptly by a nominated person

The Group is involved in a weekly dialogue with private shareholders, the comments and concerns from these shareholders who participate in this forum are circulated to management within the Group at the end of each week

The Group gives shareholders at least 21 days' notice of the AGM At the AGM, the Directors make a full presentation to shareholders to explain recent and future developments in the business, followed by an open question and answer session which provides shareholders with the opportunity to ask Directors and senior employees questions about the business The Group prepares separate resolutions on each substantially separate issue and a schedule of proxy votes cast is made available for inspection at the conclusion of proceedings The AGM is held at the Group's headquarters in Kings Langley where shareholders can visit demonstration rooms displaying the Group's technology in Group or partners' products and Pure products with senior divisional employees available to give in-depth detail of the Group's technologies and products The Board makes itself accessible to meet with shareholders on an informal basis

The Non-Executive Directors have access to independent feedback from shareholders after results presentations which, supported by periodic attendance at analyst and shareholder presentations, provides them with an understanding of the views of major shareholders The Senior Non-Executive Director is available for dialogue with major shareholders if required

Consulting with Employees

The Group understands and appreciates the importance of effective communication with its employees worldwide Where there are matters arising in the Group which could impact staff there is an appropriate consultation process This is mainly achieved through monthly divisional meetings where employee-related items are initially discussed Divisional Vice-Presidents and/or General Managers will in turn consult their employees and feedback any constructive responses before the Group proceeds in making decisions The Group is re-developing its Headquarters in Kings Langley to create a state of the art building providing substantial improvements in the working environment for employees and the Group will continue to have a dialogue with employees to ensure their views and observations are taken into consideration in the re-development process

Environmental Statement

The Board understands and recognizes the increasing importance of environmental issues, although it has limited direct impact on the environment since it is not involved in heavy industry or any direct manufacturing activity Group premises are offices, with the main activity in the Group being the development of hardware and software designs by employees working on computers, involving neither the use of hazardous substances or complex waste emissions

The Group is redeveloping its Head Office facilities in Kings Langley and the buildings are being designed along the principles of sustainable design and will exceed the building regulations requirements for buildings of this nature, the aspiration is for the building to achieve a BREEAM rating of 'Excellent' In addition to reducing the building's energy consumption a sustainable approach has been adopted when approaching other issues which will contribute towards a truly sustainable building Such issues include the selection of materials, construction technologies, and the operation, management and maintenance of the completed building The main methods by which a fully sustainable building with the aspired BREEAM rating of Excellent will be achieved are

- Introducing the sustainable aspects of the construction process at an early stage of the design and collaborating as a team to achieve the sustainability goals
- Considered and intelligent design of fenestration The main emphasis in the design and specification of the glazing and solar shading devices will be to reduce operational energy usage in terms of heat loss and solar gain whilst maximizing levels of daylight within the office space, thus reducing reliance on artificial lighting
- The provision of facilities such as secure bicycle storage and changing facilities to encourage staff to use sustainable modes of transport
- Water saving technologies (such as flow restrictors, low flow rate water fittings, etc) will be applied to the building to minimize potable water demand and to achieve further CO_2 emissions reductions while saving a precious natural resource
- Selection of construction materials and technologies that minimize site wastage

- Using locally sourced materials where possible
- Responsibly sourcing materials used in structural and non-structural elements Third party certification will be required to show that the timber has come from a sustainability managed source e g Forest Stewardship Council (FSC)
- Using the Green Guide to Specification to ensure that where possible materials have 'A' rating
- Recycling construction waste using off site sorting including a dedicated space for recyclable materials on site
- The provision of dedicated recyclable waste storage facilities
- Aiming to improve the site's ecological impact through considered landscaping treatment
- The provision of an area of brown roof to encourage and increase the site's levels of biodiversity
- Incorporating SUDS (Sustainable Urban Drainage) such as permeable paving on the surface car parks and water attenuation to control surface water run-off and minimize water course pollution

The Group continues its promotion and support of practices for the use of resources in an environmentally friendly manner The Group has energy saving measures in place for recycling components, such as printed circuit boards, toner cartridges, surplus packaging and paper The Group discourages company vehicles with only a small number of vehicles throughout the Group

Pure remains committed to ethical and environmentally sustainable design and manufacture as encapsulated within EcoPlus (www Pure com/ecoplus) Pure recognises that its main environmental impact comes about through the products themselves in manufacture, transport and predominantly in use by consumers, and so it continues to reduce the power consumption of its products, with a programme in place to exceed the requirements of the tightened Energy-Using Products (EuP) Directive which comes into place in January 2013

Pure has made particular strides with reduction in the power of internet radio with the introduction of ONE Flow - the first internet radio to meet the stringent requirements of the EST specification for digital radio In total, Pure now has fifteen EST accredited radios, with more to come During the peak trading period of 2010, Pure's "Make a Difference" trade and consumer campaign promoted the sale of these EST recommended radios

Pure have met their obligations under the EC Directive on Batteries and Accumulators and Waste Batteries and Accumulators (2006/66/EC) through their membership of the compliance scheme eBatt

With respect to the Group's sub-contract manufacturing activities, all facilities are regularly SEDEX audited to ensure that good employment standards and practices are in place, and the Group has taken the necessary action to comply with the provisions of the Use of Certain Hazardous Substances in Electrical Equipment Regulations 2005 (RoHS) and Waste Electrical and Electronic Equipment (WEEE) The Group is a member of the compliance scheme REPIC to meet our obligations as a producer of WEEE and are members of the Distributor Takeback Scheme run by Valpak to meet our obligations as direct sellers The Group complies with EC Regulation on chemicals and their safe use (EC 1907/2006), known as Registration, Evaluation, Authorisation and Restriction of Chemical substances (REACH) The Group also complies with The Energy Using Products Directive (EuP) 2005/32/EC which sets out the minimum requirements for eco-design for energy using products

The Group continues to provide information to shareholders electronically and make documents available through the website rather than via paper copies The Group can report that with support from shareholders less than 1% of shareholders now receive paper copies, thereby providing significant environmental and cost benefits The Group has a Ride 2 Work scheme for employees which provides benefits to the environment

Graduate Recruitment Programme

The Group runs a Graduate Recruitment Programme (GRP) with universities and colleges throughout the UK having developed strong relationships with a number of universities including the University of Southampton, Imperial College of London, the University of Bristol and the University of Manchester We sponsor PhD studentships, undergraduate and Masters of Science projects as well as running an active recruitment calendar at our top universities As a direct result of our GRP we have had 40 undergraduates on internship during the year In 2012/13 we have a much higher target for the GRP and will continue to expand the number of universities and colleges who can participate with placements and/or internship, as well as graduate recruitment We have linked up with universities which reflect our technical skillset and are supporting and developing these into centres of excellence for students in line with our intellectual property activities around the Group One of our key objectives is to encourage academic institutions in the UK to support the research requirements of UK industry In addition to this, we are also building collaborations with other European universities outside of the UK

In 2012 the Group will sponsor the EPSRC UK ICT Pioneers Event which was open to all second and third year PhD students in the UK The Event was created to showcase and reward research with exploitation potential in the UK with cash prizes available The Group is increasingly working closer with funding bodies such as EPSRC to support and contribute to research in the UK

Scholarships, Sponsorships and Apprenticeships

The Group offers a wide range of other incentives to young people varying from the sponsorship of electronic courses at local schools, giving scholarship awards to students at University to promote career opportunities at our Group and financial awards to successful internships with the intention that the students come to work for the Group in the future The Group continues to run an apprenticeship programme for 16 year olds, and also invites around 20 young people annually for structured work experience to learn more about and experience some of the careers available in our sector The Group is in the process of building regional hubs at its 4 UK sites to promote electronics to the school age population

Charitable work in the Community

The Group gives charitable donations both locally and nationally Every year employees are consulted to ensure that the donations given by the Group represent all the interests and locations where employees are based A list of charities which are selected by the Group and employees of the Group are asked which percentage of the Group charitable donation pot is to go to each of the charities If employees raise money for a charity on the Group selected charity list the Group will double the amount of money raised by the employee

Remuneration Report

Remuneration Committee

The Remuneration Committee ('Committee') advises and makes recommendations to the Board on an appropriate remuneration policy and carries out an annual remuneration review within the agreed terms of reference of the Remuneration Committee which are available on the Group's website at www imgtec com During the year the members of the Committee have been Ian Pearson (Chairman), David Hurst-Brown and David Anderson In addition, the Group has recently appointed a new Non-Executive Director, Gilles Delfassy and he joins the Remuneration Committee In the forthcoming months it is the intention of the Group to carry out a review of the composition of all its sub-committees

The Committee is responsible for determining and agreeing with the Board the remuneration packages of each of the Executive Directors This includes basic salary, annual bonus, level of awards under the Group's share incentive arrangements ('Awards') and the terms of any performance conditions to apply to the exercise of such rights, pension rights, determining their terms and conditions of service, and any compensation payments and to ensure that such remuneration levels are competitive, appropriate and acceptable

During the year Olswang provided legal services in relation to share incentive plans, Matthew Arnold Baldwin provided general employment advice and the Group's Independent Financial Advisor, JLT (formerly HACL) advised on pension matters Towers Watson furnished the Committee with data of executive packages of other FTSE 250 companies

The remuneration of Ian Pearson, David Hurst-Brown and David Anderson is established by the Executive Directors of the Board

The Committee also has discussions with the Board in relation to the Board's annual report to shareholders on the Group's policy on the remuneration of Executive Directors and in particular the Directors' Remuneration Report, as required by the Companies Act 2006, the Code and the Listing Rules of the Financial Services Authority No Board member is involved in deciding his own remuneration package

Remuneration Policy

The Committee has given full consideration to the Principles of Good Governance as set out in the Code with reference to Directors' remuneration The main objectives of the policy are to ensure that pay and benefits packages are sufficiently competitive to attract, develop and retain high calibre executives The Committee will continue in the future to ensure that a competitive and well-balanced package is maintained It also seeks to align individual reward and incentives with the performance of the Group and, hence, with the interests of the shareholders When carrying out its role the Committee will consider corporate performance on environmental, social and corporate governance issues In determining Directors' remuneration for the year the Committee took into consideration the pay and conditions of employees of the Group

Annual Remuneration Review

During the year the Committee carried out an annual review of the remuneration packages of the Executive Directors To assist in this process the Committee received independent advice from Towers Watson on executive remuneration for companies of the FTSE250 as a whole and to those companies in the FTSE 250 with revenues in the range of £100m-£200m The Committee believes it is appropriate to benchmark and be aware of the remuneration of executives holding similar posts generally, and in our specific sector, including international competitors However the Committee considers the success and the significant growth of the business to be the principal factors in assessing and determining the appropriate remuneration of its Executives

Until the past 2 years when the business began to achieve sustained profitability the Committee made recommendations of minimal salary increases and even salary reductions to keep a tight control of costs In the past year the Group has continued to deliver strong growth in revenue and profit and headcount across the business has increased by 20% More recently therefore the Committee have been trying to bring the Executive salaries more in line with what it regards as appropriate for a Group of its size and profitability

Directors' Remuneration

The main elements of the Executive Directors remuneration are

Basic salary

To review and determine the specific levels of basic salary, the Committee draws on a wide range of relevant data, market conditions, as well as Group and individual performance

Share Incentives

The Committee aims to ensure that Executives and senior employees are fairly rewarded for their contribution to the success of the Group The Group is currently operating an Employee Share Plan (ESP) and a Save As You Earn ('SAYE') plan, both of which were approved by shareholders at the AGM in 2006 The Committee continues to believe that appropriate share incentives provide the best form of long term incentive needed to motivate and retain employees and to encourage employee share ownership At the AGM in 2009, the Group made changes to the ESP to enable it to make ESP awards more tax-efficient and also to make share option grants under a Company Share Option Plan in order to give it increased flexibility in the type of share incentives it may award to Group employees In October 2011 the Group enabled all employees holding the share awards made in 2008 to change them from restricted discretionary share awards to nil cost share options allowing employees five years to exercise the option from the date of vesting This action was taken in recognition of the extremely difficult economic environment and given the volatility in the worldwide markets which had adversely affected share prices and to encourage retention of awards beyond the first vesting date There are a number of share options outstanding under the Group's old schemes, including approved and unapproved key employee schemes, an Enterprise Management Incentive (EMI) scheme and a Long-Term Incentive Plan (LTIP) scheme

