# Imagination Technologies Group plc



## Annual Report and Accounts 2012/13

Registered in England and Wales Company Number 2920061

# Directors' report

The directors present their report and audited financial statements for the year ended 30 April 2013

## Principal activities and operations

The principal activities and operations of the Group are to create and license market-leading processor solutions for graphics, video, vision, CPU and embedded processing, multi-standard communications, cross-platform VVoIP and VoLTE, and cloud connectivity 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, 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

## Business review

The purpose of the business review is to inform shareholders of the Company and help them assess how the directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote the success of the Company) The business review provides a balanced and comprehensive analysis of the development and performance of the business during the financial year ended 30 April 2013 The information set out in the business review includes the Group Key Performance Indicators, a description of the principal risks and uncertainties facing the Group and an explanation of how value will be generated and preserved over the longer term (the business model), and also the strategy for delivering the objectives of the Group These sections are incorporated by reference and deemed to form part of this report

The key performance indicators used in the business are summarised below The performance of the business in terms of these indicators is considered in the Chief Executive's Review in pages 3 to 11 of the annual report and financial statements

| | **Year to 30 April 2013** | Year to 30 April 2012 | % |
|---|---|---|---|
| **Technology business** | | | |
| Licensing Revenue | **£29 0m** | £34 4m | (16%) |
| Partner Chip Design Wins | **158** | 136 | 16% |
| Partner Chips Shipping | **84** | 60 | 40% |
| Partner Chips Shipped (units)* | **535m** | 325m | 65% |
| Royalty Revenue | **£95 0m** | £63 8m | 49% |
| **Pure business** | | | |
| Revenue | **£25 8m** | £29 3m | (12%) |
| Adjusted operating loss** | **(£6 4m)** | (£2 9m) | |
| **Group** | | | |
| Revenue | **£151 5m** | £127 5m | 19% |
| Gross Profit | **£130 6m** | £106 5m | 23% |
| Adjusted Profit before taxation** | **£33 5m** | £36 8m | (10%) |
| Profit before taxation | **£12 2m** | £28 5m | (57%) |
| Net debt | **£45 6m** | £60 7m | (25%) |

* Excludes MIPS units of 165m in period from 7 Feb 2013 to 30 April 2013

** 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 Statement on page 49 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 and other product 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 a fast moving competitive marketplace 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, reduces 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

Following the acquisition of MIPS Technologies, Inc there are risks surrounding the successful integration of this business into the Group and therefore whether the anticipated returns will be achieved The Group has mitigated these risks by conducting significant due diligence and integration planning for this acquisition Particular care was taken when considering the impact that the acquisition would have on staff both within MIPS and within the Group Following the completion of the acquisition a detailed integration plan has been followed and progress against this plan is being reported to the Board at regular intervals with appropriate discussion on any areas of concern

## 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 products to existing and new customers with a view to entering into commercial agreements for customers to incorporate the Group's technologies 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 markets emerge worldwide

## Directors

The following served as directors of the Company during the financial year

Geoff Shingles (Chairman)
Sir Hossein Yassaie (Chief Executive Officer)
Richard Smith (Chief Financial Officer)
Andrew Heath (independent non-executive director – appointed 1 August 2012)
Gilles Delfassy (independent non-executive director)
David Anderson (Senior Independent Director ('SID'))
David Hurst-Brown (non-executive director)
Ian Pearson (non-executive director)

Full biographical details for the above are set out on pages 38-39 During the year David Anderson replaced Ian Pearson as SID and Andrew Heath replaced Ian Pearson as Chair of the Remuneration Committee Ian Pearson continues to serve as a non-executive director and is a member of both the Remuneration and Audit Committees

In accordance with the principles of the UK Corporate Governance Code (the Code'), all directors will retire and will present themselves for re-election annually

## Director's indemnity arrangements

The Company s Articles of Association has a qualifying indemnity provision for the benefit of each director and former director who held office during the financial year The Group has also purchased and maintained Directors' and Officers' liability insurance throughout the financial year The cover limit is £10 000 000 in the aggregate Neither cover is available in the event that the director concerned is proved to have acted fraudulently

## Directors' interests

Interests of the directors in Company shares and share options are set out in the Directors' Remuneration Report on pages 59 to 65, also included are details of directors' remuneration and service contracts

## Financial instruments

The Group s financial risk management objectives and policies are set out within note 19 to the financial statements along with details of the Groups exposure to market risk, credit risk and liquidity risk

## Research and development

The Group spent £83,956,000 (2012 £59,633,000) on research and development and advanced technology projects

## Charitable donations

During the financial year the Group donated £3,643 (2012 £3,785) for the benefit of charitable causes These donations principally comprised of cash The Group does not make any political donations

## Share capital

Details of the issued share capital together with details of movements in the issued share capital of Imagination Technologies Group plc during the financial year are shown in note 16 which is incorporated and deemed to be part of this report

As at 30 April 2013, the Company's share capital comprised a single class of ordinary share of 10 pence and there were 265,711,788 ordinary shares in issue, of which 1,793,940 (2012 3,601 090) were held in Trust All of the Company's issued shares are fully paid up and rank equally in all respects

The rights and obligations attaching to those shares are set out in the Company's Articles of Association The holders of ordinary shares are entitled to attend and speak at general meetings exercise their right to vote (one vote for each share held) and to appoint a proxy

There are no specific restrictions on the size of holding nor on the transfer of ordinary shares other than restrictions imposed by law For example under Part 22 of the Companies Act 2006 restrictions may be imposed for failure to supply information required to be disclosed Similarly restrictions imposed pursuant to the Financial Conduct Authority ('FCA') Listing Rules restricting individuals exercising their rights in certain periods

## Authority to allot

At the AGM in 2012, shareholders approved a resolution to give directors the authority to allot ordinary shares up to an aggregate nominal amount of £8,808,384 In addition, shareholders provided approval to directors to allot up to an aggregate nominal amount of £17,616,768 in connection with an offer by way of a rights issue in accordance with ABI guidance The directors have no present intention to make use of the authority sought under this resolution except to satisfy share awards under employee share schemes The authority will expire on the earlier of the 31 October 2013 or at the conclusion of the AGM in 2013 and will be proposed for renewal again at this year's AGM

## Purchase of own shares

At the AGM in 2012, authority was granted to the Company to purchase its own shares in the market up to a maximum aggregate number of 26,425 152 shares, being approximately 10% of the issued share capital The directors have not previously exercised authority granted and have no present intention to make use of the authority sought The current authority will expire the earlier of the 31 October 2013 or at the conclusion of the AGM in 2013 The Company would like to retain the flexibility offered by this resolution and it will therefore be proposed again at this years AGM

## Substantial interests

As at 7 June 2013 the Company was aware of the following interests in its shares

| | Ordinary Shares of 10p in the Company | Percentage Holding |
|---|---|---|
| Intel Capital Corporation | 38,396,664 | 14 45% |
| AXA Financial SA | 28,006,149 | 10 54% |
| M&G Investment Management Limited | 25,191,353 | 9 48% |
| Apple Inc | 23,047,770 | 8 67% |

## Essential contracts

There are a large number of agreements in place with the Group's customers/partners There are no parties with whom the Group has contractual or other arrangements which are essential to the business of the Group

## 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 conditions

There are no significant agreements to which the Group is a party that take effect, alter or terminate upon a change of control

## Employee involvement

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

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

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

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

## Corporate governance

The Corporate Governance statement on pages 47 to 51 is deemed to form part of this report

## Corporate social responsibility

Information relating to employees, shareholders graduate recruitment, scholarship sponsorship, charitable work in the local community and environment are provided in the Corporate Social Responsibility Report on pages 55 to 58

## 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 2013 was 42 (2012 43 days) The parent Company is purely a holding Company with investments and does not have trade creditors

## Annual General Meeting

The 2013 Annual General Meeting ('AGM') of the Company will be held at Imagination House Home Park Estate Kings Langley, Hertfordshire WD4 8LZ commencing 11am on 20 September 2013 The Notice of Annual General Meeting with full description of the business to be conducted is set out at www imgtec com

A resolution is to be proposed at the AGM for the reappointment of KPMG as auditors of the Group

## Directors' statement of responsibility

### Going concern

As set out in note 1 Accounting policies, the directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements

### Responsibility for preparing 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 International Financial Reporting Standards as adopted by the EU ('IFRS ) 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 statement 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 a corporate governance statement that comply 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

### Disclosure of information to auditors

In case of each director in office at the date of the directors report is approved that

- so far as the director is aware, there is no relevant audit information of which the Group auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group auditors are aware of that information

### Directors' statement of responsibility

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

Anthony Llewellyn

By order of the Board

**Anthony Llewellyn**
**Company Secretary**

18 June 2013
Company Number 2920061

# Corporate governance statement

## Dear Shareholder

We understand that in order to fulfil our commitment to shareholders to create and deliver shareholder value through the management of the Group's businesses we must ensure high standards of corporate governance The Board and other members are held accountable for ensuring that these principles are fulfilled There is a strong culture within the organisation for all employees to act with integrity and fairness in everything that they do which is cemented in our core values As we are growing and operating in new territories the Board expects all operations to be carried out in accordance with applicable laws and regulations The Board also expects to be kept fully informed of any associated compliance risks or issues

The Company's shares are listed on the London Stock Exchange, and therefore, under the Listing Rules of the Financial Conduct Authority (the 'FCA) required to report on compliance with the UK Corporate Governance Code (the 'Code') A copy of the Code can be found at www frc org uk The Code was initially published in 2010 with a revised Code published in September 2012 and effective for companies with a financial year commencing on or after 1 October 2012 The Board confirms that throughout the year ended 30 April 2013 and as at the date of this annual report, the Company has been in compliance with the Code, save for provision B 1 1 regarding the independence of Ian Pearson and David Hurst-Brown, and a full explanation of this non-compliance is provided on page 48

Under the new requirements of the Code companies are now required to disclose their policy on diversity The Board demands that the executives of the Company have an appropriate balance of skills, experience, independence, knowledge and diversity to enable them to discharge their respective duties and responsibilities effectively The Board has noted the publication of the Lord Davies' report entitled 'Women on Boards' in February 2011 and will embrace its spirit within the context that it will make any selections totally based upon choosing the best person for the position to be filled irrespective of race colour, creed or gender We are strongly committed to continue to make appointments on individual merit but will value diversity in its broadest context

The Board and I will endeavour to continue to ensure the Groups success as an innovative, dynamic and well governed business over the coming year

**Geoff Shingles**
**Chairman**

18 June 2013

## Role of the Board

The Board is accountable to shareholders for the proper conduct of the business and its long-term success It is ultimately responsible for the activities of the Group including its overall direction, strategy, risk management, governance and performance In order to meet that responsibility it ensures that the necessary financial and human resources are in place and that it is supported in its activities by its various Committees Executive Management Board ('EMB') and senior managers The authority delegated by the Board to the Audit, Remuneration and Nomination Committees to carry out certain tasks are defined in those Committees terms of reference Information on the responsibilities of the Audit and Nomination Committees is set out in their reports on pages 52 and 54 The report of the Remuneration Committee is set out on pages 59 to 65

The Board has a formal schedule of matters reserved for its decisions which includes

- the Group's business strategy,
- Group-wide business and financial reviews,
- major capital expenditure, acquisitions and disposals,
- review of the internal financial control and risk management systems,
- the approval of interim and annual financial statements and
- treasury management

## Board composition

The Board currently consists of eight members, the Chairman, the CEO, the CFO and five non-executive directors During the year Andrew Heath joined the Board as a non-executive director The Nomination Committee followed a rigorous procedure which evaluated the skills experience and knowledge required of the new non-executive which led to the successful appointment of Andrew Heath The process is described in more detail in the Nomination Committee Report on page 54 All directors will stand for re-election at the AGM on 20 September 2013 Biographical details for each of the directors are set out on pages 38 to 39

## Role of the Chairman

In accordance with the Code there is a clear division of responsibilities between the Chairman and CEO which have been set out in writing and agreed by the Board The written roles are available to view on the Company's website

Geoff Shingles has led the Board as Chairman since 1996 The Chairman is responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role He sets the agenda for the Board and ensures that the Board receives accurate, timely and clear information giving sufficient time to review all agenda items thoroughly including strategic issues He promotes a culture of openness, debate and facilitates constructive relations between executive and non-executive directors He is also responsible for ensuring that the views of shareholders are communicated to the Board as a whole In order for him to effectively discharge his duties he works closely with the Company Secretary The Chairman s other professional commitments listed on page 38 has not changed during the year and the Board are satisfied that they continue not to interfere with the performance of his duties for the Company

## Role of the Chief Executive Officer

The Chief Executive, Sir Hossein Yassaie, 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 He carries out his duties in consultation with the Chairman, the Board and 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 He is also responsible, with the EMB team for implementing the decisions of the Board and its Committees

## Role of the Senior-Independent Director ('SID')

The SID acts as a sounding board for the Chairman and serves as an intermediary for the other directors when necessary He also makes himself available to shareholders if they have concerns which contact through the normal channels of Chairman, CEO or CFO have failed to resolve or for which such contact is inappropriate During the year no requests from shareholders were received The SID meets with the non-executive directors annually without the Chairman present to appraise his performance David Anderson took over this role from Ian Pearson during the financial year

## Role of the Company Secretary

The Company Secretary under the direction of the Chairman ensures good flow of information within the Board and its Committees and to senior management He is also responsible for advising the Board on all governance matters and is on hand to offer advice and services should any director require it The Company Secretary attends all Board and certain Committee meetings The Board as a whole decides on the appointment or removal of the Company Secretary

## Role of a Non-Executive Director

The non-executive directors have a wealth of experience, business knowledge and are appointed to constructively challenge senior management and provide input to meet agreed goals objectives and to ensure the integrity of financial information The role is described in more detail within the FRC's Code

During the year the Board considered the independence of each of the non-executive directors against the criteria specified in the Code and took particular care to assess the independence of both Ian Pearson and David Hurst-Brown Ian and David were appointed as non-executive directors of the Company in 1998 and 2000, respectively, and have therefore been connected with the Group for more than nine years The Board acknowledged that they do not meet the independence criteria specified by the Code but agreed that both directors continue to contribute significantly through their individual skills and considerable knowledge of both the Group and the industry The Board agrees that the remaining non-executives meet the independence criteria specified in the Code

## Induction and professional development

There is a formal induction procedure in place for all new appointments to the Board designed to enhance the directors' knowledge of the industry in general and their understanding of the Group's operations/performance, and importantly the Group culture

The induction programme consists of the following

- one-to one meetings with the Chairman, CEO and CFO and meeting with the remaining Board members,
- meetings with EMB and senior management to discuss Group operations,
- attendance of strategy meetings, and
- visiting regional and international offices

In accordance with the Code the Chairman regularly reviews and discusses the development needs with each director though each director is fully aware that they should take responsibility for their own individual needs and take the necessary steps to ensure they are wholly informed

## Activities of the Board

The Board holds regular scheduled meetings throughout the year which are supplemented by unscheduled ad hoc meetings Irregular meetings are held when urgent business decisions are needed, such as, acquisition activity

