Imagination Technologies Group plc

Company Number 2920061

Annual Report 2014

Contents

Chairman's statement

The year has seen continued significant development of the Group's strategy, especially the strong licensing activity in our three key IP areas of multimedia, processor and communications. As a result the customer base has grown significantly and provides a stronger and broader base for future unit and revenue growth. While royalty volumes did not show the development we have seen in previous years, we are confident that the design wins achieved during the year will result in strong growth in unit shipments in future years.

The integration of the MIPS business has progressed well and customer response and interest in this and the comprehensive range of technologies we have to offer give us great confidence for the future. This acquisition will contribute significant value to the Group.

Our three key silicon IP families, which we continue to develop, enable us to support our customers with market-specific solutions and platforms. Our IP and the platforms they enable are of strong interest to established global players as well as innovative new organizations.

In this context Pure's role creating and driving new technologies continues to have a fundamental place in the Group's strategy and hence operations. The launch of the Jongo wireless speaker products in multiple international markets is symptomatic of this and has led to a number of licenses and licensing opportunities for the technology segment of our business to exploit. It is true that tougher markets for DAB have impacted on the performance of the Pure division and we have taken steps to align the business and the cost base to reflect this. It is important that this broadening role of Pure should be properly seen in the strategic context of how we wish to position our platform enabling and other technologies in the remainder of the decade.

We continue to make important investments in our facilities to provide an effective working environment for our staff. The second of the three phase redevelopment of our Head Office campus is now complete. These investments are essential to secure the continued development of our leading world class technology solutions. The third and final phase will start shortly and will complete in 2015.

Maintaining high standards of corporate governance are important for ensuring that the Group develops and is managed effectively. Following the appointment of new non-executive directors last year we have conducted an external Board evaluation to identify areas for further development. It is also appropriate to mention at this point that it is planned that this will be the last time I will write the Chairman's Statement. I joined Imagination as it demerged and floated in 1994 and have had the honour to be your Chairman since 1996. I am extremely proud to have had this opportunity to participate in some way in what has been an exciting British technology enterprise and to be associated with an outstanding team of people. I must give huge credit for the success of the Group and its exciting progress to our executives and the remainder of the staff that now numbers over 1,600 employees. Their creativity, desire for success and commitment to quality aligned with exceptional efforts continue to be the foundation of our achievements.

I plan to retire and we have already a process in train to find and hire my replacement. It is not possible yet to put a fixed timescale other than we plan that this is my last year and as soon as the next Chairman is identified it will be announced and an orderly transition effected.

Thank you for your keen continued interest and I personally thank you for your loyal support and the encouragement I have had from all stakeholders these last 20 years.

G. S. Shingles

Geoff Shingles
Chairman

Innovation
comes from
Imagination

Abbreviations explained

DAB	Digital Audio Broadcast
CPU	Central Processing Unit
ODM	Original Design Manufacturer
OEM	Original Equipment Manufacturer
API	Application Programming Interface
DOK	Design Optimization Kit
MCU	Micro Controller Unit
GPU	Graphics Processing Unit
LTE	Long Term Evolution
SDK	Software Development Kit
IP	Intellectual Property
SoC	System on Chip

Explaining Imagination

Imagination is one of the world's top three silicon IP companies.

We've achieved that position because we have a passion for innovation and the drive to develop technologies that enrich our customers' products, and their customers' lives.

We create and license market-leading processor solutions for graphics, video and vision processing, CPU processors, multi-standard connectivity, and cross-platform voice/video communication.

The Company's broad range of silicon IP (intellectual property) includes the key processing blocks needed to create the Systems on Chips (SoC) that power all mobile, consumer and embedded electronics.

Our unique software IP, infrastructure technologies and system solutions enable our customers to get to market quickly with complete and highly differentiated SoC platforms.

Imagination's licensees include many of the world's leading semiconductor manufacturers, network operators and OEMs/ODMs who are creating some of the world's most iconic products.

They are attracted to us because we build win-win partnerships that enable our customers to differentiate their products using our IP, and together deliver unique products and businesses.

> *"Our broad portfolio of IP and our future technology vision is designed to inspire innovation and disruptive designs from the best engineers in the world. It is a mark of the quality of what we do that our technology is accepted and innovated further upon by the very best chip, product and software companies."*
>
> ***– Hossein Yassaie, CEO, Imagination Technologies***

We package our IP in ever more creative ways, from IP cores, through subsystem IP platforms, to complete solution IP reference platforms. This makes us unique in the IP business. We are the IP company with a true focus on the solutions our customers require as a springboard to differentiation, best time to market and compelling ROI (return on investment).

Our silicon and software intellectual property solutions for systems-on-chip are complemented by an extensive portfolio of software drivers, developer tools and extensive market and technology-focused ecosystems.

Our technology has unique advantages that make it highly desirable, even to market leading technology companies.

Our focus on low power consumption, the smallest silicon area, and the highest efficiency are three leading reasons our technology is in demand from leading chip companies. These design imperatives permeate everything we do.

Through our market leading and innovative customers we are in iconic, ubiquitous and life enhancing products.

With over seven billion units shipped there is an Imagination enabled product for everyone on earth.

Business model

At the heart Imagination is a semiconductor IP company. Our focus is on a growing portfolio of software and infrastructure technologies required for enabling system-level cloud-connected designs. We complement this with an increasing number of consumer facing technologies.

We license fundamental multimedia, communications and processor technologies and receive a royalty when products using those technologies ship into the market.