The discretionary Awards under the ESP have performance criteria The awards under the ESP in 2008 are related to the share price relative to the increase in the FTSE All Share Index and growth in gross profit over a three year period The awards under the ESP in 2009 have a performance condition related to the growth in the Group's share price over a three year period

In December 2009 the Chief Executive Officer was awarded a specific share award which the Board believed was necessary for retention and to provide appropriate motivation This award is over a five year period The Group consulted major shareholders before making this award This share award, made under the provisions of the Listing Rules 9 4 2 2, is for 2,250,000 shares and, subject to the performance conditions (see page 49), will vest in three tranches, 750,000 shares after three years, 750,000 after four years and 750,000 after five years

In October 2011 the Chief Financial Officer was awarded 50,000 nil cost share options as part of his employment offer when joining the Group (see page 49)

The discretionary options that were granted before the adoption of the Employee Share Plan have performance criteria based on the achievement of targets in the market price of Imagination Technologies Group plc shares, and those options issued to Directors have the performance conditions attached to them as set out on page 48 The SAYE scheme does not have performance conditions Discretionary options were granted at market value with SAYE options issued at a 20% discount to market value

Cash bonus

The Group has an annual cash bonus plan for key Executives Awards under the annual bonus plan are split into two portions, a portion that is discretionary based on performance and a portion that relates to the achievement of budgeted profit

Pension policy

The Group does not run its own pension scheme and Executive Directors are eligible to become members of the Group Personal Pension Plan, which is a defined contribution scheme There are no special arrangements for Executive Directors and the same employer contribution of 7 5% of executive basic salary applies A Pension Salary Sacrifice scheme is in place for all members of the pension scheme, including Executive Directors and this has impacted the amounts stated in Directors' Emoluments on page 47

Service contracts

Geoff Shingles and Hossein Yassaie have on-going service contracts dated 31 March 1998 Richard Smith has an on-going service contract dated 3 May 2011 The Executive Director's service contracts may be terminated by either party on six months' notice The Committee regards the notice period in these contracts as being appropriate In the event of termination of an Executive Director's service contract there are no specific compensation entitlement provisions in the contracts with respect to termination, other than the notice period

Remuneration policy for Non-Executive Directors

The Non-Executive Directors' remuneration consists of fees for their services in connection with Board and Committee meetings and where appropriate for devoting additional time and expertise for the benefit of the Group Non-Executive Directors have letters of appointment Ian Pearson's, David Hurst-Brown's and David Anderson's letters are dated respectively 14 April 1998, 4 August 2000 and 25 November 2010 Each Non-Executive Director will be re-elected annually to comply with the provisions of the Code Ian Pearson and David Hurst-Brown will seek re-election at this year's AGM since they have been Non-Executive Directors for more than nine years and under the Combined Code a Non-Executive Director is required to be re-elected annually if he has served the board for more than nine years

During the year the Executive Board carried out a review of the fees of the Non-Executive Directors and obtained independent advice from Towers Watson on non-executive remuneration for companies of the FTSE250 as a whole and to those companies in the FTSE 250 with revenues in the range of £100m-£200m After careful consideration the Executive Board decided it was necessary to increase the basic fees of all Non-Executive Directors and to introduce a fee to those Non-Executive Directors who hold the position of Chairman of a Committee

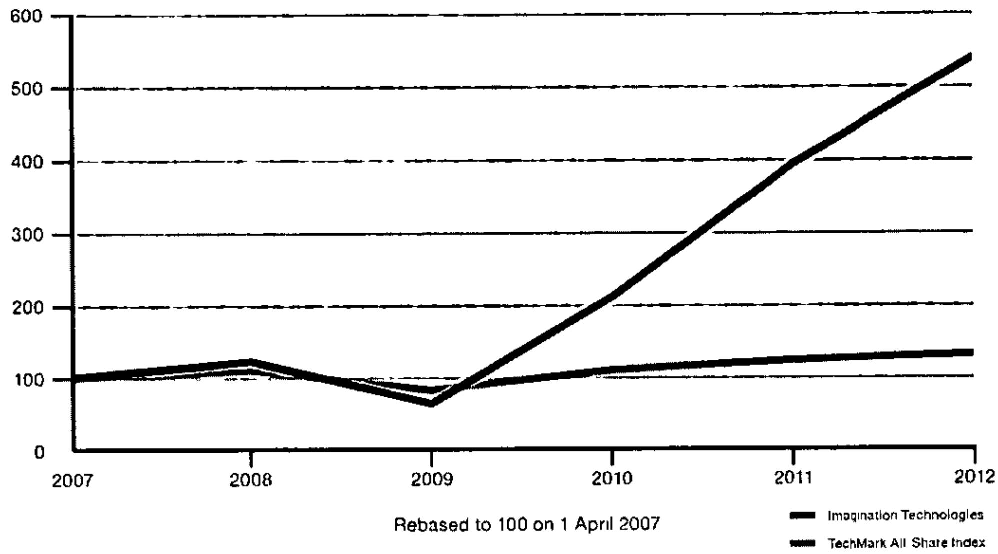
Non-Executive Directors are not eligible for pension scheme membership and do not participate in any of the Group's annual cash bonus or other share incentive schemes The remuneration of Non-Executive Directors is determined by the Executive Directors of the Board and no element of their fees is performance-related

Other directorships

Any other directorships of the Non-Executive Directors are set out on pages 31 to 32 with the directorships of Geoff Shingles, who carries out his Executive duties with the Group on a part time basis The Board is satisfied that these directorships do not interfere with the performance of Directors' duties for the Group

Total shareholders' return

Total cumulative shareholder return for the five year period to 30 April 2012



In the total shareholder return analysis the TechMark All-Share Index has been chosen to compare the performance of the Company's share price against an index of comparable companies

The following information has been audited

Directors' Emoluments

The following table is intended to bring together the value of the various emoluments of remuneration received by each Director during the year

	Salary and fees £ 000	Bonus £ 000	Benefits in kind £ 000	Total 2012 £'000	Total 2011 £ 000	Pension 2012 £'000	Pension 2011 £ 000
Executive Directors							
G S Shingles	**90**	**–**	**2**	**92**	92	**–**	–
H Yassaie	**352**	**150**	**1**	**503**	301	**43**	36
R A B Smith	**193**	**–**	**1**	**194**	–	**16**	–
T Selby (Resigned)	**32**	**–**	**–**	**32**	104	**8**	133
Non-Executive Directors							
I R Pearson	**44**	**–**	**–**	**44**	30	**–**	–
D A Hurst-Brown	**39**	**–**	**–**	**39**	30	**–**	–
D Anderson	**44**	**–**	**–**	**44**	10	**–**	–
Total	**794**	**150**	**4**	**948**	**567**	**67**	**169**

Hossein Yassaie received a cash bonus of £150,000 Part of this amount was discretionary based on performance and the other portion was based on the Group achieving profit to budget Richard Smith was not eligible to receive a cash bonus

Both Hossein Yassaie and Richard Smith participate in the Group's Pension Salary Sacrifice Scheme which is offered to all employees Trevor Selby also participated

Directors' Share Incentives

The following table sets out the share-related incentives the Directors have in the shares of Imagination Technologies Group plc

	Grant Date	Balance at 1 May 2011	Lapsed	Exercised	Reclassified /Granted	Balance at 30 April 2012	Exercise Price	Date from which first exercisable	Expiry date
G S Shingles	*Sep-2008	8,115	–	(8115)	–	**0**	55 6p	Nov-2011	May-2012
	**Oct-2008	131,250	(131,250****)	–	–	**0**	–	Oct-2011	Nov- 2011
	*Oct-2009	2,298	–	–	–	**2,298**	139p	Dec-2012	June-2013
	*Oct-2010	495	–	–	–	**495**	305 2p	Dec-2013	Jun-2014
	****Oct-2011	–	–	–	131,250	**131,250**	–	Oct-2011	Oct-2016
	*Nov-2011	–	–	–	1,179	**1,179**	366 2p	Dec-2014	June-2015
H Yassaie	*Sep-2008	8,115	–	(8,115)	–	**0**	55 6p	Nov-2011	May-2012
	**Oct-2008	1,029,000	(1,029,000****)	–	–	**0**	–	Oct-2011	Nov-2011
	*Oct-2009	2,298	–	–		**2,298**	139p	Dec-2012	June-2013
	***Dec-2009	2,250,000	–	–		**2,250,000**	–	Dec-2012	Dec-2014
	*Oct 2010	495	–	–	–	**495**	305 2p	Dec-2013	June-2014
	****Oct-2011	–	–	(1,029,000)	1,029,000	**0**	–	Oct-2011	Oct-2016
	*Nov-2011	–	–	–	1,179	**1,179**	366 2p	Dec-2014	June-2015
R A B Smith	**Oct-2011	–	–	–	50,000	**50,000**	–	Oct-2014	Oct- 2019
	*Nov-2011	–	–	–	2,457	**2,457**	366 2p	Dec-2014	Jun-2015
Total		**3,432,066**	**(1,160,250)**	**(1,045,230)**	**1,215,065**	**2,441,651**			

As at 18 June 2012 there had been no changes in the balance of share options or share awards outstanding

* Options issued under the Savings Related Share Option Scheme (SAYE)

** Awards made under the Employee Share Plan (ESP)

*** Performance Share Awards (PSA) made to CEO

**** Nil Cost Options under the Employee Share Plan (Reclassified in October 2011 from ESP Awards)

Note - The Total Balance at 1 May 2011 excludes the share incentives held by Trevor Selby as at that date as he resigned during the financial period

The mid-closing price of the shares on 30 April 2012 was 687 5p and the range during the financial period was 717p to 296 9p

Executive Directors – Share option and share awards performance conditions

A LTIP share options are exercisable if the share price growth is at least greater than an annual compound increase of 15% per annum in the share price over the four year period following the date of grant and there has been an improvement in the underlying financial performance of the Group in the opinion of the Remuneration Committee

B ESP awards for 2008 have two performance conditions

1 Group share price The first 50% of the Award was subject to the performance of Group shares It was dependent on the percentage growth in the value of a share in the Group compared to the percentage growth of the FTSE All Share Index over the three year period commencing on the date of grant of the Award If the performance of a share in the Group against the Index was 150% then all 50% of the Award would vest, if the performance of a share in the Group against the Index was between 125% and 150% of the Index then pro-rata on a straight line basis between 25% and 50% would vest, and if the performance of a share in the Group against the Index was below 125% of the Index then there is no Award, and

2 Gross Profit The second 50% of the Award is calculated by reference to gross profit Vesting is calculated by reference to the gross profit generated by the Group as derived from the Group's audited report and accounts prepared on a consolidated basis ("Gross Profit") The Gross Profit will be measured over the three financial periods commencing 1 May 2008 (the "Performance Period") The growth in Gross Profit will be measured for each financial period against the previous financial period and then averaged at the end of the Performance Period In the case of the first financial period in the Performance Period, the Gross Profit for that year will be compared to the Gross Profit for the period to 30 April 2008 The following shows the vesting of the share awards, If the average growth in Gross Profit over the performance period is 15% then 40% of the share award will vest, if the average growth in Gross Profit over the performance period is 19% then 70% of the share award will vest and if the average growth in Gross Profit over the

performance period is 23% or more then 100% of the share award will vest

C Performance Share Award for the CEO award for 2009 has one performance condition related to the annual cumulative growth in the Group's share price over a three, four and five year period from the date of grant If the annual cumulative growth of the Group's share price is less than 7 5%, no part of the award will vest, if the annual cumulative growth of the Group's share price is more than 7 5% and less than 15% the performance target will be satisfied pro-rata on a straight line basis and if the annual cumulative growth of the Group's share price is 15% or more, all 100% will vest