At each meeting certain regular reports are presented which are as follows

- CEO delivers a full business update with focus on the semiconductor market, a business summary for each division, the Group's relationships with current and potential partners, licensing updates, units shipped, Pure, potential acquisitions and key business issues and actions
- CFO gives the year to date financial results latest financial projections, investor and analysts forecasts and
- Company Secretary provides updates covering governance, share price data and shareholder analysis

In addition, the Board meets periodically with senior management from the Group's Technology and Pure divisions in order to review the strategic direction of the business on an annual basis 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 CEO and CFO attend weekly and monthly meetings of the EMB, where each member provides an up to date operational report in which progress against plan is reviewed to ensure that this is in line with the Group's strategic and business targets They will then provide feedback to the Board at the next scheduled meeting on any areas of significant interest

## Activities during the year

During the year in addition to the above the Board

- guided the successful acquisition of MIPS and was involved in reviewing and developing the strategy to integrate MIPS into the Group The Board was also involved in the acquisitions of Nethra Imaging and Paragon, while fully supporting the opening of a new Head Office in Kings Langley, together with new regional offices in Australia, India and Poland,
- 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 divisions, 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 throughout the year and
- reviewed and approved a comprehensive budget for the forthcoming year Expenditure is controlled against formal authorisation limits Major items of capital and revenue expenditure and all treasury matters are reserved for members of the Board alone

## Board evaluation

The Board undertakes a formal evaluation of its performance and that of its committees each financial year The Board recognizes the recommendations that an externally facilitated evaluation is performed every three years and will report back on this in due course

During the year an internal review was facilitated by the Company Secretary and led by the Chairman The review focused on a number of key areas such as Board processes and their effectiveness, Board composition, content of discussions and focus at Board meetings succession planning, arranging institutional shareholder meetings and relations with shareholders Each director provided input and the results concluded that the Board and its Committees continue to operate effectively but highlighted a number of areas that will need further action and improvement which include

- increasing dialogue with shareholders and institutional investors,
- more timely provision of information in advance of both Board and Committee meetings, and
- increased discussion required on the composition of the Board and Committees

The non-executive directors, led by the SID, also considered the performance of the Chairman without the Chairman present They confirmed that the Chairman's leadership performance and overall contribution were of a high standard

## Board and committee meeting attendance

| | Tenure (years) | Board | Audit Committee | Remuneration Committee | Nomination Committee |
|---|---|---|---|---|---|
| Geoff Shingles | 19 | 8/9 | – | 4/6* | 2/2 |
| Sir Hossein Yassaie | 18 | 9/9 | – | 1* | 2 |
| Richard Smith | 2 | 9/9 | 5/5* | 1* | 2 |
| Andrew Heath | 1 | 7/9 | – | 5/6 | 1/2 |
| Gilles Delfassy | 1 | 7/9 | – | 3/6 | 1/2 |
| David Anderson | 2 | 9/9 | 5/5 | 5/6 | 2/2 |
| David Hurst-Brown | 12 | 8/9 | 5/5 | 6/6 | 2/2* |
| Ian Pearson | 15 | 8/9 | 4/5 | 6/6 | 2/2* |

* 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

## Relations with shareholders

The Group actively encourages open and constructive dialogue with shareholders This is primarily achieved through

- regular meetings between institutional investors and the CEO/CFO to discuss business performance, and
- presentations to institutional investors/analysts by the CEO/CFO post release of the interim and full year financial results The results are made available on the Company website on the day they are announced and shareholders can register through the Company website www imgtec com to automatically receive these

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 Chairman is available to meet with major shareholders to discuss governance and strategy if required and the SID is also available to listen to their views to ensure a clear understanding of concerns or issues

The investor relations department also manages an online forum which is geared towards private shareholders The forum allows private shareholders to post any comments or concerns they have which are then circulated to management on a weekly basis It is essential to understand the views and opinions of investors

Another key tool used to communicate to both institutional investors and private investors is the Annual General Meeting (AGM) which is held at the Group headquarters in Kings Langley Shareholders are given a minimum of 21 days' notice of the meeting and are provided with details of each substantially separate issue which will be raised for voting at the meeting, the results of which will be made available immediately after the meeting The key event of the day will be the full presentation to shareholders made by the executives to explain recent and future developments in the business followed by an open question and answer session The Board, EMB and senior engineers will be available for discussion after the formal proceedings and shareholders will also be invited to visit demonstration rooms displaying technology in Group or partners' products with senior employees on hand to give in-depth detail of the Group's technologies and products

## Conflicts of interest

All directors have a duty under the Companies Act 2006 to avoid a situation in which they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Group The Group 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 authorisation 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 authorisation of any conflict matter and the terms of authorisation, 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

# Audit committee report

## Dear Shareholder

I am pleased to present the report of the Audit Committee for 2012/13  The Audit Committee is appointed by the Board and is established to monitor the integrity of financial information and to provide assurance to the Board that the Company's internal controls and risk management systems are appropriate and regularly reviewed

The Committee continues to focus on ensuring that the Group's systems and controls are operating effectively and are evolving in line with the Group's growth

A fuller insight into the role, activities and composition of the Audit Committee is provided below

**David Anderson**
**Chairman of the Audit Committee**

18 June 2013

## Role of the audit committee

The main duties of the audit committee include but are not limited to the following

- monitor the integrity of the financial statements of the Group,
- consider annually whether there is a need for an internal audit function,
- review the Group s internal financial controls and risk management systems,
- make recommendations to the Board in relation to the external auditors regarding approval of their remuneration, terms of engagement appointment, re-appointment or removal,
- review and monitor the external auditor independence and objectivity and the effectiveness of the audit process,
- develop and implement policy on the engagement of the external auditor,
- to report to the Board on how it has discharged its responsibilities
- monitor the Group's whistleblowing procedures to ensure that appropriate arrangements are in place for employees to be able to raise confidential matters of possible impropriety, with suitable subsequent follow-up action

The full written terms of reference of the Audit Committee can be located on the Company s website www imgtec com

## Committee composition

The audit committee comprises three non-executive directors

- David Anderson (Chairman)
- David Hurst-Brown
- Ian Pearson

In accordance with Code provision C 3 1 the Board should satisfy itself that at least one member of the Audit Committee has recent and relevant financial experience  The Board has considered this requirement and, taking into account the financial background of both the Chairman of the Committee  David Anderson and also the former Chairman, it is satisfied that this requirement has been met and that the Committee has sufficient experience to fulfil its obligations in an effective manner

## Activities during the year

The Committee have conducted a review of the effectiveness of the Group's risk management and internal control systems as part of the annual risk review

In the financial year, the Committee fulfilled its duties under its terms of reference and discharged its responsibilities primarily by

- reviewing the Group's draft half-yearly and full year results prior to Board approval,
- focussing specifically on the accounting associated with the acquisition of MIPS Technologies, Inc ,
- reviewing the draft Interim Management Statements during the year,
- assessing the external auditor independence and objectivity,
- reviewing the external auditor plan for the audit of the Group's financial statements, which include key areas of scope of work terms of engagement and fees,
- reviewing the Group s system to identify and manage risk,
- reviewing the effectiveness of the Group's internal risks over financial reporting

In addition under the Code the Committee is required to monitor and review the effectiveness of internal audit activities The Group does not have a separate internal audit function and the Committee reviewed whether this was still suitable in the financial year They concluded that the Group was still sufficiently small and that controls were suitably robust not to require a separate function and advised the Board of this As the Group continues to grow the Committee will continue to review the requirements for its own internal audit function

During the year Ernst & Young performed a review of the Group's PAYE compliance No major compliance risks were identified, but a number of minor changes have been implemented to further strengthen the PAYE compliance environment

### External audit

KPMG were appointed as auditors in 1996

The Audit Committee is responsible for overseeing the Group's relations with the external auditor During the year the Committee approved the terms of engagement and remuneration to be paid to the external auditor and agreed the scope and approach of the audit

To fulfil its responsibility regarding the independence of the external auditor, the Audit Committee considered the auditor's overall work plan including the role of the senior statutory auditor and key audit staff and the overall extent of non-audit services In order to assess effectiveness the Committee reviewed the arrangements to maintain auditor independence and the auditor s fulfilment of the agreed audit plan including the proposed resources to execute the plan were consistent with the scope of the audit engagement The Committee has reviewed and is satisfied with the effectiveness and independence of the external auditor

The Group currently has a policy in place for the provision of non-audit services provided by the external auditor The policy highlights the importance of independence and objectivity and states that non-audit services can only be provided where these are guaranteed In the financial year the non-audit work carried out by KPMG was nominal and was solely the preparation of an accountants report to the government body

In particular, to maintain the independence of the auditor, the Committee appointed other third-party accounting firms to conduct the due diligence and valuation work relating to the acquisition of MIPS Technologies, Inc

The Committee has recommended to the Board that KPMG be proposed for re-appointment by shareholders as the Group's external auditor at the forthcoming AGM The Audit Committee considers that the relationship with the external auditor is working well and remains satisfied with their independence and effectiveness

### Significant issues that the committee considered in relation to the financial statements

The Committee considered the key accounting judgements underlying the preparation of the financial statements focussing specifically on revenue recognition the level of stock provision, the valuation of intangible assets and goodwill associated with the MIPS acquisition and the valuation and accounting treatment of investments

These areas were discussed in detail with the auditors and the Committee was comfortable that an appropriate position had been taken

# Nomination committee report

## Role of the nomination committee

The main duties of the Committee include but are not limited to the following

- leads the process for Board appointments and makes recommendations to the Board
- considers succession planning at senior levels within the Group and ensures an appropriate balance of skills and experience,
- evaluates the balance of skills, experience, independence and knowledge of the Board, and
- considers diversity issues

The full written terms of reference of the nomination committee can be located on the Company's website www imgtec com

## Committee composition

The Nomination Committee comprises four directors

- Geoff Shingles (Chairman)
- Andrew Heath
- Gilles Delfassy
- David Anderson

## Activities during the year

During the year 2012 the Committee's particular area of focus was to slightly refresh the Board through the appointment of an additional non-executive director and also a new SID to replace Ian Pearson Ian still remains on the Board as a non-executive director

The Committee were assisted in their search for a non-executive director by Russell Reynolds and the preferred candidate was one with a background in a leading technology Company with international business experience The Committee considered a wide variety of individuals before proposing the appointment of Andrew Heath In making the appointment the Committee evaluated the particular skills, knowledge, independence, experience and diversity, including gender that would benefit and balance the Board Also during the year, Andrew Heath replaced Ian Pearson as chairman of the Remuneration Committee

The Committee (excluding for this purpose David Anderson) determined that David would be the most appropriate SID to take over from Ian Pearson and he did so during the financial year

The Committee also reviewed a proposal for a Management and Leadership development programme for the executives and management, and considered it to be an essential tool to support the Group's strategy More detail is provided in the Corporate social responsibility report on page 57

The Committee will continue throughout the year to assess the balance of the Board, succession planning and diversity issues

G. S. Shingles

**Geoff Shingles**
**Chairman of the Nomination Committee**

18 June 2013

# Corporate social responsibility report

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 contribution to local charities and communities in areas where it operates its business

## Energy use

As a Group we feel our environmental impact on the whole is low, with our main business being the development of intellectual property which helps customers develop the most power efficient products possible Our emissions come mainly from the use of electricity in our offices In the UK we currently have eight offices, four at Group headquarters in Kings Langley, one data centre in the process of construction and three offices at other locations in the UK We also have a number of overseas sites

The Group has been reviewing the supplies of its electricity and the tariffs and during the year two buildings have moved to a green renewable energy tariff Further buildings will move over to this tariff as current contracts expire The intention is that all electricity used is from renewable tariffs by 2015

The Group are aware of our reporting obligations from October 2013 under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 to report our annual greenhouse gas emissions in our annual report 2013/14 We understand the importance of these new provisions and are taking the necessary advice to comply

## Redevelopment of site and environmental impact

The Group began redeveloping its headquarters site in Kings Langley, with the first of the four buildings completed in November 2012 The second building is now in the process of construction as is a new data centre All of the buildings are being designed along the principles of sustainable design and will exceed the building regulations requirements for buildings of this nature, the first build has achieved a BREEAM rating of 'Excellent' and the intention is that the remaining new buildings will too

In addition to reducing each building's energy consumption a sustainable approach has been adopted when handling 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 portable 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
- 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

## New data centre development

To meet the Group's considerable IT requirements in the future a proposal to construct a dedicated data centre was approved

The energy efficient nature of the data centre was fundamental to the brief provided by the Group to the contractors The new facility once constructed will contain two highly efficient data halls the first of which will be available for use in July 2013 and the Group will start to populate it from September 2013 The second hall will come online in the future to meet business needs as the Group grows

The data halls are supported by a highly efficient electrical distribution system that utilizes state of the art static UPS systems that have multiple modes of operation to maximize energy efficiency and minimize the energy used A low energy cooling solution is also being adopted that provides both a water and air cooled solution that makes use of free cooling when ambient conditions allow

## Pure division

Our Pure division has spent considerable time looking into ways to reduce their environmental impact and it remains committed to ethical and environmentally sustainable design and manufacture as encapsulated within EcoPlus (www pure com/ecoplus) Pure recognizes that its main environmental impact comes 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 came into force in January 2013

The Pure division also ensures that through its own due diligence programme that all third-party factories comply with the following Health, Environmental and Ethical requirements

- EC Regulation on chemicals and their safe use (EC 1907/2006) known as Registration, Evaluation, Authorisation and Restriction of Chemical substances ('REACH )
- Use of Certain Hazardous Substances in Electrical Equipment Regulations 2005 (RoHS)
- Batteries & Accumulators directives
- SEDEX or SA800 – Pure is committed to the ethical treatment of its staff and contractors, and to that end all third-party factories are audited via the SEDEX or SA8000 programmes to ensure compliance with local and national laws, particularly on working hours and conditions, health and safety, rates of pay, terms of employment and minimum age of employment
- European Union Timber Regulations ('EUTR') – ensures timber used on products comes from legally sourced forests and has full tractability and evidence throughout the supply chain back to the original forests

The Pure division through their own functions ensures compliance with the following

- The EC Directive on Waste Electrical and Electronic Equipment ('WEEE') – this is aimed at minimizing the impact of electrical and electronic goods on the environment
- REPIC – this is to meet obligations as a producer of WEEE
- the EC Directive on Batteries and Accumulators and Waste Batteries and Accumulators (2006/66/EC) through their membership of the compliance scheme eBatt

The Pure division use a compliance solutions company to meet their obligations under the Packaging Waste Regulation obligations

## Recycling

We encourage our employees to recycle their day to day waste We do this by ensuring there are recycling bins for cardboard and non-confidential materials and separate confidential bags in every office, all of which will be recycled There are also recycle bins in each kitchen area Energy saving measures are also in place for recycling components, such as printed circuit boards, toner cartridges, surplus packaging and paper

Imagination House the head office at Kings Langley has an on-site canteen and we are working to ensure that as much waste as possible is recycled All cardboard, wooden boxes, drink cans and plastic bottles are currently recycled The plan for the upcoming year is to have separate bins in the canteen kitchen for each type of waste allowing the composting of food waste and the recycling of tins and glasses