D Performance Share Award for the CFO award for 2011 has one performance condition subject to the performance of Group shares It was dependent on the percentage growth in the value of a share in the Group compared to the percentage growth of the FTSE All Share Index over the three year period commencing on the date of grant of the Award If the performance of a share in the Group against the Index was 150% then all 50% of the Award would vest, if the performance of a share in the Group against the Index was between 125% and 150% of the Index then pro-rata on a straight line basis between 25% and 50% would vest, and if the performance of a share in the Group against the Index was below 125% of the Index then there is no Award

E SAYE share options do not have any performance conditions

Directors' Share Dealings – Employee share incentive schemes

The following Directors' dealings took place during the year

Under the Employee Share Plan

Hossein Yassaie exercised 1,029,000 nil cost shares options (granted in October 2008) on 27 January 2012 The closing market price of the shares on this date was 581 pence resulting in a gain of £5,978,490 (2011 1,209 shares and a gain of £3,325) Of the 1,029,000 shares that were exercised, 802,000 were sold and 227,000 were retained by Hossein Yassaie

Under the SAYE Plan

On 19 March 2012, Hossein Yassaie exercised a share option over 8,115 shares granted to him in September 2008 at 55 6 pence The closing market price of the shares on this date was 690 5 pence resulting in a gain of £51,522 (2011 no shares and £Nil gain) He retained the 8,115 shares

On 8 November 2011, Geoff Shingles exercised a share option over 8,115 shares granted to him in September 2008 at 55 6 pence The closing market price of the shares on this date was 470 pence resulting in a gain of £33,629 (2011 no shares and £Nil gain) He retained the 8,115 shares

Under the Long-Term Incentive Plan

During the year Hossein Yassaie did not exercise any share options under this scheme (2011 500,000 shares and £1,385,000 gain)

Directors' Interests

Interests of the Directors in the shares of Imagination Technologies Group plc were as follows

Ordinary shares of 10p beneficially owned at 30 April	2012	2011
G S Shingles	**116,133**	141,133
H Yassaie	**813,947**	573,832
R A B Smith	**1,113**	–
I R Pearson	**31,622**	35,122
D A Hurst-Brown	**50,000**	70,000
D Anderson	**5,675**	3,775

As at 18 June 2012 there had been no changes in the above interests

This report was approved by the Board on 18 June 2012 and was signed on its behalf by

I R Pearson

Chairman of the Remuneration Committee

Independent Auditors' Report to the Members of Imagination Technologies Group plc

We have audited the financial statements of Imagination Technologies Group plc for the year ended 30 April 2012 set out on pages 51 to 85 The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2012 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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
- Under the Listing Rules we are required to review
- the Directors' statement, set out on page 36, in relation to going concern,
- the part of the Corporate Governance Statement on pages 38 to 41 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on Directors' remuneration

Tudor Aw (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square, London E14 5GL
18 June 2012

Consolidated Income Statement

	Notes	Year to 30 April 2012 £'000	Year to 30 April 2011 £'000
Revenue	1, 2	**127,499**	98,045
Cost of sales		**(21,014)**	(20,791)
Gross profit		**106,485**	77,254
Research and development expenses		**(59,633)**	(44,696)
Sales and administrative expenses		**(23,171)**	(16,298)
Gain on investments		**677**	-
Contingent acquisition consideration release		**4,009**	-
Total operating expenses		**(78,118)**	(60,994)
Operating profit		**28,367**	16,260
Financial income		**292**	158
Financial expenses		**(115)**	(58)
Net financing income		**177**	100
Profit before tax		**28,544**	16,360
Taxation (charge) / credit	5	**(8,083)**	2,918
Profit for the financial year attributable to equity holders of the parent		**20,461**	19,278

Earnings per share	Basic	6	**7 9p**	7 7p
	Diluted		**7.4p**	7 4p

During this year and the previous period all results arise from continuing operations

Consolidated Statement of Comprehensive Income

	Notes	Year to 30 April 2012 £'000	Year to 30 April 2011 £'000
Profit for the financial year attributable to equity holders of the parent		**20,461**	19,278
Other comprehensive income			
Exchange differences on translation of foreign operations		**(57)**	112
Change in fair value of assets classified as available for sale	9	**866**	(300)
Total other comprehensive income for the financial year, net of income tax		**809**	(188)
Total comprehensive income for the financial year attributable to equity holders of the parent		**21,270**	19,090

Consolidated Statement of Financial Position

	Notes	At 30 April 2012 £'000	At 30 April 2011 £'000
Non-current assets			
Intangible assets	7	**43,124**	45,088
Property, plant and equipment	8	**25,033**	15,723
Investments	9	**12,985**	5,717
Deferred tax	5	**18,829**	24,868
		99,971	91,396
Current assets			
Inventories	10	**5,417**	6,205
Trade and other receivables	11	**41,068**	27,574
Cash and cash equivalents	12	**66,262**	49,374
		112,747	83,153
Total assets		**212,718**	174,549
Current liabilities			
Trade and other payables	13	**(26,378)**	(17,626)
Interest bearing loans and borrowings	14	**(496)**	(60)
		(26,874)	(17,686)
Non-current liabilities			
Other payables	15	**–**	(3,927)
Interest bearing loans and borrowings	14	**(5,031)**	(5,527)
Deferred tax liability	5	**(3,426)**	(4,339)
		(8,457)	(13,793)
Total liabilities		**(35,331)**	(31,479)
Net assets		**177,387**	143,070
Equity			
Called up share capital	16	**26,425**	25,815
Share premium account	16	**98,348**	97,300
Other capital reserve	16	**1,423**	1,423
Merger reserve	16	**2,402**	2,402
Revaluation reserve	16	**586**	(280)
Translation reserve	16	**176**	233
Retained earnings	16	**48,027**	16,177
Total equity attributable to equity holders of the parent		**177,387**	143,070

These financial statements were approved by the Board of Directors on 18 June 2012 and were signed on its behalf by

G. S. Shingles

G S Shingles
Director

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Other capital reserve £'000	Merger reserve £'000	Revaluation reserve £'000	Translation reserve £'000	Retained Earnings £'000	Total £'000
At 1 May 2010	24,345	60,629	1,423	2,402	20	121	(20,154)	68,786
Profit for the year	-	-	-	-	-	-	19,278	19,278
Other comprehensive income for the year								
Exchange differences on translation of foreign operations	-	-	-	-	-	112	-	112
Change in fair value of assets classified as available for sale	-	-	-	-	(300)	-	-	(300)
Total other comprehensive income for the year	-	-	-	-	(300)	112	-	(188)
Transactions with owners								
Share based remuneration	-	-	-	-	-	-	5,951	5,951
Deferred tax credit in respect of share based incentives	-	-	-	-	-	-	11,183	11,183
Acquisition of own shares for Employee Benefit Trust	-	-	-	-	-	-	(81)	(81)
Issue of new shares	1,470	36,671	-	-	-	-	-	38,141
At 30 April 2011	25,815	97,300	1,423	2,402	(280)	233	16,177	143,070
At 1 May 2011	**25,815**	**97,300**	**1,423**	**2,402**	**(280)**	**233**	**16,177**	**143,070**
Profit for the year	-	-	-	-	-	-	**20,461**	**20,461**
Other comprehensive income for the year								
Exchange differences on translation of foreign operations	-	-	-	-	-	**(57)**	-	**(57)**
Change in fair value of assets classified as available for sale	-	-	-	-	**866**	-	-	**866**
Total other comprehensive income for the year	-	-	-	-	**866**	**(57)**	-	**809**
Transactions with owners								
Share based remuneration	-	-	-	-	-	-	**10,245**	**10,245**
Tax credit in respect of share-based incentives	-	-	-	-	-	-	**1,562**	**1,562**
Acquisition of own shares for Employee Benefit Trust	-	-	-	-	-	-	**(418)**	**(418)**
Issue of new shares	**610**	**1,048**	-	-	-	-	-	**1,658**
At 30 April 2012	**26,425**	**98,348**	**1,423**	**2,402**	**586**	**176**	**48,027**	**177,387**

Consolidated Statement of Cash Flows

	Note	Year to 30 April 2012 £'000	Year to 30 April 2011 £'000
Cash flows from operating activities			
Profit after tax	2	**20,461**	19,278
Tax charge / (credit)	5	**8,083**	(2,918)
Profit before tax		**28,544**	16,360
Adjustments for			
Depreciation and amortisation	3	**5,807**	3,227
Net financing income		**(177)**	(100)
Share-based remuneration	4	**10,315**	5,951
Gain on investments	9	**(677)**	–
Contingent acquisition consideration release		**(4,009)**	–
Exchange difference	3	**(219)**	(356)
Operating cash flows before movements in working capital		**39,584**	25,082
Decrease / (increase) in inventories		**788**	(1,233)
Increase in receivables		**(13,319)**	(6,825)
Increase in payables		**2,019**	2,187
Cash generated by operations		**29,072**	19,211
Interest paid		**(115)**	(58)
Taxes paid		**(1,224)**	(61)
Net cash flows from operating activities		**27,733**	19,092
Cash flows from investing activities			
Interest received		**288**	146
Acquisition of intangible assets		**(780)**	(1,150)
Acquisition of property, plant and equipment		**(8,852)**	(12,325)
Acquisition of investments		**(2,763)**	(301)
Acquisition of subsidiaries		**–**	(27,978)
Net cash used in investing activities		**(12,107)**	(41,608)
Cash flows from financing activities			
Proceeds from the issue of share capital		**1,240**	38,052
Repayment of borrowings		**(60)**	(59)
Proceeds from loan		**–**	5,215
Net cash from financing activities		**1,180**	43,208
Net increase in cash and cash equivalents		**16,806**	20,692
Effect of exchange rate fluctuation		**82**	(685)
Cash and cash equivalents at the start of the period		**49,374**	29,367
Cash and cash equivalents at the end of the period	12	**66,262**	49,374

Notes to the Consolidated Financial Statements

1 Accounting Policies

General

Imagination Technologies Group plc is a company incorporated in the UK The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group)

Significant accounting policies

Statement of compliance

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs) The Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP, these are presented on pages 81 to 84

Basis of preparation

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements

The following new standards and amendments to standards as adopted by the European Union at 30 April 2012 are mandatory for the first time for the financial year beginning 1 May 2011

- Revised IAS 24 'Related party disclosures' (effective for annual periods beginning on or after 1 January 2011)
- Amendment to IFRIC 14 'Prepayment of a minimum funding requirement' (effective for annual periods beginning on or after 1 January 2011)
- IFRS 7 Financial Instruments Disclosures – Amendments to disclosures (effective for annual periods beginning on or after 1 January 2011)
- IAS 1 Presentation of Financial Statements – Presentation of statement of changes in equity (effective for annual periods beginning on or after 1 January 2011)

IFRS 3 now requires that acquisition expenses are charged to the Group income statement (note 24) and that adjustments to contingent consideration are recognized in the Group income statement With this exception, these accounting standards, amendments and interpretations have had no material effect on the results or financial position of the Group disclosed within these financial statements

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below under Significant accounting judgements and estimates'

Measurement convention

The financial statements are prepared on the historical cost basis except that the investments have been stated at fair value in accordance with IAS 39

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements

The Group has adequate financial resources together with long term contracts with a number of customers and suppliers across a range of consumer market segments and geographic areas As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook

Further information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Chief Executive's Review on pages 3 to 9

Further information regarding the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in notes 12 and 14

In addition, note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk

Basis of consolidation – Subsidiaries

Subsidiaries are those entities controlled by the Group Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities In assessing control, potential voting rights that presently are exercisable or convertible are taken into account The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases

Business Combinations

The Group has applied *IFRS 3 Business Combinations* (revised 2008) in accounting for business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group Control is the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities In assessing control, the Group takes into consideration potential voting rights that currently are exercisable The financial statements of subsidiaries are included in the consolidated financial statements from the date that control passes

The Group measures goodwill as the fair value of the consideration paid or payable less the net fair value of the identifiable assets, liabilities assumed and contingent liabilities acquired, all measured as of the acquisition date

The consideration transferred does not include amounts related to the settlement of pre-existing relationships Such amounts are generally recognized in the income statement Costs related to the acquisition, other than those associated with the issue of equity securities, that the Group incurs in connection with a business combination are expensed as incurred

See note 24 for the application of the policy to the business combinations that occurred during the period

Any contingent consideration payable is recognized at fair value at the acquisition date If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity Otherwise subsequent changes to the fair value of the contingent consideration are recognized in the income statement

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination The determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future services

Revenue

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

The Group follows the principles of *IAS 18 Revenue* recognition Revenue associated with the sales of goods is recognized when all of the following conditions are satisfied

- The Group has transferred the significant risks and rewards of ownership to the buyer
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow into the Group, and
- The costs incurred and or to be incurred can be measured reliably

Revenue associated with the provision of services is recognized when all of the following conditions are satisfied

- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow into the Group,
- The stage of completion of the transaction as at the end of the reporting period can be measured reliably, and
- The costs incurred, or to be incurred for the transaction can be measured reliably

Therefore, revenue from standard licenses is recognized on delivery to the customer, which is when it is considered the above conditions are met Revenue on licence agreements for products which are either not finished or which need to be modified to meet specific customer requirements is recognized on a percentage-of-completion basis over the period from starting development of the product to delivery The percentage-of-completion is measured by monitoring progress compared with the total estimated project requirement Progress is measured by an assessment of performance against key development milestones

Revenue associated with rights in license agreements to unspecified current and future products (as opposed to unspecified upgrades and enhancements) is recognized under a subscription accounting basis, on a straight-line basis over the term of the arrangement

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

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

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

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

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

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

Revenues from the sale of goods are recognized upon delivery

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

As disclosed above, in accordance with *IAS 8 Accounting policies, changes in accounting estimates and errors*, the Group makes significant estimates in applying its revenue recognition policies Estimates are made in particular, in regards to the percentage-of-completion accounting method, which requires that the extent of progress towards completion of contracts may be anticipated with reasonable certainty The use of this method is based on the assumption that, at the outset of licence agreements, there is an insignificant risk that customer acceptance will not be obtained The Group also makes assessments, based on prior experience, of the extent to which future milestone receipts represent a probable future economic benefit to the Group The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the revenue recognition policies affect the amounts reported in the financial statements If different assumptions were used, it is possible that different amounts would be reported in the financial statements

Research and development costs

Costs of basic and applied research are written off in the period in which they are incurred

Development expenditure is capitalized where it relates to a specific project where technical and commercial feasibility has been established, adequate technical, financial and other resources exist to complete the project, the expenditure attributable to the project can be measured reliably and future economic benefits are probable In this case, it is recognized as an intangible asset and amortized over its useful economic life All other development expenditure is recognized as an expense in the period in which it is incurred

Development costs incurred after the establishment of technical feasibility and overall project and commercial profitability have not been significant and, therefore, no costs have been capitalized to date

Operating leases

Rental charges in respect of operating leases are charged to the income statement on a straight line basis over the life of the lease

Employee benefits

The Group contributes to a defined contribution pension plan Payments are charged to the income statement in the period to which they relate

Share-based payment transactions

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

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

Transactions of the Group-sponsored Employee Benefit Trust are included in the Group's consolidated financial statements In particular, the trust's purchase of shares in the Company is debited directly in equity to retained earnings

Taxation

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

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

Deferred tax is provided using the balance sheet liability method on any temporary differences between the carrying amounts for financial reporting purposes and those for taxation purposes The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date Temporary differences on goodwill are not provided for as are not deductible for tax purposes

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

Foreign exchange

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the rates of exchange ruling at the dates of the transactions Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at rates of exchange ruling at the balance sheet date Exchange gains and losses are taken to the income statement

On consolidation, results of foreign subsidiary undertakings are translated at the average rates of exchange for the year The assets and liabilities are translated at rates ruling at the balance sheet date Exchange differences arising from retranslation have been recognized directly in the translation reserve within equity Presentation currency is GBP

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components All operating segments' operating results are reviewed regularly by the board of directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available

Intangible assets

Software, trademarks and patents are capitalized as intangible assets at cost of acquisition and amortized on a straight line basis over their estimated useful economic lives, between 3 and 5 years The residual values of intangible assets are assumed to be nil Useful economic lives are reviewed on an annual basis When the Group makes an acquisition, management review the business and assets acquired to determine whether any intangible assets should be recognized separately from goodwill Fair value of the intangible assets is assessed assuming a hypothetical market The Group utilizes the income based approach when reliable future cash flows are available Alternatively, the cost approach or market approach are utilized

Trade Investments

Trade investments are classed as available for sale and are stated on the balance sheet at fair value, with any resultant gain or loss being recognized directly in equity (in the revaluation reserve), except for impairment losses When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss

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

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration paid or payable over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired) arising on consolidation in respect of acquisitions is capitalized Goodwill is allocated to cash generating units expected to benefit from the acquisition and is not amortised but tested annually for impairment Any impairment is recognized immediately in the income statement and may not be subsequently reversed Impairment testing is based on assets grouped at the lowest possible level at which goodwill is monitored for internal management purposes

On disposal of a subsidiary or business, the attributable goodwill is included in the determination of the profit or loss on disposal

Goodwill is stated on the balance sheet at cost less any accumulated impairment losses

Business combinations that took place prior to 1 April 2004 have not been re-stated and goodwill represents the amount recognized under the Group's previous accounting framework

Property, plant and equipment

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

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

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

Impairment

Non-financial assets

Goodwill has an indefinite useful life, is not subject to amortisation and is tested annually for impairment Assets that are subject to amortisation or depreciation are reviewed for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable If any such condition exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss Where the asset does not generate cash flows that are independent from other assets, estimates are made of the cashflows of the 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 income statement

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

Financial assets

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value

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

All impairment losses are recognized in the income statement Any cumulative gain or loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the income statement

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

Derivative financial instruments

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

Inventories

Inventory is valued at the lower of cost and net realisable value The cost of inventory is calculated using the FIFO method Finished goods include direct costs and attributable overheads based on the normal level of activity

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 Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows

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

Long Term Borrowing

Long term borrowings are recognized initially at fair value less attributable transaction costs Subsequent to initial recognition, long term borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease

Significant accounting judgements and estimates

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

Revenue Recognition

The Group has made estimates on the percentage-to-completion for licensing and development work which affect the amount of revenue recognized in the period These estimates involve the Group assessing the estimated resource and time required to complete development projects

Share based payments

The fair value of the Share Incentives is measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the incentives The fair value of the Share Incentives is measured using the Black-Scholes or Monte Carlo Simulation models which take into account the terms and conditions upon which the award was made In determining the appropriate expense, the Group has made estimates on the likelihood that internal performance targets will be achieved and on the number of employees that will be employed on vesting Details of share-based payments and the assumptions applied are disclosed in note 23

Taxation

A deferred tax asset is recognized only to the extent that it is probable that sufficient taxable profit will be available to utilize the temporary difference The Group has made estimates on the likelihood that future taxable profit will utilize these tax losses

Impairment of Goodwill

The Group determines whether goodwill is impaired at a minimum on an annual basis This requires an estimation of the value in use of the cash generating units to which the goodwill relates Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit that holds the goodwill at a determined discount rate and an appropriate growth rate to calculate the present value of those cash flows Details of assumptions used are set out in note 9

Business Combinations

The Group measures contingent consideration at fair value at the acquisition date and assesses any changes in fair value on an annual basis This requires the Group to make an estimate of the future payables in respect of the contingent consideration Details of the assessment performed in the current year are set out in note 24

Valuation of acquired intangible assets

When the Group makes an acquisition, management review the business and assets acquired to determine whether any intangible assets should be recognized separately from goodwill If such an asset is identified, then it is valued by discounting the probable future cash flows expected to be generated by the asset over the estimated life of the asset, or where future cashflows are less certain, by discounting the cost of replicating such intangible asset Where there is uncertainty over the amount of economic benefit and the useful life, this is factored into the calculation

Investments

The Group has stated trade investments at fair value

Further details of these investments and the valuation basis are detailed in note 9 and note 19

Adopted IFRS not yet applied

The following accounting standards, amendments and interpretations had been issued but they are not yet effective for the Group and have not been early adopted Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated

- Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (effective for annual periods being on or after 1 July 2012

2 Segment Reporting

The Group determines and presents operating segments based on the information that is provided internally to the Board of Directors, which is the Group's chief operating decision maker The Group is organized into two operating divisions which offer different services to different industries and are managed separately the Technology business and the Pure business The costs of the corporate head office and other costs which are not controlled by the operating divisions are allocated to these divisions These divisions are the operating segments that are reported to the chief operating decision maker and are the Group's reportable segments There is no inter-segment trading and no significant seasonality in the Group's operations although there is an increase in trading in the period leading up to Christmas

Principal activities are as follows

Technology business – the development of embedded graphics, video, display and multi-threaded processor and multi-standard broadcast receiver and connectivity technologies for licensing to semiconductor companies for incorporation into silicon devices

Pure business – the development and marketing of consumer products to showcase the technologies of the Technology business and to develop new and emerging markets for such technologies

Information regarding the operations of each reportable segment is included below Performance is measured based on operating profit Costs within the technology business do not relate to one or other of the income streams and have not been allocated to either the licensing or royalty streams

	2012 £'000	2011 £'000
Revenue		
Technology business		
Licensing	**34,392**	28,519
Royalties	**63,849**	41,263
Total	**98,241**	69,782
Pure business	**29,258**	28,263
	127,499	98,045
Operating profit / (loss)		
Technology business	**32,712**	20,039
Pure business	**(4,345)**	(3,779)
Segment operating profit	**28,367**	16,260
Net financing income	**177**	100
Profit before tax	**28,544**	16,360
Taxation	**(8,083)**	2,918
Profit for the financial year	**20,461**	19,278

Adjusted Profit

Adjusted profit is used by management to measure the performance of the business year on year by excluding non-recurring items, non-cash based share incentive charges and amortisation of intangible assets acquired from acquisitions

		Year to 30 April 2012			Year to 30 April 2011		
	Notes	Technology £'000	Pure £'000	Total £'000	Technology £'000	Pure £'000	Total £'000
Reported operating profit		**32,712**	**(4,345)**	**28,367**	20,039	(3,779)	16,260
Share-based incentive costs	4	**8,905**	**1,410**	**10,315**	4,958	993	5,951
Net gain on investments		**(677)**	**-**	**(677)**	-	-	-
Amortisation of intangibles from acquisitions	7	**2,669**	**-**	**2,669**	890	-	890
Acquisition transaction costs	24	**-**	**-**	**-**	809	-	809
Contingent acquisition consideration release	24	**(4,009)**	**-**	**(4,009)**	-	-	-
Adjusted operating profit / (loss)		**39,600**	**(2,935)**	**36,665**	26,696	(2,786)	23,910
Net financing income				**177**			100
Adjusted profit before tax				**36,842**			24,010