# Our people

As stated in our introduction we believe our most critical asset is our people In 2012/13 the Company recruited 482 people to support the growth of our business of which 26% were graduates The Group have implemented a number of programmes to encourage the development and retention which are detailed below

## Development and training

A new three day Management and Leadership development programme was launched in the year With the rapid growth of the Group we need to ensure we maintain a core culture that embraces our values and enables employees to perform at their best The programme will focus on developing our managers so that they are able to provide the best management environment for their teams The programme is an interactive, experiential one where small groups of up to 12 employees get involved in leading teams, managing performance and providing feedback and coaching to help each other develop The three day course since its inception has reached more than 50 managers with plans in places to reach 110 by December 2013 Training modules focussed on enhancing employees soft skills are also in the early stages of being developed to commence in 2014

## One to one meetings/annual reviews

There is an annual formal appraisal process in place for every employee The appraisal process is made up of two parts which include line managers providing comprehensive feedback on performance for the prior year and secondly working with the employee to set objectives for the future Employees are urged to provide input when assessing performance and setting future objectives and are also encouraged to raise any issues or concerns they may have about any aspect of the job This process is not the only opportunity for employees to give input, there is very much an open door culture throughout the Group where employees can discuss any issues at any point

## Graduate recruitment programme

The Group runs a graduate recruitment programme with universities and colleges throughout the UK, having developed strong relationships with a number of universities including the University of Southampton, Imperial College 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 graduate recruitment programme we have had approximately 50 undergraduate interns this year 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 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 four UK sites to promote electronics to the school age population

## Share awards

Share awards are regarded as a key retention tool and all employees regardless of location or seniority participate in share arrangements and receive awards bi-annually The Board considers that without the share plans it has adopted for employees, the Group would not have achieved the great success that it has achieved to date On joining every new employee at the Company gets a share plan presentation All of the Company s share plans are open to all employees, who do not need to have been at the Group for any material qualifying period of time to be able to participate Due to the widespread participation in the Company's share plans, employees are now well educated in the benefits of share ownership The Company also works with external advisors to devise plans that not only offer the best arrangement for employees but also have performance conditions that align the interests of employees with shareholders

The Company was recognized for its efforts by ifs ProShare in 2012 as joint winners in the category of 'Best overall performance in fostering employee share ownership for companies with 1,001-15,000 employees This was a significant achievement given the relatively small size of the Group with approximately 1,200 employees at the time in relation to much larger competitors In the same year the Company also received a commendation from The Employee Share Ownership Centre ('ESOP') which applauded the granting of share awards on a Group wide basis and the strong and competitive share plan culture within the Group

## Health and fitness

It is becoming increasingly important for the Group to ensure it is doing what it can to assist staff to stay fit and healthy The Company encourages employees to do this by paying 50% of gym membership Currently 17% of employees are members of fitness clubs supported by the Company

Also in place is a Ride2Work scheme which was launched in 2010 where the Company works in partnership with a national cycle retailer to promote sustainable transport and the health of its employees The scheme allows the Company to offer bicycle and related safety equipment to employees to be used to commute to work up to a maximum spend of £2,000 with a 12 month repayment period There are considerable tax savings for the employee as well as health benefits Currently 19% of employees participate in the scheme

## Healthier staff restaurant

Our new headquarters provides superior catering facilities and the comments from employees have been overwhelmingly positive with people enthusiastic about the quality, freshness and variety of produce The catering firm operating the canteen also ensures they use only sustainable fish and farm assured meats as standard which is in line with Group principles Our aim in the upcoming year is to ensure quality and the innovation of the canteen team is maintained and further improves

## Local community and environmental sustainability

As part of its commitments to the local community and environment the Company is engaging a local community charity to help turn multiple areas of Group owned green spaces that have been left derelict and overgrown into a maintained landscaped area The focus initially will be on overgrown woodland set behind our office in Chepstow The aim is to create an attractive area for employees to enjoy along with associated habitat improvements

## 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 are selected by the Group and employees are then asked to vote on 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

## Sports and social club

This was set up in 2000 with the aim of bringing together employees to participate in a variety of activities Employees for a nominal £2 monthly contribution can gain membership which provides a 50% discount on all events The club is seeing considerable growth in popularity with membership rising to 83% of employees The Sports and Social Club Committee has also grown to 12 active members responsible for organising events In the financial year there has been a wide range of events, such as visits to the opera Ascot family days, cross-country running events marathons, mountain biking, combat boxing and rock climbing activities to name but a few!

# Directors' remuneration report

## Dear Shareholder

This is my first Remuneration Report since I took over the Chair of the Company's Remuneration Committee ('Committee') I would firstly like to thank Ian Pearson for his efforts of Chairing the Committee over the past decade I take over this role at a time of considerable growth within the Group in the past year and when the spotlight is on executive remuneration in the press We are about to see the landscape change with new regulations and legislation which is likely to impact most FTSE companies in one way or another in 2013 and beyond As a responsible Committee we will review and consider with care any new provisions whether they come from the Department for Business Innovation and Skills ('BIS') UK Corporate Governance Code (the 'Code'), the Listing Rules, the ABI or any other relevant body

Our remuneration system for executive directors has always been tied closely to the progress, profitability, growth and performance of the Group and this will continue The principles we apply have led to appropriate variances in the remuneration of our executive directors' in the past five years These variances have clearly reflected the underlying performance of the Group

During the past year the Committee has carried out a comprehensive review of executive remuneration packages and has developed a new strategy for the future which will be both competitive and fair in rewarding achievement, while always reflecting the interests of shareholders We will be providing shareholders and relevant bodies with precise details of these changes before the AGM where we will be seeking support and approval of the proposed revisions to the structure of executive remuneration Prior to the AGM the Committee will be making every effort to consult and enhance dialogue with shareholders in relation to the proposed changes Meetings are scheduled to take place in June and July 2013 with both the Fund Managers and Corporate Governance Managers at institutional shareholders We will also be holding conference calls and responding in writing to any related items raised by shareholders The Committee respects the views of shareholders and wants to encourage engagement with investors

In the commentary we show how the existing annual bonus and share plans aligned to the performance achieved in the past financial year and shareholder value generated over the period from June 2010 to June 2013

## The work of the committee during 2012/13

In May 2012, the Committee endorsed the out-turn for the annual bonus for the 2011/12 financial year and agreed the measurement parameters for the 2012/13 annual bonus

In June 2012 the Committee agreed the CEO and CFO would receive annual share awards and they will be made around the same time as the grant to all employees in December 2012 The CEO received 40,656 shares and CFO received 20,725 shares, the value of the shares awarded equalled 40% of basic salary

In May 2013, the Committee considered the potential outcome for the 2012/13 annual bonus, and the employee bonus scheme for the Executive Management Board ('EMB')

Through the year the Committee also reviewed all elements of the remuneration structure of executive directors, comprising salary car allowance, pension annual bonus and long term incentives as part of the strategy review mentioned above The structure of other relevant FTSE 250 companies' annual bonus and long-term incentive plans were benchmarked External advice was sought from Olswang, Towers Watson and JLT

## Annual bonus outcome

One of the key principles of our annual bonus policy is that it is self-funding Annual bonuses are only paid to executives if the Group performs in line with the plan agreed by the Committee During the 2012/13 financial year the Group did not deliver the results in line with the plan and consequently no cash bonus was payable

## Executive share plan outcome

The first tranche of the 750 000 shares of the CEO's share award of 2,250 000 granted in December 2009 met the performance conditions and became available to him in December 2012, the shares have not been exercised

Both the Chairman and CEO's SAYE 2009 share options vested in December 2012 and they retained the shares

At the AGM in 2006 shareholders approved a resolution giving authority to the Company to issue 15% of its issued share capital over 10 years, equating to 1 5% per annum During 2012/13 the Company granted 4 000,000 shares (1 5% of the issued share capital) and of this sum executives received 62,891 shares (0 0155% of the 1 5%)

## Executive salaries

Executive salary increases in the financial year 2012/13 averaged 8 3% compared with the average salary increase for all other employees of 4 5% The primary reason for the difference in salary increase for executives compared with all other employees, was to bring the executive salaries more into line with a competitive market-based salary, appropriate for the size and growth in the Group in recent years

## Proposed executive remuneration structure

Following the comprehensive review of the remuneration of executives, it is proposed that the remuneration be structured around three elements going forward a market competitive base salary, an annual bonus aligned to the delivery of in-year performance and long-term value drivers, and a long-term incentive plan (LTIP) aligned with the long-term success of the Group Once the Group has consulted with institutional shareholders, ABI and ISS the details of the proposed revisions to the annual bonus scheme and long-term incentive plan will be communicated to shareholders before the AGM

## Remuneration and opportunities for our employees

The Committee reviewed the pay and conditions of all employees within the Group when determining executive remuneration in the financial year The Group aims to provide a competitive salary to employees to ensure it attracts the right calibre of people and all salaries are reviewed annually while graduates are reviewed biannually

In order to encourage share ownership at all levels, including executive directors, the Company makes share awards to all employees and offers a Save As You Earn ('SAYE') scheme The Company's shares are made to employees under the Employee Share Plan ('ESP') on a bi-annual basis and will make awards to employees that are more tax efficient, where possible The shares under the ESP vest on the third anniversary of the grant date subject to any performance conditions The SAYE allows eligible employees an opportunity to enter into a three year savings contract to save a portion of their salary which can be used to purchase Company shares at up to a 20% discount to the market price on the date of invitation Over 60% of employees participate in the SAYE For further opportunities please refer to pages 57 to 58 of the Corporate Social Responsibility Report

## In summary

We trust this report is informative We support the clear message sent by BIS that "Generous rewards for leading executives are not an issue where executive remuneration is well structured, clearly linked to the strategic objectives of a Company, and which rewards executives that contribute to the long-term success of that Company " The Committee are confident that our new proposed strategy for executive remuneration will provide the necessary structure and appropriate reward for executives, and is directly aligned for the future growth and profitability of the Group

**Andrew Heath**
**Chairman of the Remuneration Committee**

18 June 2013

## Remuneration committee

The Committee advises and makes recommendations to the Board on an appropriate remuneration policy and conducts an annual remuneration review within the agreed terms of reference of the Committee which are available on the Groups website at www imgtec com The Committee consists exclusively of non-executive directors During the year the members of the Committee have been Andrew Heath David Anderson, David Hurst-Brown, Gilles Delfassy and Ian Pearson The Chair of the Committee transitioned from Ian Pearson to Andrew Heath during the year

The different international experience and level of independence of the Committee provides the appropriate balance in regard to executive remuneration of the Company The Board considers all Committee members to be independent except for Ian Pearson and David Hurst-Brown as reported on page 48 of the Corporate Governance Statement and considers all to have no personal financial interest

During the year the Committee has received external advice from Olswang, Towers Watson and the Group's Independent Financial Advisor, JLT, who advised on pension matters Towers Watson furnished the Committee with data of executive packages of other FTSE 250 companies The Company Secretary advises the Committee and attends all Committee meetings

The Committee has met five times during the year and details of who attended are detailed on page 50 The key discussions and tasks at the meetings are listed below

- salary review for executive directors
- car allowance
- pension policy
- annual bonus – short-term reward
- share schemes – long-term incentive plan

The Committee held 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 Conduct 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

In determining directors' remuneration for the year the Committee took into consideration the pay and conditions of employees of the Group For all other senior staff directly reporting to the CEO, for example, the EMB, the CEO will brief the Committee annually regarding the overall value (all components) and structure of remuneration for the year and any revisions This allows the Committee to provide advice to the CEO in this respect, with the intent of ensuring an effective and competitive framework on which such individual remuneration is to be determined

## Directors' remuneration

The main elements of the executive directors' remuneration currently 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

### Pension

There are no special arrangements in place for executives The maximum Company contribution is 7 5% of base salary on the basis of a 4 5% contribution by the executive The Company offers a salary sacrifice pension scheme to all employees

### 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 currently operates an ESP and SAYE, both of which were approved by shareholders at the AGM in 2006

### Annual bonus

The Group has an annual cash bonus plan All executive directors are eligible to receive 100% of salary Measures and targets were set at the start of the year relating to the achievement of budgeted profit

## Executive directors' service contracts

The executive directors have on-going service contracts with no specified end date There are no specific compensation entitlement provisions in the contracts In the event of termination in respect to share awards, all awards would be treated in accordance with the rules of the relevant plans

The table below provides further detail

| | Contract Date | Notice Period |
|---|---|---|
| Geoff Shingles | 31 03 1998 | 6 months' notice by either director or Company |
| Sir Hossein Yassaie | 31 03 1998 | 6 months' notice by either director or Company |
| Richard Smith | 03 05 2011 | 6 months' notice by either director or Company |

## Executive directors' remuneration

The remuneration of the executive directors for the 2012/13 financial year is set out in the table below

| | Salary £'000 | Bonus[1] £'000 | Pension £'000 | Benefits in kind[2] £'000 | Aggregate emoluments for 2012/13 £'000 | Aggregate emoluments for 2011/12 £ 000 |
|---|---|---|---|---|---|---|
| Geoff Shingles | **90** | **-** | **-** | **2** | **92** | 92 |
| Sir Hossein Yassaie | **413** | **165** | **51** | **1** | **630** | 546 |
| Richard Smith | **212** | **85** | **24** | **1** | **322** | 210 |
| | **715** | **250** | **75** | **4** | **1,044** | 848 |

(1) Cash bonus awarded relates to the financial year ending 30 April 2012 as explained on page 59

(2) Benefits in kind is private medical insurance

## Non-executive directors

Non-executive directors are appointed under letters of engagement Appointments have historically been for an initial period of three years with a review undertaken at the end of this period In accordance with best practice non-executive directors may continue to serve subject to the Board's discretion and annual re-election by shareholders at each AGM of the Company

The fees for the non-executive directors are reviewed by the Board The structure of remuneration is set by reference to the market practice and was last reviewed during the financial year The non-executive directors are not eligible for performance related bonuses or share awards and no pension contributions are made on their behalf

The remuneration of the non-executive directors for the 2012/13 financial year is set out in the table below

| | Salary £'000 | Aggregate emoluments for 2012/13 £'000 | Aggregate emoluments for 2011/12 £ 000 |
|---|---|---|---|
| Andrew Heath | **29** | **29** | |
| Gilles Delfassy | **35** | **35** | |
| David Anderson | **43** | **43** | 44 |
| Ian Pearson | **43** | **43** | 44 |
| David Hurst-Brown | **38** | **38** | 39 |
| | **188** | **188** | 127 |

## Directors' interests in share incentives

### Employee share plan ('ESP')

The ESP is the primary long-term incentive plan that is offered to all employees For executives the incentive plan is subject to performance conditions

| | Date of grant | Share price on grant (p) | At start of year | Granted during year | Exercised during year | Lapsed during year | At end of year | Vesting date | Lapse date |
|---|---|---|---|---|---|---|---|---|---|
| Geoff Shingles | 03/10/2011 | 425 3 | 131,250 | – | – | – | 131,250 | 03/10/2011 | 03/10/2016 |
| Sir Hossein Yassaie | 22/12/2009[1] | 227 5 | 2,250,000 | – | – | – | 2,250,000 | 22/12/2012 | 22/12/2019 |
| Richard Smith | 06/10/2011[2] | 428 1 | 50,000 | – | – | – | 50,000 | 06/10/2014 | 06/10/2019 |

(1) Subject to performance conditions the award will vest in three equal tranches of 750,000 shares commencing on 22 December 2012, the second tranche will then vest on 22 December 2013 with the remaining tranche vesting on the 22 December 2014 The performance condition is related to the annual cumulative growth in the Group's share price over the third, fourth and fifth year 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

(2) Vesting of the share awards is based 100% on the percentage growth in the price of a share in the Company compared to the percentage growth of the FTSE techMARK All-Share Index (the 'Index') over the 3 year period commencing on the date of grant The Company share price must exceed the Index by over 125% for the award to vest 50% of the award will vest if the Company share price exceeds 125% of the index, between 125% and 150% the award will be vest on straight line basis 100% of the award will vest for the achievement of 150% of the index The price of a share in the Company for these purposes will be the average mid–market closing price as derived from the Official List of the London Stock Exchange for each business day in the period of three months preceding the grant date and the third anniversary of the grant date The value of the index will be the average value of the Index for each business day in the three months preceding the grant date and the third anniversary of the grant date as appropriate

The highest and lowest share prices in the year are set out on page 65

### Tax efficient employee share plan ('TEESP')

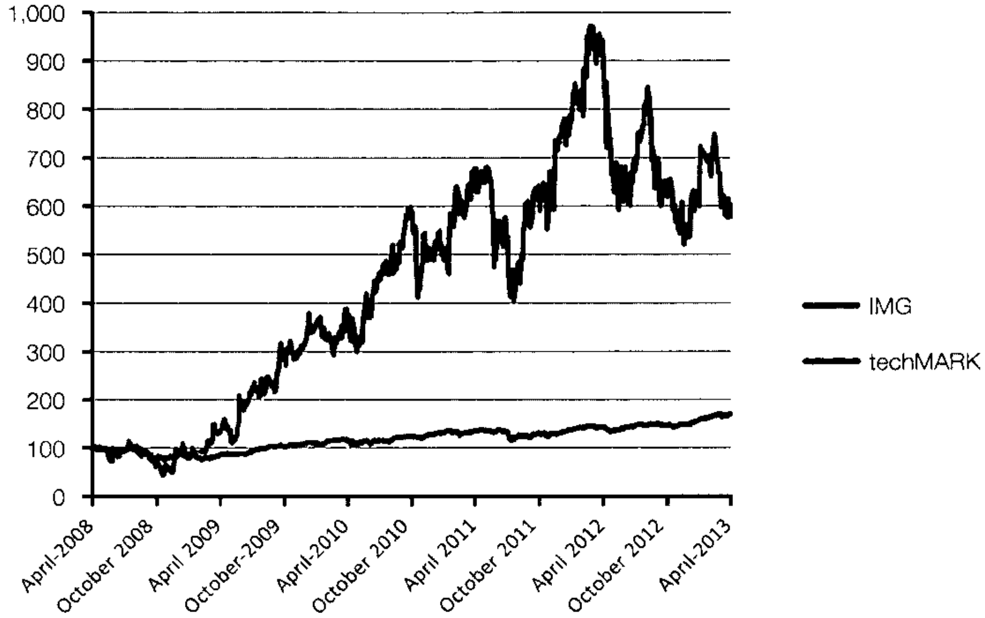
Share awards with joint ownership between the executives and a beneficial interest held with the Company Employee Benefit Trust were granted on 22 January 2013 The number of share awards and beneficial interest is determined by the share price on exercise

| | Date of grant | Share price on grant (p) | At start of year | Granted during year | Exercised during year | Lapsed during year | At end of year[2] | Vesting date | Lapse date |
|---|---|---|---|---|---|---|---|---|---|
| Sir Hossein Yassaie | 22/01/2013[1] | 461 30 | - | 40 656 | – | – | 40,656 | 22/01/2016 | 22/01/2023 |
| Richard Smith | 22/01/2013[1] | 461 30 | - | 20 725 | – | – | 20,725 | 22/01/2016 | 22/01/2023 |

(1) Vesting of the share awards is based 100% on the percentage growth in the price of a share in the Company compared to the percentage growth of the FTSE techMARK All-Share Index (the Index') over the 3 year period commencing on the date of grant The Company share price must exceed the Index by over 125% for the award to vest 50% of the award will vest if the Company share price exceeds 125% of the index, between 125% and 150% the award will be vest on straight line basis 100% of the award will vest for the achievement of 150% of the index The price of a share in the Company for these purposes will be the average mid–market closing price as derived from the Official List of the London Stock Exchange for each business day in the period of three months preceding the grant date and the third anniversary of the grant date The value of the index will be the average value of the Index for each business day in the three months preceding the grant date and the third anniversary of the grant date as appropriate

(2) The highest and lowest share prices in the year are set out on page 65

## Company share price performance vs FTSE techMARK All-Share Index




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

### Save as you earn ('SAYE')

Shares granted to executives under the SAYE scheme are shown in the table below

| | Date of grant | Share price on grant (p)[1] | At start of year | Granted during year | Exercised during year | Lapsed during year | At end of year | Vesting date | Lapse date |
|---|---|---|---|---|---|---|---|---|---|
| Geoff Shingles | 30/10/2009 | 139 | 2,298 | – | 2,298[2] | – | - | 01/12/2012 | 01/06/2013 |
| | 25/10/2010 | 305 2 | 495 | – | – | – | 495 | 01/12/2013 | 01/06/2014 |
| | 15/11/2011 | 366 2 | 1,179 | – | – | – | 1 179 | 01/12/2014 | 01/06/2015 |
| | 12/11/2012 | 381 2 | – | 755 | – | – | 755 | 01/12/2015 | 01/06/2016 |
| | | | **3,972** | **755** | **2,298** | **–** | **2,429** | | |
| Sir Hossein Yassaie | 30/10/2009 | 139 | 2,298 | – | 2 298[3] | – | - | 01/12/2012 | 01/06/2013 |
| | 25/10/2010 | 305 2 | 495 | – | – | – | 495 | 01/12/2013 | 01/06/2014 |
| | 15/11/2011 | 366 2 | 1,179 | – | – | – | 1,179 | 01/12/2014 | 01/06/2015 |
| | 12/11/2012 | 381 2 | – | 755 | – | – | 755 | 01/12/2015 | 01/06/2016 |
| | | | **3,972** | **755** | **2,298** | **–** | **2,429** | | |
| Richard Smith | 15/11/2011 | 366 2 | 2,457 | – | – | – | 2 457 | 01/12/2014 | 01/06/2015 |
| | | | **2,457** | **–** | **–** | **–** | **2,457** | | |

(1) The option price per share was calculated by reference to the adjusted closing mid-market price of the Groups shares on the three dealing days immediately before the date of grant

(2) On the 10 December 2012 Geoff Shingles exercised an option over 2,298 shares granted to him on 30 October 2009 at 139 pence The closing market price of the shares on this date was 429 pence resulting in a gain of £6,664 (2012 8 115 shares and £33,629 gain) He retained the 2 298 shares

(3) On the 15 April 2013 Sir Hossein Yassaie exercised a share option over 2,298 shares granted to him on 30 October 2009 at 139 pence The closing market price of the shares on this date was 440 pence resulting in a gain of £6 916 (2012 8,115 shares and £51,522 gain) He retained the 2,298 shares

## Directors' interests

The beneficial interests of the directors in the ordinary shares of Imagination Technologies Group plc (in addition to interests in share options and awards) are shown below

| | **Ordinary shares as at 30 April 2013** | Ordinary shares as at 30 April 2012 |
|---|---|---|
| Geoff Shingles | **104,084** | 116,133 |
| Sir Hossein Yassaie | **816,245** | 813,947 |
| Richard Smith | **1,113** | 1,113 |
| Andrew Heath | **-** | - |
| Gilles Delfassy | **-** | - |
| David Anderson | **6,675** | 5,675 |
| Ian Pearson | **31,622** | 31,622 |
| David Hurst-Brown | **50,000** | 50,000 |

There have been no further changes in the above interests between 30 April 2013 and 18 June 2013

## Share price

The market value of Imagination Technologies Group plc shares on 30 April 2013 was 425 40p The highest and lowest market share price of an ordinary share in the year was 661 50p and 383 50p respectively

# Independent auditor's 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 2013 set out on pages 67 to 108 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 auditor

As explained more fully in the Directors' Statement of Responsibility set out on pages 45-46, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 April 2013 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 45, in relation to going concern,
- the part of the Corporate Governance Statement on pages 47 to 51 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 2013

# Consolidated income statement

| | | Notes | Year to 30 April 2013 £'000 | Year to 30 April 2012 £'000 |
|---|---|---|---|---|
| **Revenue** | | 1, 2 | **151,467** | 127,499 |
| Cost of sales | | | **(20,816)** | (21,014) |
| **Gross profit** | | | **130,651** | 106,485 |
| Research and development expenses | | | **(83,956)** | (59,633) |
| Sales and administrative expenses | | | **(28,750)** | (23,171) |
| Gain on investments | | | **1,763** | 822 |
| Impairment of investments | | | **(5,679)** | (145) |
| Acquisition related costs | | | **(2,744)** | – |
| Contingent acquisition consideration release | | | **-** | 4 009 |
| Total operating expenses | | | **(119,366)** | (78,118) |
| **Operating profit** | | 3 | **11,285** | 28,367 |
| Financial income | | | **1,195** | 292 |
| Financial expenses | | | **(320)** | (115) |
| Net financing income | | | **875** | 177 |
| **Profit before tax** | | | **12,160** | 28,544 |
| Taxation charge | | 5 | **(5,884)** | (8,083) |
| **Profit for the financial year attributable to equity holders of the parent** | | | **6,276** | 20,461 |
| | | | | Restated (note 6) |
| **Earnings per share** | Basic | 6 | **2 4p** | 8 0p |
| | Diluted | | **2 3p** | 7 5p |

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

# Consolidated statement of comprehensive income

| | Notes | Year to 30 April 2013 £'000 | Year to 30 April 2012 £'000 |
|---|---|---|---|
| **Profit for the financial year attributable to equity holders of the parent** | | **6,276** | 20,461 |
| **Other comprehensive income** | | | |
| Exchange differences on translation of foreign operations | | **(797)** | (57) |
| Change in fair value of assets classified as available for sale | 9 | **-** | 866 |
| **Total other comprehensive income for the financial year, net of income tax** | | **(797)** | 809 |
| **Total comprehensive income for the financial year attributable to equity holders of the parent** | | **5,479** | 21,270 |

# Consolidated statement of financial position

| | Notes | At 30 April 2013 £'000 | At 30 April 2012 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Other intangible assets | 7 | **59,615** | 11,471 |
| Goodwill | 7 | **54,981** | 31,653 |
| Property, plant and equipment | 8 | **45,873** | 25,033 |
| Investments | 9 | **18,711** | 12,985 |
| Deferred tax | 5 | **10,446** | 18,829 |
| | | **189,626** | 99 971 |
| **Current assets** | | | |
| Inventories | 10 | **8,512** | 5,417 |
| Trade and other receivables | 11 | **64,018** | 41 068 |
| Cash and cash equivalents | 12 | **76,572** | 66 262 |
| | | **149,102** | 112,747 |
| **Total assets** | | **338,728** | 212 718 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **(35,575)** | (26,378) |
| Interest bearing loans and borrowings | 14 | **(4,643)** | (496) |
| Corporation tax payable | 5 | **(56,279)** | – |
| | | **(96,497)** | (26,874) |
| **Non-current liabilities** | | | |
| Other payables | 15 | **(5,289)** | – |
| Interest bearing loans and borrowings | 14 | **(26,309)** | (5 031) |
| Deferred tax liability | 5 | **(19,241)** | (3 426) |
| | | **(50,839)** | (8,457) |
| **Total liabilities** | | **(147,336)** | (35,331) |
| **Net assets** | | **191,392** | 177,387 |
| **Equity** | | | |
| Called up share capital | 16 | **26,571** | 26,425 |
| Share premium account | 16 | **99,236** | 98,348 |
| Other capital reserve | 16 | **1,423** | 1,423 |
| Merger reserve | 16 | **2,402** | 2,402 |
| Revaluation reserve | 16 | **586** | 586 |
| Translation reserve | 16 | **(621)** | 176 |
| Retained earnings | | **61,795** | 48 027 |
| **Total equity attributable to equity holders of the parent** | | **191,392** | 177,387 |

These financial statements were approved by the Board of Directors on 18 June 2013 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 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 renumeration | - | - | - | - | - | - | 10 245 | 10,245 |
| Tax credit in respect of share-based incentives | - | - | - | - | - | - | 1,562 | 1,562 |
| Issue of shares at nil cost | 418 | - | - | - | - | - | (418) | - |
| Issue of new shares | 192 | 1,048 | - | - | - | - | - | 1 240 |
| At 30 April 2012 | 26,425 | 98,348 | 1,423 | 2,402 | 586 | 176 | 48,027 | 177,387 |
| At 1 May 2012 | **26,425** | **98,348** | **1,423** | **2,402** | **586** | **176** | **48,027** | **177,387** |
| Profit for the year | - | - | - | - | - | - | **6,276** | **6,276** |
| Other comprehensive income for the year | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | - | **(797)** | - | **(797)** |
| Change in fair value of assets classified as available for sale | - | - | - | - | - | - | - | - |
| Total other comprehensive income for the year | - | - | - | - | | **(797)** | - | **(797)** |
| Transactions with owners | | | | | | | | |
| Share based renumeration | - | - | - | - | - | - | **11,316** | **11,316** |
| Tax credit in respect of share-based incentives | - | - | - | - | - | - | **(3,793)** | **(3,793)** |
| Issue of shares at nil cost | **31** | - | - | - | - | - | **(31)** | - |
| Issue of new shares | **115** | **888** | - | - | - | - | - | **1,003** |
| **At 30 April 2013** | **26,571** | **99,236** | **1,423** | **2,402** | **586** | **(621)** | **61,795** | **191,392** |