		2012 £'000	2011 £'000
Total assets			
Technology business		**117,469**	89,897
Pure business		**10,114**	10,410
Total segment assets		**127,583**	100,307
Cash and cash equivalents		**66,262**	49,374
Deferred tax		**18,829**	24,868
Unallocated assets		**44**	–
Total assets		**212,718**	174,549
Total liabilities			
Technology business		**25,093**	20,745
Pure business		**4,711**	5,147
Total segment liabilities		**29,804**	25,892
Unallocated liabilities		**5,527**	5,587
Total liabilities		**35,331**	31,479
Other segment items			
Capital expenditure	Technology business	**12,021**	26,538
	Pure business	**290**	503
		12,311	27,041
Depreciation and amortisation	Technology business	**5,401**	2,921
	Pure business	**378**	306
		5,779	3,227

Revenue is reported by geographical area of sales as follows

	2012 £'000	2011 £'000
United Kingdom and Europe	**32,707**	28,951
Asia	**29,412**	20,218
North America	**63,048**	46,702
Rest of the world	**2,332**	2,174
	127,499	98,045

Revenue from the largest customer of the Group in the year, which is included in revenue for the Technology division, represents approximately £39,648,000 of the Group's total revenues No other individual customer represents over 10% of the Group's revenue

All revenue originated materially from United Kingdom and Europe

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

3 Expenses

	2012 £'000	2011 £'000
Operating profit is stated after charging/(crediting)		
Depreciation and amortisation of owned property, plant and equipment and intangible assets	**5,807**	3,227
Foreign exchange (gain) / loss	**(219)**	873
Operating lease rentals		
Property	**1,456**	1,090
Other	**4,843**	3,023
Auditors' remuneration		
Audit of these financial statements	**24**	25
Amount received by auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	**54**	57
Other services – tax filing services	**2**	55
	80	137

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis

4 Employees

The average number of persons employed by the Group (including Directors) was	2012	2011
Research and Development	**743**	560
Production	**41**	33
Administration	**88**	67
Sales and Marketing	**95**	65
	967	725

The aggregate payroll costs of these persons were	£'000	£'000
Wages and salaries	**36,311**	26,704
Social security costs	**3,463**	2,654
Other pension costs	**2,536**	2,155
Share-based payment	**10,315**	5,951
	52,625	37,464

Details of the share-based payments are set out in note 21

Complete information on the share incentives and shares held by Directors is set out in the Remuneration Report on pages 45 to 49

5 Taxation

	2012 £'000	2011 £ 000
Analysis of tax charge In the year		
Current tax charge		
UK corporation tax	**4,540**	-
Foreign tax	**1,416**	1,356
Credit from UK R&D tax claim	**-**	(1,295)
Total current tax charge	**5,956**	61
Deferred tax		
Origination and reversal of timing differences	**1,721**	(2,979)
Effect of changes in tax rates on opening balances	**106**	-
Effect of changes in tax rates on closing balances	**795**	-
Benefit from previously unrecognised tax loss	**(495)**	-
Total deferred tax	**2,127**	(2,979)
Total income tax charge / (credit)	**8,083**	(2,918)

The total tax charge for the year of £8,083,000 (2011 £2,918,000 tax credit) is higher (2011 lower) than the standard rate of corporation tax in the UK of 25 8% (2011 28%) The difference is explained below

	2012 £ 000	2011 £ 000
Profit before taxation	**28,544**	16,360
Notional tax charge at UK standard rate of 25 8% (2010 28%)	**7,364**	4,581
Permanent differences	**(2,495)**	(2,958)
Transfers from / (to) previously unrecognized tax assets	**1,973**	(7,429)
Effect of tax rate change	**901**	940
Adjustments in respect of prior periods	**(75)**	592
Withholding tax	**1,241**	1,356
Higher taxes on overseas earnings	**(826)**	-
Total tax charge / (credit)	**8,083**	(2,918)

Tax on Items charged to equity		
Deferred tax charge / (credit) In respect of share based payments	**2,978**	(11,183)
Current tax credit	**(4,540)**	-

Deferred tax

The movement on the deferred tax account is as follows

	2012 £'000	2011 £ 000
At beginning of the period	**20,529**	11,018
Adjustment to opening balance	**(21)**	-
Acquisition of subsidiaries	**-**	(4,651)
(Charged) / credited to income statement	**(2,127)**	2,979
(Charged) / credited to equity	**(2,978)**	11,183
At end of the period	**15,403**	20,529

An additional £495,000 (2011 £7,429,000) of previously unrecognized tax assets were recognized in the year Management consider the utilisation of the £18,829,000 (2011 £24,868,000) cumulative tax losses to be probable based on assessment of forecasts of future taxable profits The element of the deferred tax charge recorded against equity relates to the reversal of previously recognised deferred tax assets which were credited to equity The reversal of the asset occurs upon the exercise of share based incentives

In 2011 a deferred tax liability of £4,651,000 arose on intangible assets acquired as part of the acquisitions of Caustic Graphics, Inc and HelloSoft Inc This deferred tax liability will reduce as the intangible asset is amortised over its useful life with the balance remaining at year end set out above Further details on the acquisitions are set out in note 24

	2012 £'000	2011 £ 000
Deferred taxation has been presented on the balance sheet as follows		
Deferred tax asset	**18,829**	24,868
Deferred tax liability	**(3,426)**	(4,339)
At end of the period	**15,403**	20,529

Deferred tax assets and liabilities are only offset where there is a legally enforceable right to offset and there is an intention to settle the balance net

The major components of deferred tax assets and liabilities at the year-end (without taking into consideration the offsetting of balances within the same tax jurisdiction) are as follows

	2012 £'000	2011 £ 000
Recognized deferred tax assets/(liabilities)		
Tax losses	**10,201**	11,390
Share-based payments	**10,804**	14,532
Capital allowances	**(1,847)**	(1,067)
Other timing differences	**131**	13
Deferred tax liability on gain on investments	**(460)**	–
Acquisition of Intangibles	**(3,426)**	(4,339)
	15,403	20,529

	2012 £'000	2011 £ 000
Unrecognized deferred tax assets		
Deferred tax assets have not been recognized in respect of the following items (reported at the applicable tax rate)		
Tax losses	**15,978**	9,293
	15,978	9,293

The balance of £15,978,000 relates to losses in the US (2011 £9,293,000) which expire progressively over the next 15 years These are available for utilization against profit arising in the US in future periods None of the losses in the current year balance relate to the UK (2011 £Nil)

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of 4 years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted on 20 July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted on 29 March 2011 and 5 July 2011 respectively This will reduce the company's future current tax charge accordingly

6 Earnings Per Share

	2012 £'000	2011 £000
Profit attributable to equity holders of the parent	**20,461**	19,278

	2012 Shares £000	2011 Shares £000
Weighted average number of shares in issue	**260,503**	250,223
Effect of dilutive shares Employee Incentive Schemes	**14,205**	11,674
Weighted average number of shares potentially in issue	**274,708**	261,897

		2012	2011
Earnings per share	Basic	**7 9p**	7 7p
	Diluted	**7 4p**	7 4p

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares Details of the schemes considered in arriving at the potentially dilutive ordinary shares are set out in note 21

Adjusted earnings per share	2012 £'000	2011 £000
Adjusted profit before tax – (see note 2)	**36,842**	24,010
Taxation charge*	**(8,083)**	(4,253)
Adjusted profit attributable to equity holders of the parent	**28,759**	19,757

	2012 Shares £'000	2011 Shares £000
Weighted average number of shares in issue	**260,503**	250,223
Effect of dilutive shares Employee Incentive Schemes	**14,205**	11,674
Weighted average number of shares potentially in issue	**274,708**	261,897

Adjusted earnings per share	Basic	**11 0p**	7 9p
	Diluted	**10 5p**	7 5p

Adjusted earnings per share is calculated using adjusted profit attributable to equity holders of the parent which is derived from the adjusted profit before tax described in note 2

*The normalised tax rate for 2011 replaces the tax credit of £2,918,000 with a tax charge of £4,253,000 based on an effective tax rate for 2011 of 26%

7 Goodwill and Other Intangible Assets

	Goodwill £'000	Intangible assets from acquisitions £'000	Software, patents and trademarks £'000	Total £'000
Cost				
At 1 May 2010	7,129	–	9,926	17,055
Additions	–	–	1,014	1,014
Acquisition of subsidiaries	27,221	13,348	–	40,569
At 30 April 2011	34,350	13,348	10,940	58,638
At 1 May 2011	**34,350**	**13,348**	**10,940**	**58,638**
Additions	**–**	**–**	**803**	**803**
Adjustment	**820**	**–**	**–**	**820**
At 30 April 2012	**35,170**	**13,348**	**11,743**	**60,261**
Amortisation				
At 1 May 2010	3,517	–	8,412	11,929
Charge for the year	–	890	731	1,621
At 30 April 2011	3,517	890	9,143	13,550
At 1 May 2011	**3,517**	**890**	**9,143**	**13,550**
Charge for the year	**–**	**2,669**	**918**	**3,587**
At 30 April 2012	**3,517**	**3,559**	**10,061**	**17,137**
Net book value at 30 April 2010	3,612	–	1,514	5,126
Net book value at 30 April 2011	30,833	12,458	1,797	45,088
Net book value at 30 April 2012	**31,653**	**9,789**	**1,682**	**43,124**

Goodwill was acquired through acquisitions and relates to the Technology business, which is considered to be a single cash-generating unit During the period the Group tested its balance of goodwill for impairment in accordance with IAS 36, Impairment of assets' The test was based on a calculation of the recoverable amount based on value in use, using projected cash flows for the Technology business

The key assumptions in the value in use calculations were

Period over which the Directors have projected cashflows – a four year forecast period is used which is based on management forecasts of future profits, with an assumed terminal growth rate after 2016 of 2 5% per annum (2011 2 5%) The terminal growth rate is assessed taking into account general economic conditions

Forecast revenue growth – the revenue projections are consistent with those used by the Group for financial planning purposes

Forecast operating margins – the operating margin projections are consistent with those used by the Group for financial planning purposes

Discount rate – future cash flows are discounted at a rate of 15% which represents a pre tax rate that reflects the Group's weighted average cost of capital adjusted for the risks specific to the Technology business (2011 15%)

The Directors do not believe that any reasonably foreseeable changes to key assumptions would result in an impairment of goodwill, such is the margin by which the estimated fair value exceeds the carrying value

The £820,000 adjustment made to Goodwill in the current year represents a correction of the Goodwill balance recorded in the previous year in relation to the HelloSoft acquisition Goodwill was increased in the current year to reflect HelloSoft's pre-acquisition deferred income balance which was inadvertently excluded from the fair value of net assets at acquisition date and hence from the calculation of Goodwill The Directors do not consider this to be a material adjustment and therefore have not restated comparative balances

8 Property, Plant and Equipment

	Freehold land and buildings £'000	Leasehold improvements £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 May 2010	1,184	2,638	10,701	14,523
Additions	9,430	470	2,514	12,414
Acquisition of subsidiaries	–	–	265	265
At 30 April 2011	10,614	3,108	13,480	27,202
At 1 May 2011	**10,614**	**3,108**	**13,480**	**27,202**
Additions	**8,266**	**264**	**3,006**	**11,536**
Disposals	–	–	**(6)**	**(6)**
At 30 April 2012	**18,880**	**3,372**	**16,480**	**38,732**
Depreciation				
At 1 May 2010	112	1,528	8,233	9,873
Charge for the year	128	209	1,269	1,606
Disposals	–	–	–	–
At 30 April 2011	240	1,737	9,502	11,479
At 1 May 2011	**240**	**1,737**	**9,502**	**11,479**
Charge for the year	**278**	**261**	**1,681**	**2,220**
Disposals				
At 30 April 2012	**518**	**1,998**	**11,183**	**13,699**
Net book value at 30 April 2010	1,072	1,110	2,468	4,650
Net book value at 30 April 2011	10,374	1,371	3,978	15,723
Net book value at 30 April 2012	**18,362**	**1,374**	**5,297**	**25,033**

	2012 £'000	2011 £'000
The net book value of freehold land and buildings comprises		
Land	**5,072**	3,971
Buildings	**13,290**	6,403
	18,362	10,374