# Consolidated statement of cash flows

| | Notes | Year to 30 April 2013 £'000 | Year to 30 April 2012 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit after tax** | | **6,276** | 20,461 |
| **Tax charge** | | **5,884** | 8,083 |
| **Profit before tax** | | **12,160** | 28 544 |
| Adjustments for | | | |
| Depreciation and amortization | 3 | **8,374** | 5 807 |
| Loss on disposal of fixed assets | | **292** | - |
| Net financing income | | **(875)** | (177) |
| Share-based remuneration | 4 | **11,316** | 10,315 |
| Gain on investments | 9 | **(1,763)** | (822) |
| Impairment of investments | 9 | **5,679** | 145 |
| Contingent acquisition consideration release | | **-** | (4,009) |
| Exchange difference | 3 | **(1,146)** | (219) |
| **Operating cash flows before movements in working capital** | | **34,037** | 39,584 |
| Change in working capital, net of effects from acquisition of subsidiaries | | | |
| (Increase) / decrease in inventories | | **(2,598)** | 788 |
| Increase in receivables | | **(11,708)** | (13,319) |
| (Decrease) / increase in payables | | **(22,263)** | 2,019 |
| **Cash generated by operations** | | **(2,532)** | 29,072 |
| Interest paid | | **(103)** | (115) |
| Taxes paid | | **(1,205)** | (1 224) |
| **Net cash flows from operating activities** | | **(3,840)** | 27 733 |
| **Cash flows from investing activities** | | | |
| Investments made in the year | 9 | **(7,399)** | (2,763) |
| Proceeds from disposal of investments | 9 | **795** | - |
| Interest received | | **226** | 288 |
| Acquisition of intangible assets | | **(1,128)** | (780) |
| Acquisition of property, plant and equipment | | **(22,901)** | (8,852) |
| Acquisition of subsidiaries - MIPS | | **18,470** | - |
| Acquisition of subsidiaries - other | | **(1,849)** | - |
| **Net cash used in investing activities** | | **(13,786)** | (12,107) |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of share capital | 16 | **1,003** | 1,240 |
| Draw down of loan | 14 | **30,952** | - |
| Repayment of borrowings | 14 | **(5,527)** | (60) |
| **Net cash from financing activities** | | **26,428** | 1,180 |
| **Net increase in cash and cash equivalents** | | **8,802** | 16,806 |
| **Effect of exchange rate fluctuation** | | **1,508** | 82 |
| **Cash and cash equivalents at the start of the period** | | **66,262** | 49,374 |
| **Cash and cash equivalents at the end of the period** | 12 | **76,572** | 66,262 |

# 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 Group has elected to prepare its parent Company financial statements in accordance with UK GAAP, these are presented on pages 104 to 107

**Basis of preparation**

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

There were no new standards and amendments to standards as adopted by the European Union at 30 April 2012, mandatory for the first time for the financial year beginning 1 May 2012, that had an impact on the Group

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 Group has 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 11

Further information regarding the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in notes 12, 14 and 19

In addition, note 19 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

**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 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

**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 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

Transactions of the Company-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 statement of other comprehensive income The presentational 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

Intangible assets are stated at cost of acquisition and amortized on a straight line basis over their estimated useful economic lives The residual values of intangible assets are assumed to be nil Useful economic lives are reviewed on an annual basis When the 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

The amortization rates applied are

| | |
|---|---|
| Developed technology | 5 to 10 years |
| Customer relationships | 10 years |
| Trade names | 15 years |
| In process R&D | 5 years once complete |
| Software, patents & trademarks | 2 to 5 years |

### Trade investments

Trade investments are classified as available for sale and are stated on the balance sheet at the fair value at the balance sheet date, with any gain or loss being recognized directly in the statement of comprehensive income Impairment losses and gains or losses on initial recognition are recognized in the income statement When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in income statement

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

The Group is exposed to equity securities price risk on available for sale financial assets As there can be no guarantee that there will be a future market for securities or that the value of such investments will rise, the directors evaluate each investment opportunity on its merits before committing the Group's funds The directors review holdings in such companies on a regular basis to determine whether continued investment is in the best interests of the Group Funds for such ventures are limited in order that the financial effect of any potential decline of the value of investments will not be substantial in the context of the Group's financial results

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

**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 amortized 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 | 50 years |
| Leasehold improvements | Equally over the period of the lease |
| Plant and equipment | 3 to 10 years |
| Motor vehicles | 4 years |

## Impairment

**Non-financial assets**

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

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

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying value of the asset or cash generating unit is reduced to its recoverable amount Impairment losses are recognized immediately in the 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 amortization, 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 utilized 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 recognized 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 Consolidated 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 Please refer to the final paragraph of the Revenue accounting policy disclosed above

**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 21

**Taxation**

A deferred tax asset (note 5) 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 7

**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 notes 13 and 15

**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 (note 24)

**Investments**

The Group has stated trade investments at fair value

## 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)
- Annual improvements to IFRS – 2009 – 2011 Cycle (effective for annual periods beginning on or after 1 January 2013)
- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)
- IAS 27 Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities – (effective for annual periods beginning on or after 1 January 2014)
- IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)

## 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 graphics, video, vision, processor, communications 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 Operating costs within the Technology business are not attributable to specific income streams and have not been allocated to specific income streams

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| **Revenue** | | |
| Technology business | | |
| Licensing | **29,112** | 34,392 |
| Royalties | **95,051** | 63,849 |
| Other | **1,553** | – |
| Total | **125,716** | 98,241 |
| Pure business | **25,751** | 29,258 |
| | **151,467** | 127,499 |
| **Operating profit / (loss)** | | |
| Technology business | **18,857** | 32,712 |
| Pure business | **(7,572)** | (4,345) |
| Segment operating profit | **11,285** | 28,367 |
| Net financing income | **875** | 177 |
| **Profit before tax** | **12,160** | 28,544 |
| **Taxation** | **(5,884)** | (8,083) |
| **Profit for the financial year** | **6,276** | 20,461 |

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Total assets** | | |
| Technology business | **239,796** | 117,469 |
| Pure business | **10,923** | 10,114 |
| Total segment assets | **250,719** | 127,583 |
| Cash and cash equivalents | **76,572** | 66 262 |
| Deferred tax | **10,446** | 18 829 |
| Unallocated assets | **991** | 44 |
| Total assets | **338,728** | 212,718 |
| **Total liabilities** | | |
| Technology business | **143,076** | 25,093 |
| Pure business | **4,260** | 4,711 |
| Total segment liabilities | **147,336** | 29,804 |
| Unallocated liabilities | **-** | 5 527 |
| Total liabilities | **147,336** | 35,331 |

| | | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| **Other segment items** | Technology business | **21,787** | 12,021 |
| Capital expenditure | Pure business | **1,451** | 290 |
| | | **23,238** | 12,311 |
| Depreciation and amortization | Technology business | **8,057** | 5,401 |
| | Pure business | **317** | 378 |
| | | **8,374** | 5,779 |

Revenue is reported by geographical area of sales as follows

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| USA | **85,189** | 63,051 |
| Asia | **32,518** | 28,803 |
| United Kingdom | **21,812** | 22,089 |
| Rest of Europe | **9,319** | 10,614 |
| Rest of North America | **1,411** | 610 |
| Rest of the world | **1,218** | 2,332 |
| | **151,467** | 127,499 |

The basis for attributing external customers to individual countries is the customer's country of domicile

Revenue from the largest customer of the Group in the year, which is included in revenue for the Technology division represents approximately £56,870,000 of the Group's total revenues No other individual customer represents over 10% of the Group's revenue

All revenue originated materially from the United Kingdom

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

**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 amortization of intangible assets acquired from acquisitions

| | Notes | Year to 30 April 2013 Technology £'000 | Pure £'000 | Total £'000 | Year to 30 April 2012 Technology £ 000 | Pure £ 000 | Total £ 000 |
|---|---|---|---|---|---|---|---|
| Reported operating profit | | **18,857** | **(7,572)** | **11,285** | 32 712 | (4,345) | 28,367 |
| Share-based incentive costs | 4 | **10,190** | **1,126** | **11,316** | 8,905 | 1,410 | 10,315 |
| Net gain on investments | 9 | **(1,763)** | **-** | **(1,763)** | (822) | - | (822) |
| Impairment of investments | 9 | **5,679** | **-** | **5,679** | 145 | - | 145 |
| Amortization of intangibles from acquisitions | 7 | **4,207** | **-** | **4,207** | 2,669 | - | 2,669 |
| Acquisition related items | | **2,744** | **-** | **2,744** | - | - | - |
| Contingent acquisition consideration release | | **-** | **-** | **-** | (4 009) | - | (4,009) |
| **Adjusted operating profit / (loss)** | | **39,914** | **(6,446)** | **33,468** | 39,600 | (2,935) | 36,665 |
| Net financing income | | | | **875** | | | 177 |
| **Adjusted profit before tax** | | | | **34,343** | | | 36,842 |

## 3 Expenses

| | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| **Operating profit is stated after charging/(crediting)** | | |
| Depreciation and amortization of owned property, plant and equipment and intangible assets | **8,374** | 5,807 |
| Foreign exchange gain | **(1,146)** | (219) |
| Operating lease rentals | | |
| Property | **2,298** | 1,456 |
| Other | **5,906** | 4,843 |
| **Auditor's remuneration** | | |
| Audit of these financial statements | **25** | 24 |
| Amount received by auditor and their associates in respect of | | |
| Audit of financial statements of subsidiaries of the Group | **116** | 54 |
| Audit-related assurance services | **12** | - |
| Other assurance services | **4** | - |
| Other services – tax filing services | **-** | 2 |
| | **157** | 80 |

Amounts paid to the Group's auditor in respect of services to the Group other than the audit of the Groups 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 | 2013 | 2012 |
|---|---|---|
| Research and development | **1,000** | 743 |
| Production | **45** | 41 |
| Administration | **97** | 88 |
| Sales and marketing | **107** | 95 |
| | **1,249** | 967 |

| The aggregate payroll costs of these persons were | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| Wages and salaries | **43,483** | 36,311 |
| Social security costs | **4,025** | 3,463 |
| Other pension costs | **2,302** | 2,536 |
| Share-based payment | **11,316** | 10,315 |
| | **61,126** | 52,625 |

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 Director's Renumeration Report on pages 59 to 65

## 5 Taxation

| | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| **Analysis of tax charge in the year** | | |
| **Current tax charge** | | |
| UK corporation tax | **1,088** | 4,540 |
| Foreign tax | **263** | 1,416 |
| Total current tax charge | **1,351** | 5,956 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | **4,257** | 1,721 |
| Effect of changes in tax rates on opening balances | **36** | 106 |
| Effect of changes in tax rates on closing balances | **268** | 795 |
| Changes in recoverable amounts of deferred tax assets | **460** | – |
| Adjustments in respect of prior periods | **(488)** | – |
| Benefit from previously unrecognized tax loss | **-** | (495) |
| Total deferred tax | **4,533** | 2,127 |
| **Total income tax charge** | **5,884** | 8,083 |

The total tax charge for the year of £5,884,000 (2012 £8,083,000) is higher (2012 higher) than the standard rate of corporation tax in the UK of 23 9% (2012 25 8%) The difference is explained below

| | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| Profit before taxation | **12,160** | 28,544 |
| Notional tax charge at UK standard rate of 23 9% (2012 25 8%) | **2,906** | 7,364 |
| Permanent differences | **(714)** | (2,495) |
| Transfers from previously unrecognized tax assets | **3,097** | 1,973 |
| Effect of tax rate change | **296** | 901 |
| Adjustments in respect of prior periods | **(488)** | (75) |
| Withholding tax | **1,430** | 1,241 |
| Higher taxes on overseas earnings | **(643)** | (826) |
| **Total income tax charge** | **5,884** | 8,083 |

**Tax on items charged to equity**

| | | |
|---|---|---|
| Deferred tax charge | **4,881** | 2,978 |
| Current tax credit | **(1,088)** | (4,540) |

The principal element of the deferred tax charge recorded against equity relates to the reversal of previously recognized deferred tax assets which were credited to equity The reversal of the asset occurs upon the exercise of share based incentives

## Current tax liability

At 30 April 2013, there is a current tax liability of £56,279 000 (2012 £nil) Of the 2013 liability, £55 918,000 relates to MIPS Technologies, Inc (MIPS) This tax liability is the result of MIPS completing a sale of patents for £240,000,000 prior to its acquisition by the Group

## Deferred tax

The movement on the deferred tax account is as follows

| | As at 1 May 12 £'000 | On acquisition of subsidiaries £'000 | Recognized in income statement £'000 | Recognized in equity £'000 | As at 30 April 2013 £ 000 |
|---|---|---|---|---|---|
| Tax losses | 10,201 | - | (8,372) | – | **1,829** |
| Share based payments (note 21) | 10,804 | - | 2,030 | (5,025) | **7,809** |
| Other timing differences | 131 | 2,369 | (1,857) | – | **643** |
| Capital allowances | (1 847) | 14 | 2,226 | – | **393** |
| Gain on investments | (460) | – | 316 | 144 | **-** |
| Gain on foreign exchange contract | - | – | (228) | – | **(228)** |
| Acquisition of intangible assets | (3,426) | (17,167) | 1,352 | – | **(19,241)** |
| | 15,403 | (14,784) | (4,533) | (4 881) | **(8,795)** |

| | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| **Deferred taxation has been presented on the balance sheet as follows** | | |
| Deferred tax asset | **10,446** | 18,829 |
| Deferred tax liability | **(19,241)** | (3,426) |
| At end of the period | **(8,795)** | 15,403 |

An additional £nil (2012 £495,000) of previously unrecognized tax assets were recognized in the year Management consider the utilisation of the £10,446,000 (2012 £18,829,000) deferred tax asset to be probable based on assessment of forecasts of future taxable profits

During the year the deferred tax liability increased by £17,167,000 as a result of a liability arising on intangible assets acquired as part of the acquisition of MIPS This deferred tax liability will reduce as the intangible assets are amortized over their useful lives with the balance remaining at year end set out above Further details on the acquisition are set out in note 24

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

### Unrecognized deferred tax assets

Deferred tax assets of £15,102,000 (2012 £11,633,000) reported at the applicable tax rate, have not been recognized in respect of tax losses in the US totalling £43,149 000 (2012 £33,237 000) Tax losses are increasing in the US as a result of continued R&D investment by the Group into its US subsidiaries

The losses 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 (2012 £nil)

In March 2012 the Chancellor revised the previously announced reduction in the main rate of UK corporation tax to 24% with effect from 1 April 2012 and a further reduction to 23% with effect from 1 April 2013 These changes became substantively enacted on 26 March 2012 and 3 July 2012 respectively and therefore the effect of these rate reductions has been included in the figures above

The Chancellor proposed a further change to reduce the main rate of corporation tax to 21% with effect from 1 April 2014, but this change has not been substantively enacted and therefore is not included in the figures above The overall effect would be to decrease the deferred tax asset

## 6 Earnings per share

| | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| Profit attributable to equity holders of the parent | **6,276** | 20 461 |

| | 2013 Shares '000 | 2012 Shares 000 Restated |
|---|---|---|
| Weighted average number of shares in issue | **264,903** | 260 503 |
| Less Weighted average number of shares held by Employee Benefit Trust | **(2,896)** | (3,601) |
| Effect of dilutive shares Employee incentive schemes | **12,925** | 14 205 |
| Weighted average number of shares potentially in issue | **274,932** | 271,107 |

| | | 2013 | 2012 Restated |
|---|---|---|---|
| **Earnings per share** | Basic | **2 4p** | 8 0p |
| | Diluted | **2 3p** | 7 5p |

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**

| | 2013 £'000 | 2012 £ 000 Restated |
|---|---|---|
| Adjusted profit before tax – (see note 2) | **34,343** | 36,842 |
| Adjusted taxation charge | **(9,689)** | (10 778) |
| Adjusted profit attributable to equity holders of the parent | **24,654** | 26,064 |

| | 2013 Shares '000 | 2012 Shares 000 Restated |
|---|---|---|
| Weighted average number of shares in issue | **264,903** | 260,503 |
| Less Weighted average number of shares held by Employee Benefit Trust | **(2,896)** | (3,601) |
| Effect of dilutive shares Employee incentive schemes | **12,925** | 14,205 |
| Weighted average number of shares potentially in issue | **274,932** | 271,107 |

| | | 2013 | 2012 Restated |
|---|---|---|---|
| **Adjusted earnings per share** | Basic | **9 4p** | 10 1p |
| | Diluted | **9 0p** | 9 6p |

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 2012 Basic Diluted and Adjusted earnings per share figures have been restated due to the Employee Benefit Trust shares being incorrectly included in the weighted average number of shares in issue

The approach to calculating the taxation charge which is included in the adjusted earnings per share calculation has changed and has necessitated a restatement of the 2012 figures The tax effect of the income statement items which are stripped out of statutory operating profit to derive adjusted operating profit (see note 2) has been assessed, and the statutory tax charge as disclosed in the consolidated income statement has been adjusted accordingly to provide a more relevant adjusted earnings per share calculation

## 7 Goodwill and other intangible assets

| | Goodwill £'000 | Intangible assets from acquisitions* £'000 | Software, patents and trademarks £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| 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 |
| At 1 May 2012 | **35,170** | **13,348** | **11,743** | **60,261** |
| Additions | **–** | **–** | **1,119** | **1,119** |
| Acquisition of subsidiaries | **23,328** | **51,112** | **1,069** | **75,509** |
| **At 30 April 2013** | **58,498** | **64,460** | **13,931** | **136,889** |
| **Amortization** | | | | |
| 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 |
| At 1 May 2012 | **3,517** | **3,559** | **10,061** | **17,137** |
| Charge for the year | **–** | **4,207** | **949** | **5,156** |
| **At 30 April 2013** | **3,517** | **7,766** | **11,010** | **22,293** |
| 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 |
| **Net book value at 30 April 2013** | **54,981** | **56,694** | **2,921** | **114,596** |

*Intangible assets from acquisitions are analysed below

| | Developed technology £'000 | Customer relationships £'000 | Trade names £ 000 | In process R&D £ 000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 May 2011 | 13,348 | – | – | – | 13,348 |
| At 30 April 2012 | 13,348 | – | – | – | 13,348 |
| At 1 May 2012 | **13,348** | **–** | **–** | **–** | **13,348** |
| Acquisition of subsidiaries | **41,596** | **7,153** | **1,597** | **766** | **51,112** |
| **At 30 April 2013** | **54,944** | **7,153** | **1,597** | **766** | **64,460** |
| **Amortization** | | | | | |
| At 1 May 2011 | 890 | – | – | – | 890 |
| Charge for the year | 2,669 | – | – | – | 2,669 |
| At 30 April 2012 | 3 559 | – | – | – | 3 559 |
| At 1 May 2012 | **3,559** | **–** | **–** | **–** | **3,559** |
| Charge for the year | **4,002** | **178** | **27** | **–** | **4,207** |
| **At 30 April 2013** | **7,561** | **178** | **27** | **–** | **7,766** |
| Net book value at 30 April 2011 | 12,458 | – | – | – | 12,458 |
| Net book value at 30 April 2012 | 9 789 | – | – | – | 9,789 |
| **Net book value at 30 April 2013** | **47,383** | **6,975** | **1,570** | **766** | **56,694** |

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 three 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 (2012 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 10% 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 (2012 10%)

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 prior year represented a correction of the goodwill balance recorded in the year ended 30 April 2011 in relation to the HelloSoft acquisition Goodwill was increased in the prior 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

## 8 Property, plant and equipment

| | Freehold land and buildings £'000 | Leasehold improvements £'000 | Plant and equipment £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| 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 |
| At 1 May 2012 | **18,880** | **3,372** | **16,480** | **38,732** |
| Additions | **17,065** | **419** | **4,635** | **22,119** |
| Acquisition of subsidiaries | **–** | **168** | **2,063** | **2,231** |
| Disposals | **–** | **(406)** | **(324)** | **(730)** |
| **At 30 April 2013** | **35,945** | **3,553** | **22,854** | **62,352** |
| **Depreciation** | | | | |
| 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 |
| At 1 May 2012 | **518** | **1,998** | **11,183** | **13,699** |
| Charge for the year | **444** | **361** | **2,413** | **3,218** |
| Disposals | **–** | **(398)** | **(40)** | **(438)** |
| **At 30 April 2013** | **962** | **1,961** | **13,556** | **16,479** |
| 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 |
| **Net book value at 30 April 2013** | **34,983** | **1,592** | **9,298** | **45,873** |

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| The net book value of freehold land and buildings comprises | | |
| Land | **9,349** | 5,072 |
| Buildings | **25,634** | 13,290 |
| | **34,983** | 18,362 |

During the year, a reclassification of fixed assets with a net book value of £4,277,000 was made from buildings to land This reclassification was made as it more accurately reflects the split between these two classes of the original value paid by the Group for two separate properties when they were acquired in November 2010 The intention at the time of acquisition was that the properties would be demolished and that new buildings would be constructed in their place, therefore the majority of the value paid was for the land

At 30 April 2013 the unamortised cost of buildings under construction accounted for within freehold land and buildings was £8,412,000 (2012 £7,688 000)

# 9 Investments

| | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| Trade investments classified as available for sale | **18,711** | 12,985 |

The investments relate to the Group's holdings in Toumaz Limited ('Toumaz') , GreenPlug, Inc ('Greenplug'), Audioboo Limited ('Audioboo'), Orca Systems, Inc ( Orca'), Blu-Wireless, UBC Media Group Plc ( UBC'), 7digital Group, Inc ('7digital') and Ineda Systems, Inc ('Ineda')

Frontier Silicon ( Frontier') – At the previous balance sheet date, the Group held a loan note issued by Frontier with a value of £795,000 This loan note was repaid to the Group during the year

The Group's equity investment in Frontier was held at £nil at the previous balance sheet date During the year Toumaz purchased the Group's holding in Frontier through a share exchange The fair value of the Toumaz shares received at the date of exchange was £2,057,000 and this generated a gain on the investment in Frontier which has been recognized in the Consolidated Income Statement

Toumaz – The Group received shares in exchange for its holding in Frontier The fair value of these shares was £2,057,000 The Group further increased its holding in Toumaz by investing £794,000 in cash The fair value of these shares acquired at the acquisition date was £678 000 which generated a loss on investment of £116 000 This loss has been recognized in the Consolidated Income Statement during the year At the balance sheet date, the Group's investment in Toumaz was valued at £6,795,000 (2012 £9,338,000) by reference to the quoted share price of Toumaz at the reporting date Investment in Toumaz was written down by £5,278,000 to reflect its share price at year-end £599 000 has been recorded within other comprehensive income as a reversal of a previous fair value increase, and £4,679,000 has been recorded in the Consolidated Income Statement reflecting an impairment in the cost of the original investment

GreenPlug – During the year the Group made a further investment in GreenPlug of £929,000 This comprised a cash investment of £309,000 and the provision of licenced deliverables totalling £620,000 At the balance sheet date a £401,000 increase in the value of the investment due to foreign exchange movement has been recognized as a change in fair value of available for sale investments in the Consolidated Statement of Comprehensive Income Due to delays in the commercial exploitation of the technology a provision for impairment of £1,000 000 has been recognized in the Consolidated Income Statement reflecting the decrease in the fair value of the investment The carrying value of the investment in Greenplug at the balance sheet date is £2,500,000

Audioboo – During the year the Group increased its holding in Audioboo by acquiring 85,859 shares for £170,000 in a funding round By reference to this funding round the Group's holding in Audioboo was valued at £347,000 (2012 £251,000) The £75,000 reduction in the fair value as at disposal has been recognized in the Consolidated Income Statement during the year Subsequently UBC purchased the Group's entire holding in Audioboo for consideration of shares in UBC The fair value of the shares received was £272,000 The £75,000 loss on disposal of Audioboo has been recognized in the Consolidated Income Statement during the year

UBC – The Group received shares with a fair value of £272,000 in exchange for its holding in Audioboo The Group then made a further cash investment of £342,000 in UBC during the year The fair value of these shares acquired was £28,000 less than the consideration paid resulting in a loss on investment that has been recognized in the Consolidated Income Statement At the balance sheet date a gain of £77,000 created as a result of the movement in UBC's share price has been recognized as a change in fair value of available for sale investments in the Consolidated Statement of Comprehensive Income The carrying value of the investment in UBC at the balance sheet date is £663,000

Orca – During the year the Group further invested in Orca through the purchase of a convertible promissory note for £132,000 At the balance sheet date an £18,000 increase in the value of the investment due to foreign exchange movements resulted in a carrying value of £580,000 The £18,000 increase has been recognized as a change in fair value of available for sale investments in the Consolidated Statement of Comprehensive Income

7digital – During the year the Group made a cash investment of £4,330,000 in 7digital At the balance sheet date a £184,000 increase in the value of the investment due to foreign exchange movements resulted in a carrying value of £4,514,000 The £184,000 increase has been recognized as a change in fair value of available for sale investments in the Consolidated Statement of Comprehensive Income

Blu-Wireless – The Group's investment in Blu-Wireless remains at £nil (2012 £nil)

Ineda – During the year, the Group made a £3 740 000 investment in Ineda This comprised a cash investment of £1,322 000 when purchasing a convertible promissory note, and the provision of licenced deliverables totalling £2,418,000 which Ineda settled by issuing equity shares At the balance sheet date an £81,000 decrease in the value of the investment due to foreign exchange movements resulted in a carrying value of £3 659,000 The £81,000 decrease has been recognized as a change in fair value of available for sale investments in the Consolidated Statement of Comprehensive Income

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

## 10 Inventories

| | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| Raw materials and components | **1,036** | 252 |
| Finished goods | **7,476** | 5,165 |
| | **8,512** | 5,417 |

Provisions of £644,000 (2012 £691 000) recognized in cost of sales were made against inventories During the period, £719,000 (2012 £487,000) of the provision against inventories was utilized for the write-down and write off of inventories As at 30 April 2013 the provision for obsolescence of inventories was £466,000 (2012 £541,000)

Raw materials, consumables and changes in finished goods and work in progress recognized as cost of sales in the period amounted to £19,538 000 (2012 £20 373,000)

## 11 Trade and other receivables

### Trade and other receivables – current assets

| | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| Trade receivables | **33,840** | 24,957 |
| Prepayments and accrued income | **24,499** | 13,638 |
| Other receivables | **5,679** | 2,473 |
| | **64,018** | 41,068 |

Provisions for impairment of £178,000 (2012 £nil) recognized in operating expenses were made against receivables £125,000 (2012 £nil) of provisions were utilized by writing down the gross value of receivables As at 30 April 2013 the provision for impairment of trade receivables was £nil (2012 £125,000)

## 12 Cash and cash equivalents

| | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| Cash at bank – short term deposits | **71,033** | 63,234 |
| Cash at bank – current account | **5,539** | 3,028 |
| Cash and cash equivalents as per consolidated statement of financial position | **76,572** | 66,262 |
| Cash and cash equivalents as per consolidated statement of cash flows | **76,572** | 66,262 |

## 13 Trade and other payables

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Trade payables | **6,491** | 5,807 |
| Other taxes and social security | **1,477** | 1,585 |
| Other payables | **1,629** | 1,234 |
| Accruals and deferred income | **23,828** | 15,938 |
| Deferred and contingent consideration | **2,150** | 1,814 |
| | **35,575** | 26 378 |

The deferred and contingent consideration is in respect of the acquisitions of HelloSoft, Inc (£1,662,000) and Nethra Imaging, Inc (£488,000) and represents an assessment of probable future consideration converted using the period end exchange rate, due within 12 months based on contractual payment dates

## 14 Interest bearing loans and borrowings

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Current liabilities** | | |
| Bank loan | **4,643** | 496 |
| **Non-current liabilities** | | |
| Bank loan | **26,309** | 5,031 |
| | **30,952** | 5,527 |
| Borrowings to be repaid within one year | **4,643** | 496 |
| Borrowings to be repaid between one and five years | **26,309** | 5,031 |
| Borrowings to be repaid over five years | **0** | 0 |
| | **30,952** | 5,527 |

In February 2013, the Group drew down a $48,000,000 term loan which was used to part fund the acquisition of MIPS Technologies Inc The loan is repayable in six, six monthly instalments commencing on the first anniversary of draw-down in February 2014 and finishing in August 2016 The loan is subject to variable quarterly interest payments at a rate of 1 5% above 3 month LIBOR on the outstanding balance

As part of the renegotiation of the Group's banking facilities which occurred during the year, the two bank loans disclosed in the prior year were repaid in full

The Group's bank loan revolving credit facility and overdraft facility are secured by a debenture dated March 2013 which gives HSBC Bank plc a fixed and floating charge over the assets of the Group and its principal subsidiary Imagination Technologies Limited The bank also has a legal charge over freehold land and buildings owned by the Group, which have a net book value of £25 361,000

## 15 Other payables

**Other non-current payables**

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Other payables | **1,285** | – |
| Deferred income | **1,036** | – |
| Corporation tax | **2,418** | – |
| Deferred and contingent consideration | **550** | – |
| | **5,289** | – |

The deferred and contingent consideration is in respect of the acquisition of Nethra Imaging, 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

## 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 2012 | 300 000,000 | 30,000 | 264,246,455 | 26 425 |
| Issued during period | – | – | 1,465,333 | 146 |
| At 30 April 2013 | **300,000,000** | **30,000** | **265,711,788** | **26,571** |

The rights attached to ordinary shares are as set out in the Directors' Report on page 43

### Share capital and share premium

The movement on the share capital and share premium reserve in the period arises from the issue of 1,465,333 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 £1,034,000 Of this consideration, £1,003,000 was settled in cash and £31,000 relating to shares issued at nil cost under the terms of specific employee share schemes, was debited to reserves

### 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 | |
|---|---|---|---|---|
| | **2013 £'000** | 2012 £ 000 | **2013 £'000** | 2012 £ 000 |
| Within one year | **2,322** | 1,457 | **5,050** | 4,464 |
| In two to five years | **2,722** | 2,198 | **7,144** | 7,450 |
| After five years | **–** | – | **–** | – |
| | **5,044** | 3,655 | **12,194** | 11,914 |

Other operating leases include the rental of software and vehicles

## 18 Capital commitments

At 30 April 2013, the Group had contractual capital commitments of £14,535,000 (2012 £7,152,000) The increase is due to obligations entered into during the year to commence work on a new building The majority of the work is due to be completed in the year ended 30 April 2014 with the remainder due early in the year ended April 2015

## 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 | 2013 £'000 | 2012 £ 000 |
|---|---|---|---|
| Financial assets | | | |
| Loans and receivables | | | |
| Trade and other receivables | 11 | **39,519** | 27,430 |
| Cash and cash equivalents | 12 | **76,572** | 66,262 |
| Available for sale investments | 9 | **18,711** | 12,985 |
| **Total financial assets** | | **134,802** | 106,677 |

| | Notes | 2013 £'000 | 2012 £ 000 |
|---|---|---|---|
| **Financial liabilities** | | | |
| Bank loan | 14 | **30,952** | 5,527 |
| Trade and other payables | 13 | **9,597** | 8,626 |
| **Total financial liabilities** | | **40,549** | 14,153 |