9 Investment

	2012 £'000	2011 £'000
Trade investments classified as available for sale	**12,985**	5,717

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

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

Frontier Silicon ('Frontier') – As a result of Frontier's capital structure, the Group's equity investment in this company remains at £Nil (2011 £Nil) The Group also has a Loan Note from Frontier for £795,000 (2011 £795,000) which was reclassified from Loans to

Investments in the previous year The Loan Note in Frontier Silicon is redeemable in the event of a sale or listing of Frontier, or at the discretion of Frontier, or the Loan note holders in Frontier, subject to approval by a majority of the Loan Note holders The fair value of the Loan Note remains at £795,000

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

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

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

Blu-Wireless – At the balance sheet date the Group's investment in Blu-Wireless was valued at £Nil (2011 £46,000) The £46,000 impairment has been recognised in the income statement during the year

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

10 Inventories

	2012 £'000	2011 £'000
Raw materials and components	**252**	359
Finished goods	**5,165**	5,846
	5,417	6,205

Provisions of £691,000 (2011 £1,009,000) recognized in operating expenses were made against inventories During the period, £487,000 (2011 £1,009,000) of the provision against inventories was utilized for the write-down and write off of inventories As at 30 April 2012 the provision for obsolescence of inventories was £541,000 (2011 £337,000)

Raw materials, consumables and changes in finished goods and work in progress recognized as cost of sales in the period amounted to £20,373,000 (2011 £20,135,000)

11 Trade and Other Receivables

Trade and other receivables – current assets

	2012 £'000	2011 £'000
Trade receivables	**24,957**	13,065
Prepayments and accrued income	**13,638**	14,287
Other receivables	**2,473**	222
	41,068	27,574

Provisions for impairment of £Nil (2011 £81,000) recognized in operating expenses were made against receivables £Nil (2011 £6,000) of provisions were utilized by writing down the gross value of receivables As at 30 April 2012 the provision for impairment of trade receivables was £125,000 (2011 £125,000)

12 Cash and Cash Equivalents

	2012 £'000	2011 £'000
Cash at bank – short term deposits	**63,234**	46,550
Cash at bank – current account	**3,028**	2,824
Cash and cash equivalents as per Consolidated Statement of Financial Position	**66,262**	49,374
Cash and cash equivalents as per Consolidated Statement of Cash Flows	**66,262**	49,374

13 Trade and Other Payables

	2012 £'000	2011 £ 000
Trade payables	**5,807**	4,330
Tax and social security	**1,585**	909
Other payables	**1,234**	–
Accruals and deferred income	**15,938**	10,564
Deferred and contingent consideration	**1,814**	1,823
	26,378	17,626

The deferred and contingent consideration is in respect of the acquisition of HelloSoft Inc and represents an assessment of probable future consideration, converted using the period end exchange rate, due within 12 months based on contractual payment dates and the achievement of certain revenue and profit targets The non-current portion of deferred and contingent consideration is set out in note 15

14 Interest Bearing Loans and Borrowings

	2012 £ 000	2011 £ 000
Current liabilities		
Bank Loan	**496**	60
Non-current liabilities		
Bank Loan	**5,031**	5,527
	5,527	5,587

Borrowings to be repaid within 1 year	**496**	60
Borrowings to be repaid between 1 and 5 years	**5,031**	5,470
Borrowings to be repaid over 5 years	**0**	57
	5,527	5,587

The Group has two loans secured on freehold buildings One loan has a balance of £312,000 with fixed repayments The unexpired term of the loan is 5 years and the interest rate on the loan floats at 2 0% above base rate The second loan for £5,215,000 floats at 1 6% above LIBOR and the unexpired term is 4 years The Group considers the requirements for long term borrowings by assessing the future cash flows of the business

15 Other payables

Other non-current payables

	2012 £'000	2011 £ 000
Deferred and contingent consideration	**–**	3,927

As explained in note 13, deferred and contingent consideration is in respect of the acquisition of HelloSoft Inc In 2011 the non-current portion of £3,927,000 included deferred consideration retained for a defined period and the non-current portion of the contingent consideration

16 Capital and Reserves

Called Up Share Capital

	Authorised		Allotted, called up and fully paid	
Ordinary shares of 10p each	No	£ 000	No	£ 000
At 1 May 2011	300,000,000	30,000	258,152,628	25,815
Issued during period	–	–	6,093,827	610
At 30 April 2012	**300,000,000**	**30,000**	**264,246,455**	**26,425**

The rights attached to ordinary shares are as set out in the Directors' Report

Share Capital and Share Premium

The movement on the Share Capital and Share Premium reserve in the period arises from the issue of 6,093,827 ordinary shares fully paid pursuant to the terms of various Employee Share Option Schemes and the exercise of warrants The consideration for the shares was £1,658,000 Of this consideration, £1,240,000 was settled in cash and £418,000 relating to shares issued in respect of the Employee Benefit Trust settled via inter-company loans within the Group

Other Capital Reserve

The balance on the Other Capital Reserve reflects the value of warrants issued in respect of the acquisition of Ensigma Limited

Merger Reserve

The Merger Reserve arose in the Group reconstruction in 1994 prior to its flotation

Revaluation Reserve

The Revaluation Reserve comprises the cumulative net change in the fair value of the trade investments classified as available for sale until the investments are derecognized

Translation Reserve

The Translation Reserve reflects the exchange differences from retranslation of the opening net investments in overseas subsidiaries to closing rate and translation of the results for the year from average rates to the closing rate

17 Operating Leases

Non-cancellable operating lease rentals are payable as follows

	Land and buildings		Other	
	2012	2011	**2012**	2011
	£'000	£000	**£'000**	£000
Within one year	**1,457**	704	**4,464**	2,605
In two to five years	**2,198**	2,011	**7,450**	4,225
After five years	**–**	1,303	**–**	–
	3,655	4,018	**11,914**	6,830

Other operating leases include the rental of software and vehicles

18 Capital Commitments

At 30 April 2012, the Group had contracted for capital commitments of £7,152,000 (2011 £702,000) The increase is due to contractual obligations entered into during the year to finish construction work on a new building The work is due to be completed in the year ended 30 April 2013

19 Financial Instruments

Overview

The Group has exposure to the following risks from its use of financial instruments

- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework

Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized in respect of each class of financial assets, financial liability and equity instrument are disclosed in note 1 to the Financial Statements

	Notes	**2012 £'000**	2011 £000
Financial assets			
Loans and receivables			
Trade and other receivables	11	**27,430**	13,287
Cash and cash equivalents	12	**66,262**	49,374
Available for sale investments	9	**12,985**	5,717
Total financial assets		**106,677**	68,378

	Notes	2012 £'000	2011 £'000
Financial liabilities			
Bank loan	14	**5,527**	5,587
Trade and other payables	13	**8,626**	5,239
Total financial liabilities		**14,153**	10,826

Market Risk

Market risk is the risk that changes in the market prices, such as foreign currency exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments The objective of market risk is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk

a) Foreign currency risk

The Group transacts licence and development agreements with customers and purchases of products for Pure primarily in US dollars and, therefore, the Group's earnings are exposed to fluctuations in foreign exchange rates The Group reviews its foreign exchange exposure on a regular basis and, if there is a material exposure to exchange rate fluctuations and the Board considers it appropriate, the Group will reduce the risk by currency hedging on net receivable/payable balances Forward contracts will be entered into with the objective of matching their maturity with currency receipt During the period currency contracts amounted to £6,182,000 (2011 £0) As at 30 April 2012 the outstanding currency contract amounted to £7,993,000 (2011 £nil)

The analysis of financial assets and liabilities by foreign currency is as follows

	30 April 2012					30 April 2011				
	£	**$**	**€**	**Other**	**Total**	£	$	€	Other	Total
Trade receivables	**2,033**	**22,151**	**621**	**152**	**24,957**	2,341	10,174	311	239	13,065
Other receivables	**1,467**	**688**	**10**	**308**	**2,473**	222	–	–	–	222
Cash and cash equivalents	**54,328**	**7,692**	**3,355**	**887**	**66,262**	37,125	10,498	1,191	560	49,374
Available for sale assets	**10,384**	**2,601**	**–**	**–**	**12,985**	3,601	2,116	–	–	5,717
Trade payables	**(3,820)**	**(1,637)**	**(311)**	**(39)**	**(5,807)**	(1,244)	(2,958)	(22)	(106)	(4,330)
Other payables	**(1,873)**	**(566)**	**(11)**	**(369)**	**(2,819)**	(909)	–	–	–	(909)
Bank loan	**(5,527)**	**–**	**–**	**–**	**(5,527)**	(5,587)	–	–	–	(5,587)
	57,001	**30,929**	**3,664**	**939**	**92,524**	35,549	19,830	1,480	693	57,552

The Group has a number of overseas business operations and operates in a number of foreign currencies which give rise to transactional and translational foreign exchange risk The most important foreign currency to the Group is the US Dollar

Foreign currency sensitivity analysis

The Group transacts a large proportion of its revenues and costs in US Dollars Taking all income and expenditure in US Dollars into account, management have appraised that for the financial year to 30 April 2011, each additional one cent increase or decrease in the US Dollar exchange rate against Sterling would have decreased or increased revenues by circa £615,000 (2011 £446,000) and profit by circa £395,000 (2011 £262,000)

b) Interest rate risk

The Group's earnings may be affected by changes in interest rates available on bank deposits The Group aims to maximize returns from funds held on deposit and uses market deposits with major clearing banks accordingly With the current level of bank deposits, the impact of a change in interest rates is not considered material

In respect of income-earning financial assets and interest bearing financial liabilities, the following table indicates their average effective interest rate at the reporting date and the periods in which they mature or, if earlier, reprice

	2012				2011			
	Effective interest rate	**< 1 year £'000**	**> 1 year £'000**	**Total £'000**	Effective interest rate	< 1 year £ 000	> 1 year £ 000	Total £ 000
Cash and cash equivalents								
Sterling		**54,328**	**-**	**54,328**		37,125	-	37,125
US Dollars		**7,692**	**-**	**7,692**		10,498	-	10,498
EU currencies		**3,355**	**-**	**3,355**		1,191	-	1,191
Yen		**64**	**-**	**64**		118	-	118
Rupees		**171**	**-**	**171**		151	-	151
Yuan		**17**	**-**	**175**		35	-	35
Zloty		**98**	**-**	**98**				
Australian Dollars		**537**	**-**	**537**		256	-	256
		66,262	**-**	**66,262**		49,374	-	49,374
Floating rate	**0 0%**	**3,028**	**-**	**3,028**	0 0%	2,824	-	2,824
Fixed rate	**0 3%**	**63,234**	**-**	**63,234**	0 2%	46,550	-	46,550
		66,262	**-**	**66,262**		49,374	-	49,374
Bank Loan								
Secured bank loan – Sterling*	**2 5%**	**(62)**	**(251)**	**(313)**	2 5%	(60)	(312)	(372)
Secured bank loan – Sterling*	**2 4%**	**(435)**	**(4,780)**	**(5,215)**	2 4%	-	(5,215)	(5,215)
		(497)	**(5,031)**	**(5,528)**		(60)	(5,527)	(5,587)

* At floating rate See note 14 for details

The fixed rate cash deposits were placed with banks throughout the year and earned interest of between 0 06% and 1 08% Floating rate cash earns interest based on LIBID equivalents

Short term receivables and payables are not interest bearing with the exception of the short term element of the long term loan

The Group has two long term loans The loan with a balance of £313,000 is repayable over 8 years and incurs interest at a rate of 2 0% over base rate A loan for £5,215,000 was taken out during the prior year The loan floats at 1 6% above LIBOR and the unexpired term is 5 years

Interest rate sensitivity analysis

In the financial year to 30 April 2012, if interest rates had been 100 basis points higher and all other variables were held constant, the Group's profit would have been increased by circa £466,000 (2011 £364,000) Similarly, if interest rates had been 100 basis points lower and all other variables were held constant, the Group's profit would have been decreased by circa £247,000 (2011 £126,000)