### 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 are entered into with the objective of matching their maturity with currency receipt During the period the total value of currency contracts entered into amounted to £61 722 000

(2012 £6,182 000) As at 30 April 2013 the outstanding currency contracts amounted to £33,437,000 (2012 £7 993,000) The fair value of these outstanding currency contracts was £991,000 (2012 £44,000) The movement in fair value of £947,000 has been recognized within finance income in the period

The analysis of financial assets and liabilities by foreign currency is as follows irrespective of the functional currency of the transacting entity

| | 30 April 2013 | | | | | 30 April 2012 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | £ | $ | € | Other | Total | £ | $ | € | Other | Total |
| Trade receivables | **1,667** | **31,788** | **348** | **37** | **33,840** | 2,033 | 22,151 | 621 | 152 | 24,957 |
| Other receivables | **3,153** | **2,091** | **11** | **424** | **5,679** | 1,467 | 688 | 10 | 308 | 2,473 |
| Cash and cash equivalents | **8,730** | **65,109** | **1,348** | **1,385** | **76,572** | 54,328 | 7 692 | 3,355 | 887 | 66,262 |
| Available for sale assets | **7,458** | **11,253** | **–** | **–** | **18,711** | 10,384 | 2 601 | – | – | 12,985 |
| Trade payables | **(4,587)** | **(1,700)** | **(98)** | **(106)** | **(6,491)** | (3,820) | (1,637) | (311) | (39) | (5,807) |
| Other payables | **(2,991)** | **–** | **(13)** | **(102)** | **(3,106)** | (1,873) | (566) | (11) | (369) | (2 819) |
| Bank loan | **–** | **(30,952)** | **–** | **–** | **(30,952)** | (5,527) | – | – | – | (5,527) |
| | **13,430** | **77,589** | **1,596** | **1,638** | **94,253** | 57,001 | 30,929 | 3,664 | 939 | 92,524 |

The significant foreign exchange risks for the Group are USD receivables of £28,702 000 and the USD loan of £30,952,000 held by the UK entities The majority of the other assets and liabilities are held within foreign subsidiaries in the respective local currencies

The majority of the USD cash and cash equivalents balance is to settle a pre acquisition tax liability of MIPS

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 2013, each additional one cent increase or decrease in the US Dollar exchange rate against Sterling would have decreased or increased revenues by circa £725,000 (2012 £615,000) and profit by circa £436,000 (2012 £395 000)

### 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

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | | 8,730 | - | 8,730 | | 54,328 | - | 54,328 |
| US Dollars | | 65,109 | - | 65,109 | | 7,692 | - | 7,692 |
| EU currencies | | 1,348 | - | 1,348 | | 3,355 | - | 3,355 |
| Yen | | 396 | - | 396 | | 64 | - | 64 |
| Rupees | | 343 | - | 343 | | 171 | - | 171 |
| Yuan | | 93 | - | 93 | | 17 | - | 17 |
| Zloty | | 53 | - | 53 | | 98 | - | 98 |
| New Zealand Dollars | | 33 | - | 33 | | - | - | - |
| Australian Dollars | | 467 | - | 467 | | 537 | - | 537 |
| | | 76,572 | - | 76,572 | | 66 262 | - | 66 262 |
| Floating rate | 0 0% | 5,539 | - | 5,539 | 0 0% | 3,028 | - | 3,028 |
| Fixed rate | 0 3% | 71,033 | - | 71,033 | 0 3% | 63,234 | - | 63,234 |
| | | 76,572 | - | 76,572 | | 66,262 | - | 66,262 |
| **Bank Loan** | | | | | | | | |
| Secured bank loan – Sterling* | - | - | - | - | 2 5% | (62) | (251) | (313) |
| Secured bank loan – Sterling* | - | - | - | - | 2 4% | (435) | (4,780) | (5 215) |
| Secured bank loan – USD* | 1 8% | (4,643) | (26,309) | (30,952) | - | - | - | - |
| | | (4,643) | (26,309) | (30,952) | | (497) | (5,031) | (5,528) |

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 00% and 0 51% 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 repaid its two long term loans and took out a new loan during the year with a balance of £30,952,000 at the balance sheet date The loan floats at 1 5% above quarterly LIBOR and the unexpired term is 3 years and 3 months

### Interest rate sensitivity analysis

In the financial year to 30 April 2013 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 £255,000 (2012 £466 000) 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 £133 000 (2012 £247,000)

### 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 The latter comprises share capital, reserves and retained earnings as disclosed in note 16 and the Consolidated Statement of Changes in Equity 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 2013 £'000 | Impairment 2013 £'000 | Gross 2012 £ 000 | Impairment 2012 £ 000 |
|---|---|---|---|---|
| Not past due | **27,398** | **-** | 19 565 | – |
| Past due 0-90 days | **4,174** | **-** | 3,939 | – |
| Past due greater than 90 days | **2,268** | **-** | 1,578 | (125) |
| | **33,840** | **-** | 25,082 | (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 and £20 million revolving credit facility

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

| April 2013 | 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 | **30,952** | **31,092** | **4,783** | **9,286** | **17,023** | **-** |
| Trade and other payables | **9,597** | **9,597** | **9,597** | **-** | **-** | **-** |
| | **40,549** | **40,689** | **14,380** | **9,286** | **17,023** | **-** |

| 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 | – |

### 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 | 2013 Carrying amount and fair value £'000 | 2012 Carrying amount and fair value £ 000 |
|---|---|---|---|
| **Financial assets** | | | |
| Trade and other receivables | 11 | **39,290** | 27,430 |
| Cash and cash equivalents | 12 | **76,572** | 66,262 |
| Available for sale investments | 9 | **18,711** | 12,985 |
| **Financial liabilities** | | | |
| Long term borrowings | 14 | **(30,952)** | (5,527) |
| Trade and other payables | 13 | **(9,597)** | (8,626) |

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

UBC – the valuation is based on the quoted share price for UBC Media Group on AIM This investment is categorised as Level 1

GreenPlug – the valuation of the equity holding in GreenPlug is based on management s best estimate based on information made available to them This investment is categorised as Level 3

Orca – the valuation is based on the purchase price of the investment This investment is categorised as Level 3

7digital – the valuation is based on the purchase price of the investment which was acquired during the year This investment is categorised as Level 3

Ineda – the valuation is based on the purchase price of the investment 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

| | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| Level 1 | **7,458** | 9 338 |
| Level 2 | **-** | - |
| Level 3 | **11,253** | 3,647 |
| | **18,711** | 12,985 |

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 2012 | 3,647 |
| Investment in the year | 9,301 |
| | |
| Total gains and losses | |
| In income statement | 907 |
| In other comprehensive income | 522 |
| Disposals | (3,124) |
| **At 30 April 2013** | **11,253** |

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 GreenPlug is Management s best estimate as at the balance sheet date based on information available to them An impairment of £1,000 000 has been recognized in the current year The valuation as at 30 April 2013 would be impacted by changes in the assumptions in obtaining the estimate, however the current valuation is considered to represent the fair value as at 30 April 2013

The valuation of Orca, 7digital and Ineda is based on the purchase price of the investment at the most recent funding rounds and any changes in the intervening period to 30 April 2013 are not materially different to these valuations

### Loan note

Convertible loan notes are recognized at fair value as they are convertible to shares in Ineda and Orca The value of the shares issued are expected to be equal to the face value of the convertible loan note

### 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 2013 or 30 April 2012

## 21 Employee benefits

### Pension

The Company 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 2013

| Year of Issue | Outstanding at 30 April 2013 | Exercise price | Date from which first exercisable | Expiry date |
|---|---|---|---|---|
| 2003 | 32 500 | 60p | 2006 | 2013 |
| 2003 | 1 500 | 34 5p | 2006 | 2013 |
| 2004 | 26 500 | 82p | 2007 | 2014 |
| 2005 | 483 715 | 64 25p | 2008 | 2015 |
| 2005 | 313,025 | 67 5p | 2008 | 2015 |
| 2006 | *145,000 | 55p | 2009 | 2016 |
| 2009 | 1,544 | 139 0p | 2012 | 2013 |
| 2010 | 328,981 | 305 2p | 2013 | 2014 |
| 2011 | 388,185 | 366 2p | 2014 | 2015 |
| 2012 | 391,428 | 381 2p | 2015 | 2016 |
| Sub-total of options with exercise price | 2,112,378 | | | |

| Year of Issue | Outstanding at 30 April 2013 | Exercise price | Date from which first exercisable | Expiry date |
|---|---|---|---|---|
| 2011 | 946,156 | 0p | 2011 | 2016 |
| 2011 | 1,609 510 | 0p | 2014 | 2019 |
| 2012 | 1,671,596 | 0p | 2015 | 2020 |
| 2012 | 237 255 | 0p | 2012 | 2017 |
| 2012 | 1,000 | 0p | 2013 | 2018 |
| 2012 | 1,000 | 0p | 2014 | 2019 |
| 2012 | 1,000 | 0p | 2015 | 2020 |
| 2012 | 445,260 | 0p | 2015 | 2020 |
| 2012 | 80,757 | 0p | 2013 | 2018 |
| 2012 | 168,475 | 0p | 2014 | 2019 |
| Sub-total of nil cost options | 5,162,009 | | | |
| | **7,274,387** | | | |

*Options have been granted under the Long Term Incentive Plan

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

| Year of Issue | Weighted average exercise price 2013 | Number of options 2013 | Weighted average exercise price 2012 | Number of options 2012 |
|---|---|---|---|---|
| Outstanding at the beginning of the period | **1 43p** | **2,916,975** | 82p | 4,991 729 |
| Exercised during the period | **87p** | **(1,157,922)** | 53p | (2,411,932) |
| Granted during the period | **381 2p** | **392,747** | 355p | 413,982 |
| Lapsed during the period | **254p** | **(39,422)** | 191p | (76,804) |
| Outstanding at the end of the period | **216p** | **2,112,378**** | 143p | 2,916,975 |
| Exercisable at the end of the period | **64p** | **1,002,240** | 53p | 1,591,793 |

The weighted average share price during the period was 491 44p (2012 488 94p)

The options outstanding at the year end have an exercise price in the range of 0p to 381 2p and a weighted average contractual life of 2 0 years

**Excludes 5 162,009 nil cost options Movements of which are shown with share awards below

### Employee Share Plan

The following awards have been granted under the Imagination Technologies Employee Share Plan and remain outstanding at 30 April 2013

| Year of Issue | Outstanding at 30 April 2013 | Date from which first exercisable | Expiry date |
|---|---|---|---|
| 2009 | 8,170 | 2012 | 2013 |
| 2009 | 1,564,128 | 2012 | 2019 |
| 2009 | 2,250,000 | 2012 | 2014 |
| 2010 | 1,130,818 | 2013 | 2013 |
| 2010 | 326,000 | 2013 | 2014 |
| 2011 | 1,813,059 | 2014 | 2014 |
| 2011 | 237 341 | 2013 | 2013 |
| 2011 | 345 038 | 2014 | 2014 |
| 2012 | 58,965 | 2015 | 2015 |
| 2012 | 54,685 | 2013 | 2014 |
| 2012 | 54,684 | 2014 | 2015 |
| 2012 | 54 681 | 2015 | 2016 |
| 2012 | 241,770 | 2015 | 2016 |
| 2012 | 1,220,224 | 2015 | 2022 |
| 2013 | 61,381 | 2016 | 2023 |
| | **9,420,944** | | |

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

| Year of Issue | Number of share awards and options 2013 | Number of share awards and options 2012 |
|---|---|---|
| Outstanding at the beginning of the period | **13,172,245** | 14,345,879 |
| Exercised during the period | **(2,142,263)** | (3,681,895) |
| Granted during the period | **4,677,024** | 6,154,897 |
| Lapsed during the period | **(1,124,053)** | (3,647,416) |
| Outstanding at the end of the period | **14,582,953** | 13,172,245 |
| Exercisable at the end of the period | **5,005,709** | 1 029,689 |

As at 30 April 2013 1 763 940 (2012 3 601,090) shares are held by the Company's Employee Benefit Trust

The Company has share option schemes and an employee share plan scheme, details of which are contained in the Director's Remuneration Report on pages 59 to 65

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 |
|---|---|---|---|---|---|---|---|
| Share price at grant date (pence) | 67 5 | 5 | 88 | 113 | 69 5 | 210 | 432 |
| Exercise price (pence) | 84-101 | 69-82 | – | – | – | – | – |
| Expected volatility | 60% | 60% | 60% | 41% | 46% | 63% | 64% |
| Risk free interest rate | 4 4% | 4 5% | 4 5% | 5 8% | 4 4% | 1 7% | 0 8% |
| Time to maturity (years) | 5 | 5 | 3 | 3 | 3 | 3 | 3 |
| Fair value per option (pence) | 34 4 | 28 0 | 34 7 | 44 5 | 31 2 | 118 | 235 |

| Date of share option grant | Oct 2011 | Jun 2012 | Oct 2012 | Oct 2012 | Oct 2012 | Nov 2012 | Dec 2012 |
|---|---|---|---|---|---|---|---|
| Share price at grant date (pence) | 457 8 | 466 6 | 456 6 | 456 6 | 456 6 | 4 670 | 409 2 |
| Exercise price (pence) | – | – | – | – | – | 381 2 | – |
| Expected volatility | 62 4% | 51 2% | 54 4% | 54 0% | 51 1% | 51 0% | 50 7% |
| Risk free interest rate | 0 51% | 0 38% | 0 26% | 0 26% | 0 32% | 0 35% | 0 39% |
| Time to maturity (years) | 3 25 | 3 | 1 | 2 | 3 | 3 25 | 3 |
| Fair value per option (pence) | 243 9 | 333 6 | 289 1 | 321 3 | 343 5 | 233 0 | 300 8 |

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

| Date of ESP grant | Oct 2008 | Oct 2009 | Dec 2009 | Apr 2010 | Oct 2010 | Dec 2010 | Apr 2011 |
|---|---|---|---|---|---|---|---|
| Share price at grant date (pence) | 48 | 208 | 228 | 226 | 435 | 378 | 435 |
| Expected volatility | 49% | 63% | 59% | 63% | – | – | – |
| Risk free interest rate | 3 4% | 1 7% | 2 2% | 1 7% | – | – | – |
| Time to maturity (years) | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Fair value per option (pence) | 34 2 | 156 3 | 145 0 | 182 0 | 435 | 378 | 435 |

| Date of ESP grant | Oct 2011 | June 2012 | Oct 2012 | Oct 2012 | Oct 2012 | Dec 2012 | Jan 2013 |
|---|---|---|---|---|---|---|---|
| Share price at grant date (pence) | 428 1 | 466 6 | 456 6 | 456 6 | 456 6 | 409 2 | 464 5 |
| Expected volatility | 36 0% | 51 2% | 54 4% | 54 0% | 51 1% | 50 7% | 51 1% |
| Risk free interest rate | 0 87% | 0 38% | 0 26% | 0 26% | 0 32% | 0 39% | 0 45% |
| Time to maturity (years) | 3 | 3 | 1 | 2 | 3 | 3 | 3 |
| Fair value per option (pence) | 356 2 | 333 6 | 289 1 | 321 3 | 343 5 | 300 8 | 264 0 |