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment of liquid funds

The Group limits its exposure to credit risk by only investing in liquid securities and only with counter parties that have a high credit rating

Capital Risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders as well as sustaining the future development of the business In order to maintain or adjust the capital structure, the Group may consider the total amount of dividends paid to shareholders, return capital to shareholders, issued new shares or sell assets to reduce debt The Group's overall strategy remains unchanged from the previous financial year

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 14, cash and cash equivalents and equity attributable to the parent, comprising share capital, reserves and retained earnings as disclosed in note 16 The CFO regularly monitors the capital risk on behalf of the board

Trade Receivables

The exposure to credit risk is mitigated by selling to a diverse range of customers The Group has implemented policies that require appropriate credit checks on potential customers prior to sales taking place At the balance sheet date there were no significant concentrations of credit risk either by customer or by geography The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet

Ageing of trade receivables	**Gross 2012 £ 000**	**Impairment 2012 £ 000**	Gross 2011 £ 000	Impairment 2011 £ 000
Not past due	**19,565**	**-**	10,072	-
Past due 0-90 days	**3,939**	**-**	2,216	-
Past due greater than 90 days	**1,578**	**(125)**	902	(125)
	25,082	**(125)**	13,190	(125)

Trade receivables that are less than three months overdue are generally not considered impaired Receivables more than three months overdue are considered on a line by line basis and a provision is made where recovery is considered doubtful

No other financial assets are past due

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due To minimize this risk the Group only invests funds in liquid securities As a contingency, the Group maintains a £3 million overdraft facility

The following table is drawn up based on undiscounted contractual maturities including both interest and principal cashflows

April 2012	Carrying amount £ 000	Contractual Cashflows £ 000	Less than 1 year £ 000	1-2 years £ 000	2 5 years £ 000	More than 5 years £ 000
Bank loan	**5,527**	**5,861**	**628**	**1,903**	**3,330**	-
Trade and other payables	**8,686**	**8,686**	**8,686**	**-**	**-**	**-**
	14,213	**14,547**	**9,314**	**1,903**	**3,330**	-

April 2011	Carrying amount £ 000	Contractual Cashflows £ 000	1 year £ 000	Less than 1 2 years £ 000	2 5 years £ 000	More than 5 years £ 000
Bank loan	5,587	6,384	194	194	5,938	58
Trade and other payables	5,239	5,239	5,239	-	-	-
	10,826	11,623	5,433	194	5,938	58

Fair values of financial instruments

Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between two informed and willing parties and is calculated by reference to market rates discounted to current value

	Notes	**2012 Carrying amount and fair value £'000**	2011 Carrying amount and fair value £ 000
Financial assets.			
Trade and other receivables	11	**27,430**	13,287
Cash and cash equivalents	12	**66,262**	49,374
Available for sale investments	9	**12,985**	5,717
Financial liabilities			
Long term borrowings	14	**(5,527)**	(5,587)
Trade and other payables	13	**(8,626)**	(5,239)

Assumptions used in estimating the fair values of financial instruments reflected in the table above

Cash and cash equivalents

The fair value approximates to book value due to the short term maturity of these instruments

Available for sale investments

Fair Value Hierarchy

The Group 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 Group has applied the above hierarchy to its investments as follows

Toumaz – the valuation is based on the quoted share price for Toumaz Holdings on AIM This investment is categorised as Level 1

Frontier – the valuation of the equity holding in Frontier is based on a discounted cashflow with assumptions made on the forecast cashflows, the annual terminal growth rate and the discount rate The fair value of the loan note in Frontier is assessed to approximate to book value This investment is categorised as Level 3

GreenPlug – the valuation of the equity holding in GreenPlug is based on a discounted cashflow with assumptions made on the forecast cashflows, the annual terminal growth rate and the discount rate This investment is categorised as Level 3

Audioboo – the valuation of the equity holding in Audioboo is based on the most recent funding round which is estimated to approximate to the fair value as at the reporting date The fair value of the convertible loan note in Audioboo is assessed to approximate to book value This investment is categorised as Level 3

Orca – the valuation is based on the purchase price of the investment which was acquired during the year This investment is categorised as Level 3

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

	2012 £ 000	2011 £ 000
Level 1	**9,338**	2,459
Level 2	**–**	–
Level 3	**3,647**	3,258
	12,985	5,717

The following table shows a reconciliation from opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy

	£ 000
At 30 April 2011	3,258
Investment in the year	477
Total gains and losses	
In income statement	(145)
In other comprehensive income	57
At 30 April 2012	3,647

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value

With respect to fair value measurements in Level 3 of the fair value hierarchy, the valuation of Frontier and GreenPlug would not be impacted by making reasonable changes to the assumptions on the forecast cashflows, the annual terminal growth rate and the discount rate The valuation of the Audioboo is based on a funding round carried out in December 2011 and in the short intervening period the value is not viewed to be materially different Any change in the valuation of Audioboo would have a commensurate change in the value of the Group's holding The valuation of Orca is based on the purchase price of the investment which was acquired during the year and in the short intervening period the value is not viewed to be materially different

Loan Note

The Loan Note in Frontier is non-interest bearing The time period for redemption of the Loan Note is subject to the discretion of Frontier, Loan Note holders or a sale or listing and therefore is undetermined Fair value is therefore assessed to approximate to book value

The Convertible Loan Note in Audioboo is non-interest bearing The time period for conversion of the Convertible Loan Note is subject to the discretion of the Group Fair value is assessed to approximate to book value

Long term borrowings

The fair value approximates to book value as this instrument is at a variable interest rate

20 Contingent Liabilities

The Group had no contingent liabilities at 30 April 2012 or 30 April 2011

21 Employee Benefits

Pension

The Group participates in a number of defined contribution pension plans in the UK The assets of the schemes are held separately in independently administered funds There were no outstanding contributions at the balance sheet date

Share-based payments

Share options

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

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

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

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

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

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

The options outstanding at the year end have an exercise price in the range of 0p to 366 2p and a weighted average contractual life of 2 0 years

Employee Share Plan

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

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

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

The Company has share option schemes and an employee share plan scheme, details of which are contained in the Remuneration Report

In accordance with IFRS 2, the fair value of services received in return for share options and employee share plan awards granted to employees is measured by reference to the fair value of share options and employee share plan awards granted In accordance with the transitional provisions in IFRS 1 and IFRS 2, the recognition and measurement principles in IFRS 2 have not been applied to share option grants made prior to 7 November 2002 which had not vested by 1 April 2005 The estimate of the fair value of the services is measured based on the Black-Scholes or Monte Carlo Simulation models, financial models used to calculate the fair value of options and awards under the employee share plan

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

Date of share option grant	Dec 2005	Jun 2006	Sep 2006	Sep 2007	Sep 2008	Oct 2009	Oct 2010	Oct 2011
Share price at grant date (pence)	67 5	5	88	113	69 5	210	432	457 8
Exercise price (pence)	84-101	69-82	–	–	–	–	–	–
Expected volatility	60%	60%	60%	41%	46%	63%	64%	62 4%
Risk free interest rate	4 4%	4 5%	4 5%	5 8%	4 4%	1 7%	0 8%	0 51%
Time to maturity (years)	5	5	3	3	3	3	3	3 25
Fair value per option (pence)	34 4	28 0	34 7	44 5	31 2	118	235	243 9

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

Date of ESP grant	Sep 2006	Jul 2007	Aug 2007	Jan 2008	Oct 2008	Oct 2009
Share price at grant date (pence)	70 75	128 5	127 5	119	48	208
Expected volatility	60%	41%	41%	41%	49%	63%
Risk free interest rate	4 5%	5 8%	5 8%	5 8%	3 4%	1 7%
Time to maturity (years)	3	3	3	3	3	3
Fair value per option (pence)	53 0	78 4	77 6	72 6	34 2	156 3

Date of ESP grant	Dec 2009	Apr 2010	Oct 2010	Dec 2010	Apr 2011	Oct 2011
Share price at grant date (pence)	228	226	435	378	435	428 1
Expected volatility	59%	63%	–	–	–	36 0%
Risk free interest rate	2 2%	1 7%	–	–	–	0 87%
Time to maturity (years)	3	3	3	3	3	3
Fair value per option (pence)	145 0	182 0	435	378	435	356 2

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

Share-based payments for the year

Share-based payments for the current and prior year are

Year of Award	2012 £'000	2011 £ 000
2005/6	-	57
2006/7	2	13
2007/8	-	179
2008/9	326	676
2009/10	3,024	3,163
2010/11	5,023	1,863
2011/12	1,940	-
	10,315	5,951

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

	2012 £'000	2011 £ 000
To be incurred within one year	9,468	9,666
To be incurred after one year	7,718	12,013
	17,186	21,679

A deferred tax asset of £10,804,000 (2011 £14,532,000) has been recognized relating share-based payments It arises from the potential future tax benefit on the exercise of incentives

22 Related Parties

Identity of related parties

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note

Transactions with key management personnel

Key management personnel comprise the Directors In addition to their salaries, the Group also provides non-cash benefits to Directors and contributes to post-employment benefit schemes on their behalf Directors also participate in the Group's share incentive programmes The share based payments are valued at their fair value at the date of grant Full details of Directors' compensation, including post-employment benefits is given in the Remuneration Report

The key management personnel compensations are as follows

	2012 £'000	2011 £ 000
Emoluments	948	567
Pension contributions	67	169
Share based payments	1,029	1,148
Total	2,044	1,884

Details of key management's interests in the Company's shares and share options are set out in the Remuneration Report

During 2012 and 2011, no member of the Board of Directors had a personal interest in any business transactions of the Group

23 Principal Subsidiaries

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

Name of subsidiary undertaking	Country of incorporation and of operation	Type of shares	Percentage of issued share capital held
Imagination Technologies Limited	UK	Ordinary	100%
PowerVR Technologies Limited*	UK	Ordinary	100%
Metagence Technologies Limited*	UK	Ordinary	**100%
Ensigma Technologies Limited*	UK	Ordinary	100%
VideoLogic Systems Limited*	UK	Ordinary	100%
Cross Products Limited*	UK	Ordinary	100%
Pure Limited*	UK	Ordinary	**100%
Imagination Technologies GmbH	Germany	Ordinary	**100%
Imagination Technologies Inc	US	Ordinary	**100%
Imagination Technologies KK	Japan	Ordinary	100%
Imagination Technologies India Private Limited	India	Ordinary	**100%
Pure Australasia Pty Ltd	Australia	Ordinary	**100%
Bristol Interactive Limited*	UK	Ordinary	**100%
Caustic Graphics, Inc	US	Ordinary	100%
HelloSoft Inc	US	Ordinary	100%
HelloSoft India Private Limited	India	Ordinary	**100%

All of the above companies are included in the Group financial statements *non-trading **indirect holding

24 Acquisitions

The Group made three acquisitions during the prior year, Caustic Graphics Inc , HelloSoft Inc and Bristol Interactive Ltd

Details of net assets acquired for each acquisition are set out below

Caustic Graphics Inc

On 17 December 2010, the Group acquired 100% of the share capital of Caustic Graphics Inc ('Caustic'), a company based in the US, which has developed unique and patented hardware and software ray-tracing technologies Ray-tracing is a technique used for rendering three-dimensional graphics with complex and more natural lighting models to achieve cinema-quality 3D and a level of near photographic realism that is impractical with traditional 3D graphics techniques Caustic technology lowers the cost and significantly increases the efficiency and performance of ray-tracing

Details of the fair value of net assets acquired for Caustic are set out below

	Fair value to Group on acquisition £'000
Property plant and equipment	30
Goodwill	14,066
Intangible assets - developed technology	4,662
Trade and other receivables	27
Trade and other payables	(414)
Deferred tax liability	(1,632)
Net assets acquired	**16,739**
Consideration transferred (net of £363,000 of cash acquired)	16,739
Total consideration	**16,739**

The goodwill of £14,066,000 represents the benefits that the Group expects to gain from combining Caustic's technology with the Group's existing market leading graphics technologies and promoting such combinations to its mainstream graphics markets across mobile, embedded, console and computing segments The other intangible asset of £4,662,000 represents the value placed on Caustic technology and the deferred tax thereon was £1,632,000 None of the goodwill recognised is expected to be deductable for tax purposes

The loss attributable to the Group from the date of acquisition to 30 April 2011 was £1,456,000, revenue in that period was not material The loss for the period from 1 May 2010 to the date of acquisition was £2,263,000, revenue was not material Acquisition related transaction costs of £245,000 were incurred which were included in sales and administrative expenses in 2011

HelloSoft Inc

The Group acquired 100% of the share capital of HelloSoft Inc ('HelloSoft'), a company based in the US, on 23 December 2010 HelloSoft is one of the world's leading providers of Video and Voice over Internet Protocol and wireless LAN technologies HelloSoft supplies both software and semiconductor connectivity intellectual property to semiconductor manufacturers, and supplies software intellectual property to major ODMs/OEMs and also to tier one service providers/operators who offer Video and Voice over Internet Protocol services

Details of the fair value of net assets acquired for HelloSoft are set out below

	Fair value to Group on acquisition £'000
Property, plant and equipment	235
Goodwill – (i)	13,099
Intangible assets - developed technology	8,686
Trade and other receivables	403
Trade and other payables	(2,115)
Deferred tax liability	(3,019)
Net assets acquired	**17,289**
Consideration transferred (net of £229,000 of cash acquired)	11,183
Deferred and contingent consideration – (ii)	6,106
Total consideration	**17,289**

The goodwill of £13,099,000 represents the benefits that the Group expects to gain from complementing its existing and successful PowerVR multimedia processing IP cores to enable optimized end-to-end media over internet protocol solutions, securing full control of its Wi-Fi technology and roadmap that is already used in conjunction with its Universal Programmable Communication Platform, and securing access to new channels in the telecommunications market to operators/service providers and OEMs/product companies The other intangible asset of £8,686,000 represents the value placed on the technology and the deferred tax thereon was £3,019,000 None of the goodwill recognized is expected to be deductable for tax purposes

The revenue attributable to the Group from the date of acquisition to 30 April 2011 was £284,000 and loss was £405,000 The revenue and loss for the period from 1 May 2010 to the date of acquisition were respectively £781,000 and £770,000 Acquisition related transaction costs of £540,000 were incurred which were included in sales and administrative expenses in 2011

(i) Goodwill as at 30 April 2012 is £13,919,000 The £820,000 adjustment made to Goodwill in the current year represents a correction of the Goodwill balance recorded in the previous year in relation to the HelloSoft acquisition Goodwill was increased in the current year to reflect HelloSoft's pre-acquisition deferred income balance which was inadvertently excluded from the fair value of net assets at acquisition date and hence from the calculation of Goodwill The Directors do not consider this to be a material adjustment and therefore have not restated comparative balances

(ii) The deferred and contingent consideration figure of £6,106,000 represented the fair value assessment as at acquisition date of probable future consideration due based on the achievement of certain revenue and profit targets During the year the contingent element of the consideration was recognised as a credit to the income statement of £4,009,000 This is because the revenue and profit targets concerned had not been met or, as at the balance sheet date, are unlikely to be met As at the balance sheet date £1,814 000 of deferred consideration remains outstanding

Bristol Interactive Limited

The Group acquired 100% of the share capital of Bristol Interactive Limited ('Bristol'), a company based in the UK, on 17 November 2010 Bristol was involved in the design of a development platform for the television market Bristol had no net asset value at date of acquisition The cash consideration of £56,000 is goodwill which represents the benefits that the Group expects to gain from utilising elements of the development platform in future products Following the acquisition there has been no trade in Bristol, with all further activities in the business undertaken by Imagination Technologies Limited The loss of Bristol for the period from 1 May 2010 to date of acquisition was not material

Imagination Technologies Group plc Parent Company Balance Sheet

	Notes	**As at 30 April 2012 £000**	As at 30 April 2011 £000
Fixed assets			
Investment in subsidiary undertakings	3	**74,138**	63,478
		74,138	63,478
Current assets			
Debtors	4	**71,412**	70,652
Cash		**635**	132
		72,047	70,784
Current liabilities			
Creditors amounts falling due within one year	5	**(1,831)**	(163)
Net current assets		**70,216**	70,621
Net assets		**144,354**	134,099
Capital and reserves			
Called up share capital	8	**26,425**	25,815
Share premium account	9	**98,348**	97,300
Other capital reserve	9	**1,423**	1,423
Warrant reserve	9	**–**	–
Share based payment reserve	9	**23,532**	13,317
Retained earnings	9	**(5,374)**	(3,756)
Equity shareholders' funds	10	**144,354**	134,099

These financial statements were approved by the Board of Directors on 18 June 2012 and were signed on its behalf by

G.S. Shingles

G S Shingles
Director

1 Accounting Policies

The Parent Company financial statements present information about the Company as a separate entity and not about its Group

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

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

Basis of preparation

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

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account The Company made a loss for the year of £1,200,000 (2011 £408,000 loss)

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is included in the consolidated accounts which it has prepared

The Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with its subsidiaries

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Investments in subsidiaries

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

Details of the Company's subsidiary undertakings are included in note 23 of the Group financial statements

Share based payment

The fair value of options granted is recognized as an employee expense with a corresponding increase in equity The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting

For cash-settled share-based payment transactions, the fair value of the amount payable to the employee is recognized as an expense with a corresponding increase in liabilities The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment The fair value is measured based on an option pricing model taking in to account the terms and conditions upon which the instruments were granted The liability is revalued at each balance sheet date and settlement date with any changes to fair value being recognized in the profit and loss account

As the Company grants options over its own shares to the employees of its subsidiaries, in accordance with UITF 44, it recognizes an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognized in its subsidiary's financial statements with the corresponding credit being recognized directly in equity

Transactions of the Company's Employee Benefit Trust are included in the Company's financial statements In particular, the Trust's purchases and sales of shares in the Company are debited and credited directly to equity

Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognized in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Related Parties

The Company has a related party relationship with its subsidiaries (see note 23) and with its Board of Directors (see the Remuneration Report pages 45 to 49) Details of Remuneration of Key Management Personnel are disclosed in note 22

2 Employees

The Company does not employ any staff

Details of Directors' remuneration are set out in the Remuneration Report The Non-Executive Directors are remunerated by the Group

3 Investments in Subsidiary Undertakings

	2012 £'000	2011 £'000
Cost and net book value		
At beginning of period	**63,478**	29,012
Addition – Purchase of subsidiary undertakings	**-**	28,515
Adjustment – Purchase of subsidiary undertakings	**1,862**	-
Addition – Share based payment to employees of subsidiary	**8,798**	5,951
At end of period	**74,138**	63,478

The adjustment made to Investments in the current year represents a correction of the balance recorded in the previous year in relation to the HelloSoft acquisition Investments was increased in the current year to reflect the deferred consideration which was inadvertently excluded from cost of acquisitions as at 30 April 2011 The Directors do not consider this to be a material adjustment and therefore have not restated comparative balances

4 Debtors

	2012 £'000	2011 £'000
Other debtors	**77**	36
Amounts owed by subsidiary undertakings	**71,335**	70,616
	71,412	70,652

5 Creditors Amounts falling due within one year

	2012 £'000	2011 £'000
Accruals and deferred income	**17**	163
Deferred and contingent consideration	**1,814**	-
	1,831	163

6 Operating leases

At 30 April 2012, the Company had no operating lease commitments (2011 £Nil)

7 Capital Commitments

At 30 April 2012, the Company had no capital commitments (2011 £Nil)

8 Called Up Share Capital

Details of the Company's called up share capital are shown in note 16 of the Group financial statements

9 Reserves

	Share Premium £'000	Other Capital Reserve £'000	Warrant Reserve £'000	Share based payment reserve £'000	Retained Earnings £'000
At 1 May 2010	60,629	1,423	–	7,366	(3,267)
Loss for the financial year	–	–	–	–	(408)
Exercise of warrants	–	–	–	–	–
Issue of new shares	36,671	–	–	–	–
Acquisition of own shares for Employee Benefit Trust	–	–	–	–	(81)
Share based remuneration	–	–	–	5,951	–
At 30 April 2011	97,300	1,423	–	13,317	(3,756)

	Share Premium £'000	Other Capital Reserve £'000	Warrant Reserve £'000	Share based payment reserve £'000	Retained Earnings £'000
At 1 May 2011	**97,300**	**1,423**	**–**	**13,317**	**(3,756)**
Profit for the financial year	**–**	**–**	**–**	**–**	**(1,200)**
Exercise of warrants	**–**	**–**	**–**	**–**	**–**
Issue of new shares	**1,048**	**–**	**–**	**–**	**–**
Acquisition of own shares for Employee Benefit Trust	**–**	**–**	**–**	**–**	**(418)**
Share based remuneration	**–**	**–**	**–**	**10,215**	**–**
At 30 April 2012	**98,348**	**1,423**	**–**	**23,532**	**(5,374)**

10 Reconciliation of Movements in Equity Shareholders' Funds

	2012 £ 000	2011 £ 000
Equity shareholders' funds at the start of the period	**134,099**	90,496
Loss for the financial year	**(1,200)**	(408)
Share based remuneration	**10,215**	5,951
Issue of new shares	**1,658**	38,141
Acquisition of own shares for Employee Benefit Trust	**(418)**	(81)
Equity shareholders' funds at the end of the period	**144,354**	134,099

Consolidated Five Year Record

	2012 £'000	2011 £000	2010 £000	2009 £000	2008 £000
Income Statement					
Revenue	**127,499**	98,045	80,927	64,088	60,022
Cost of sales	**(21,014)**	(20,791)	(25,004)	(21,755)	(21,413)
Gross profit	**106,485**	77,254	55,923	42,333	38,609
Research and development expenses	**(59,633)**	(44,696)	(35,370)	(31,114)	(29,110)
Sales and administration expenses	**(23,171)**	(16,298)	(10,562)	(8,100)	(7,997)
Gain/(write down) of investments	**677**	–	148	(517)	–
Contingent acquisition consideration release	**4,009**	–	–	–	–
Total operating expenses	**(78,118)**	(60,994)	(45,784)	(39,731)	(37,107)
Operating profit	**28,367**	16,260	10,139	2,602	1,502
Net financing income	**177**	100	52	120	379
Profit before taxation	**28,544**	16,360	10,191	2,722	1,881
Taxation	**(8,083)**	2,918	4,016	5,404	383
Profit for the financial year	**20,461**	19,278	14,207	8,126	2,264
Earnings per share Basic	**7 9p**	7 7p	6 0p	3 7p	1 0p
Diluted	**7.4p**	7 4p	5 6p	3 5p	1 0p
Statement of Financial Position					
Non-current assets	**99,971**	91,396	26,139	20,109	14,732
Current assets	**112,747**	83,153	55,007	36,299	25,358
Total Assets	**212,718**	174,549	81,146	56,408	40,090
Current liabilities	**(26,874)**	(17,686)	(11,987)	(10,304)	(7,104)
Non-current liabilities	**(8,457)**	(13,793)	(373)	(506)	(743)
Total Liabilities	**(35,331)**	(31,479)	(12,360)	(10,810)	(7,847)
Net assets	**177,387**	143,070	68,786	45,598	32,243
Called up share capital	**26,425**	25,815	24,345	22,839	21,926
Capital reserves	**102,935**	101,078	64,595	59,629	57,015
Retained earnings	**48,027**	(16,177)	(20,154)	(36,870)	(46,698)
Total equity	**177,387**	143,070	68,786	45,598	32,243

These tables are for representative purposes only Full details can be found in the Company's Annual Reports