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

## Share-based payments for the year

Share-based payments for the current and prior year are

| Year of Award | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| 2006/7 | **–** | 2 |
| 2007/8 | **–** | – |
| 2008/9 | **–** | 326 |
| 2009/10 | **1,819** | 3,024 |
| 2010/11 | **4,717** | 5,023 |
| 2011/12 | **2,096** | 1,940 |
| 2012/13 | **2,684** | – |
| | **11,316** | 10 315 |

The future estimated expense for share award schemes outstanding at 30th April 2013 is

| Year of Award | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| To be incurred within one year | **10,344** | 9,468 |
| To be incurred after one year | **6,790** | 7,718 |
| | **17,134** | 17,186 |

A deferred tax asset of £7,809,000 (2012 £10,804,000) has been recognized relating share-based payments (note 5) 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 Directors' Remuneration Report on pages 59 to 65

The key management personnel compensations are as follows

| | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| Emoluments | **1,157** | 948 |
| Pension contributions | **75** | 67 |
| Share based payments | **809** | 1,029 |
| | **2,041** | 2,044 |

Details of key management's interests in the Company's shares and share options are set out in the Directors' Remuneration Report on pages 59 to 65

During 2013 and 2012, 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 Digital Limited* | UK | Ordinary | **100% |
| Imagination Technologies GmbH | Germany | Ordinary | **100% |
| Imagination Technologies, Inc | US | Ordinary | **100% |
| Imagination Tech , Inc | US | Ordinary | **100% |
| Imagination Technologies KK | Japan | Ordinary | 100% |
| Imagination Technologies India Private Limited | Japan | Ordinary | **100% |
| Pure Australasia Pty Limited | Australia | Ordinary | **100% |
| Bristol Interactive Limited* | UK | Ordinary | **100% |
| Caustic Graphics, Inc | US | Ordinary | 100% |
| HelloSoft, Inc | US | Ordinary | 100% |
| Imagination Technologies Hyderabad Private Limited | India | Ordinary | **100% |
| Imagination Technologies NZ Limited | NZ | Ordinary | **100% |
| MIPS Technologies, Inc | US | Ordinary | **100% |
| MIPS Technologies International Limited | Cayman Islands | Ordinary | **100% |
| MIPS Technologies (Shanghai) Co Ltd | China | Ordinary | **100% |
| MIPS Technologies B V | Netherlands | Ordinary | **100% |
| Hellosoft Limited | UK | 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 year It acquired the entire issued share capital of MIPS Technologies, Inc , the trade and assets of Nethra Imaging, Inc and the trade and assets of Paragon Electronic Design Limited

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

### MIPS Technologies, Inc

On 7 February 2013 the Group acquired 100% of the share capital of MIPS Technologies, Inc ('MIPS'), a company based in the US, which is a provider of IP processor architectures and cores used in products relating to the home entertainment, communications, networking and portable multimedia markets

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

| | Fair value to Group on acquisition £ 000 |
|---|---|
| Property, plant and equipment | 1,977 |
| Goodwill | 23,236 |
| Intangible assets – patents and trademarks | 1,014 |
| Intangible assets – developed technology | 39,533 |
| Intangible assets – customer relationships | 7,153 |
| Intangible assets – trade names | 1,597 |
| Intangible assets – in process R&D | 766 |
| Cash | 82 335 |
| Trade and other receivables | 15,893 |
| Trade and other payables | (92,472) |
| Deferred tax liability | (17,167) |
| **Net assets acquired** | **63,865** |
| Consideration transferred | 63,865 |
| **Total consideration** | **63,865** |

The goodwill of £23,236 000 represents the benefits that the Group expects to gain from future technology and future customers as well as value represented by the assembled workforce

The intangible asset relating to developed technology of £39,533 000 represents the value placed on MIPS technology and the underlying patents

The intangible asset relating to customer relationships of £7,153,000 represents the value placed on the MIPS customer base

The intangible asset relating to trade names of £1 597,000 represents the value placed on the MIPS brand

The intangible asset relating to in process R&D of £766,000 represents the value placed on developing IP which was not complete at the acquisition date

The revenue attributable to the Group from the date of acquisition to 30 April 2013 was £8,174 698 and the profit after tax was £978,660

The revenue and profit after tax for the period from 1 May 2012 to the date of acquisition were respectively £274,224,247 and £141,724,895

Within the revenue and profit for the period from 1 May 2012 to the date of acquisition were a number of transactions relating to part of the MIPS business which was not acquired by the Company These transactions include the sale of patents and patent licenses totalling £240,000,000 together with associated costs and tax liabilities relating to the transactions Adjusting for these items would result in revenue and profit after tax for the period from 1 May 2012 to the date of acquisition of respectively £26 169,486 and £3,708,005

Acquisition related transaction costs of £2,851,519 were incurred during the year These are included in acquisition and restructuring costs in the Consolidated Income Statement

### Nethra Imaging, Inc

The Group acquired the assets and trade of Nethra Imaging, Inc ('Nethra'), a company based in the US, on 20 June 2012 Nethra is a provider of semiconductor and systems-based imaging and video solutions for a wide range of digital consumer and industrial applications

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

| | Fair value to Group on acquisition £'000 |
|---|---|
| Intangible assets - developed technology | 2,063 |
| Trade and other receivables | 755 |
| Trade and other payables | (81) |
| **Net assets acquired** | **2,737** |
| Consideration transferred | 1,593 |
| Deferred and contingent consideration | 1,144 |
| **Total consideration** | **2,737** |

The intangible asset relating to developed technology of £2,063,000 represents the value placed on the technology

The revenue attributable to the Group from the date of acquisition to 30 April 2013 was £1,361,980 and the loss was £2,480,904 The revenue and loss for the period from 1 May 2012 to the date of acquisition were respectively £211,864 and £385,918 Acquisition related transaction costs of £76 844 were incurred during the year These are included in acquisition and restructuring costs in the Consolidated Income Statement

### Paragon Electronic Design Limited

The Group acquired the assets and trade of Paragon Electronic Design Limited ('Paragon'), a company based in New Zealand, on 2 July 2012 Paragon is a provider of contract electronics, software design and development

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

| | Fair value to Group on acquisition £'000 |
|---|---|
| Property, plant and equipment | 4 |
| Intangible assets – software patents and trademarks | 55 |
| Goodwill | 93 |
| **Net assets acquired** | **152** |
| Consideration transferred | 152 |
| **Total consideration** | **152** |

The goodwill of £93,000 represents the benefits that the Group expects to gain from future technology as well as the value represented by the assembled workforce

The revenue attributable to the Group from the date of acquisition to 30 April 2013 was £470 260 and the profit was £45,179 The revenue and profit for the period from 1 May 2012 to the date of acquisition were respectively £94 052 and £9,036 Acquisition related transaction costs of £20,257 were incurred during the year These are included in acquisition and restructuring costs in the Consolidated Income Statement

# Imagination Technologies Group plc parent company balance sheet

| | Notes | As at 30 April 2013 £'000 | As at 30 April 2012 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investment in subsidiary undertakings | 3 | **117,298** | 74,138 |
| **Current assets** | | | |
| Debtors | 4 | **72,389** | 71,412 |
| Cash | | **533** | 635 |
| | | **72,922** | 72,047 |
| **Current liabilities** | | | |
| Creditors amounts falling due within one year | 5 | **(6,667)** | (1,831) |
| Net current assets | | **66,255** | 70,216 |
| Total assets less current liabilities | | **183,553** | 144,354 |
| **Non-current liabilities** | | | |
| Interest bearing loans and borrowings | 5 | **(26,309)** | – |
| **Net assets** | | **157,244** | 144,354 |
| Capital and reserves | | | |
| Called up share capital | 8 | **26,571** | 26,425 |
| Share premium account | 9 | **99,236** | 98,348 |
| Other capital reserve | 9 | **1,423** | 1 423 |
| Warrant reserve | 9 | **–** | – |
| Share based payment reserve | 9 | **34,848** | 23 532 |
| Retained earnings | 9 | **(4,834)** | (5,374) |
| **Equity shareholders' funds** | 10 | **157,244** | 144,354 |

These financial statements were approved by the Board of Directors on 18 June 2013 and were signed on its behalf by

**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 profit for the year of £571,000 (2012 £1,200,000 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

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 Group'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 Directors' Remuneration Report on pages 59 to 65) 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 Directors' Remuneration Report on page 62 The Non-Executive Directors are remunerated by the Group

## 3 Investments in subsidiary undertakings

| | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| **Cost and net book value** | | |
| At beginning of period | **74,138** | 63 478 |
| Addition – Further investment in subsidiary undertaking | **31,933** | 31 933 |
| Addition – Revaluation of deferred consideration due on acquisition of subsidiary | **81** | – |
| Addition – Share based payment to employees of subsidiary | **11,146** | 8,798 |
| Adjustment – Purchase of subsidiary undertakings | **–** | 1,862 |
| At end of period | **117,298** | 74 138 |

The adjustment made to investments in the prior year represented a correction of the balance recorded in the April 2011 accounts in relation to the HelloSoft acquisition Investments were increased in the prior year to reflect the deferred consideration which was inadvertently excluded from cost of acquisitions as at 30 April 2011

## 4 Debtors

| | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| Other debtors | **73** | 77 |
| Amounts owed by subsidiary undertakings | **72,316** | 71,335 |
| | **72,389** | 71,412 |

£31 933,000 (2012 £nil) of the amounts owed by subsidiary undertakings are due after more than one year

## 5 Creditors: Amounts falling due within one year

| | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| Bank loan | **4,643** | – |
| Accruals and deferred income | **362** | 17 |
| Deferred and contingent consideration | **1,662** | 1,814 |
| | **6,667** | 1,831 |

In February 2013, the Group drew down a $48 000,000 term loan which was used to part fund the acquisition of MIPS Technologies, Inc The loan is repayable in six, six monthly instalments commencing on the first anniversary of draw-down in February 2014 and finishing in August 2016 The loan is subject to variable quarterly interest payments at a rate of 1 5% above 3 month LIBOR on the outstanding balance

At the balance sheet date the Group's bank loan equated to £30,952,000 (2012 £nil) of which £4 643,000 is due within one year (2012 £nil) and £26,309,000 is due after one year but less than five years

The loan is secured by a debenture dated March 2013 which gives HSBC Bank plc a fixed and floating charge over the assets of the Company and its principle subsidiary Imagination Technologies Limited The bank also has a legal charge over freehold land and buildings owned by the Group which have a net book value of £25,361,000

## 6 Operating leases

At 30 April 2013, the Company had no operating lease commitments (2012 £nil)

## 7 Capital commitments

At 30 April 2013, the Company had no capital commitments (2012 £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 2011 | 97,300 | 1,423 | – | 13,317 | (3,756) |
| Loss for the financial year | – | – | – | – | (1,200) |
| Issue of new shares | 1,048 | – | – | – | – |
| Shares issued at nil cost | – | – | – | – | (418) |
| Share-based remuneration | – | – | – | 10,215 | – |
| At 30 April 2012 | 98,348 | 1,423 | – | 23,532 | (5,374) |

| | Share premium £'000 | Other capital reserve £'000 | Warrant reserve £'000 | Share based payment reserve £'000 | Retained earnings £'000 |
|---|---|---|---|---|---|
| **At 1 May 2012** | **98,348** | **1,423** | **–** | **23,532** | **(5,374)** |
| **Profit for the financial year** | **–** | **–** | **–** | **–** | **571** |
| **Issue of new shares** | **888** | **–** | **–** | **–** | **–** |
| **Shares issued at nil cost** | **–** | **–** | **–** | **–** | **(31)** |
| **Share-based remuneration** | **–** | **–** | **–** | **11,316** | **–** |
| **At 30 April 2013** | **99,236** | **1,423** | **–** | **34,848** | **(4,834)** |

## 10 Reconciliation of movements in equity shareholders' funds

| | 2013 £'000 | 2012 £ 000 |
|---|---|---|
| Equity shareholders' funds at the start of the period | **144,354** | 134 099 |
| Profit / (loss) for the financial year | **571** | (1 200) |
| Share-based remuneration | **11,316** | 10 215 |
| Issue of new shares | **1,003** | 1 240 |
| Equity shareholders' funds at the end of the period | **157,244** | 144,354 |

# Consolidated five year record

| | 2013 £'000 | 2012 £ 000 | 2011 £ 000 | 2010 £ 000 | 2009 £ 000 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Revenue | **151,467** | 127,499 | 98,045 | 80,927 | 64,088 |
| Cost of sales | **(20,816)** | (21,014) | (20,791) | (25,004) | (21,755) |
| Gross profit | **130,651** | 106,485 | 77,254 | 55,923 | 42,333 |
| Research and development expenses | **(83,956)** | (59,633) | (44,696) | (35 370) | (31,114) |
| Sales and administration expenses | **(28,750)** | (23,171) | (16,298) | (10 562) | (8 100) |
| Gain/(write down) of investments | **1,763** | 822 | - | 148 | (517) |
| Impairment of investments | **(5,679)** | (145) | - | - | - |
| Acquisition & restructuring costs | **(2,744)** | - | - | - | - |
| Contingent acquisition consideration release | - | 4,009 | - | - | - |
| Total operating expenses | **(119,366)** | (78,118) | (60,994) | (45,784) | (39,731) |
| Operating profit | **11,285** | 28 367 | 16 260 | 10 139 | 2,602 |
| Net financing income | **875** | 177 | 100 | 52 | 120 |
| **Profit before taxation** | **12,160** | 28,544 | 16,360 | 10,191 | 2,722 |
| Taxation | **(5,884)** | (8,083) | 2,918 | 4,016 | 5,404 |
| **Profit for the financial year** | **6,276** | 20,461 | 19,278 | 14,207 | 8 126 |

| | | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| **Earnings per share** | Basic | **2 4p** | 8 0p | 7 7p | 6 0p | 3 7p |
| | Diluted | **2 3p** | 7 5p | 7 4p | 5 6p | 3 5p |

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| **Statement of financial position** | | | | | |
| Non-current assets | **189,626** | 99,971 | 91 396 | 26,139 | 20,109 |
| Current assets | **149,102** | 112,747 | 83 153 | 55,007 | 36,299 |
| **Total assets** | **338,728** | 212,718 | 174,549 | 81,146 | 56,408 |
| Current liabilities | **(96,497)** | (26,874) | (17 686) | (11 987) | (10 304) |
| Non-current liabilities | **(50,839)** | (8 457) | (13,793) | (373) | (506) |
| **Total liabilities** | **(147,336)** | (35,331) | (31,479) | (12,360) | (10,810) |
| **Net assets** | **191,392** | 177,387 | 143,070 | 68,786 | 45,598 |
| Called up share capital | **26,571** | 26,425 | 25,815 | 24,345 | 22,839 |
| Capital reserves | **103,026** | 102,935 | 101,078 | 64,595 | 59,629 |
| Retained earnings | **61,795** | 48,027 | (16,177) | (20,154) | (36,870) |
| **Total equity** | **191,392** | 177,387 | 143 070 | 68,786 | 45,598 |

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