Our royalties are usually based on our customers' ASP (average selling price).

The balance between licensee fees, support and royalty means that our profit comes from our participation in our customers' success.

Vision

We enable world-class companies to deliver truly life enhancing products, developers to create engaging user experiences, and students and 'makers' to create exciting new applications for education and entertainment.

Our vision is to constantly be at the leading edge, driving innovation and improving the lifestyle or work of everyone who touches our technologies.

Over time, we have enabled mobile graphics to revolutionize user interfaces and gaming, delivered one of the first true RISC processor architectures, and continue to drive mobile video quality and efficiency.

Now we are pushing multi-standard on chip communications into the consumer market, bringing photorealistic graphics into the mainstream and providing comprehensive device to cloud technologies.

We refuse to rest on our laurels. At Imagination the drive to innovate through smart R&D is behind everything we do.

> *"We try to understand trends and look five to ten years into the future, because the IP development cycle takes many years. We get the vision right but then we have to execute with high quality too. That combination of vision and delivery is what makes Imagination a valued partner to technology leaders."*
>
> ***– John Metcalfe, COO, Imagination***

Whilst we built Imagination on the success of our mobile graphics IP and our digital broadcast and audio technologies, all that we have learnt in creating those technologies flows into the other technologies we've created. The values we built into these technologies are becoming the core ingredients of success in other markets too. Innovation and efficiency are in our DNA.

Unlike some IP companies, we think from the chip to the system. Our close interaction with leading consumer electronics companies, and our own consumer brands such as Pure, Visualizer, Flow and Caskeid, give us an insight into consumer thinking and market demand that helps us create the right technologies for the future.

Innovation

Innovation is essential to our business.

It is our ability to innovate with new technologies that keeps us in the top three IP companies worldwide (source: Gartner).

And it is the success and respect for those technologies that has won us loyal support from a wide community of 'movers and shakers' in the technology world.

> *"Our collaboration with Imagination is helping to optimize future generations of our most advanced process technologies and system design techniques."* – **Suk Lee, TSMC Senior Director, Design Infrastructure Marketing Division**

Not only are the architectures we license innovative, but increasingly so are the ways in which we deliver them. Our IP platforms, scalable from subsystem IP to full SoCs, are one way in which we help customers produce more advanced functions quickly, enabling them to focus on the significant value they add in creating complete solutions, as well as their strengths in design implementation, manufacturing, and sales and marketing.

Devices of the future will be delivered by both the large semiconductor companies and specialists in their markets. Imagination works with both.

The complex SoCs needed for mobile are often successfully delivered by large, well funded and international companies.

The move to SoCs has meant fewer players can be successful in mobile markets. However, there are emerging application areas, such as the Internet of Things, home automation, assisted driving and smart cameras where there are new opportunities for innovative fabless companies with specialist knowledge and focus to succeed.

For example, Imagination understands that a smart health care technology company needs to understand how their medical sensors work and what algorithms are needed to extract that data and usefully apply it. But there's no point in that company spending time worrying about the processor or connectivity technologies used when they could be focused on the areas where their specialist domain knowledge is most valuable.

Imagination is there to supply the processor, connectivity and cloud technologies on which that company can build its innovative health application.

For companies seeking to produce SoCs for extremely broad and demanding markets, such as mobile or computing, the range of domain knowledge and applications required will be larger but the fundamental principle is the same. Such companies deliver value best by focusing on the platform they deliver rather than on the SoC building blocks on which that platform rests.

While we innovate in new processor architectures and their delivery, our customers are free to innovate new user experiences, develop new markets and build strong content and ecosystem propositions.

> *"We are about enabling platforms. Our job isn't to actually do platforms. Customers can mix and match and ultimately it's our customers that decide which pieces they want."* – **Hossein Yassaie, CEO, Imagination**

Design Optimization Kits

By making back-end design and physical implementation easier, Imagination is making it easier for our partners to focus on innovation.

We are making high performance designs easier to achieve through our Design Optimization Kits (DOKs).

These kits are complete solutions comprised of IP, libraries from partners, optimized reference floorplans and flows developed by Imagination.

In today's SoC designs, complexity and frequencies have steadily increased, while power budgets remain unchanged. Companies need validated solutions that provide the flexibility to optimize for power, performance and area (PPA) in their GPU, CPU, and other heterogeneous processor implementations.

> *"Our close collaboration with Imagination over the years has encompassed both CPUs and GPUs and is achieving significant results. The new DOK for Imagination's PowerVR Series6 GPU demonstrates how both companies leveraged our individual expertise to create an optimized, validated solution for our mutual customers."* – **John Koeter, Vice President of Marketing for IP and Systems, Synopsys**

Each DOK addresses these challenges by providing a comprehensive design optimization solution for Imagination's IP licensees that allows them to significantly accelerate time to market.

Efficiency

Everything Imagination designs starts from the principle that it must be ultra low power and efficient. This is why our technologies are the best for all the markets we serve.

Low power design + smallest area + low memory bandwidth = highly efficient architectures.

The unrivalled breadth of our range of technologies – which stretches across multimedia, CPU, connectivity and cloud – means we have the ultimate toolkit for designing comprehensive solutions, and makes us the 'go to' company for companies to whom innovation and differentiation are important.

> *"With each successive generation of our EyeQ products, we have achieved more than 6x increase in performance, and Imagination's multi-threaded MIPS cores have played a key role in that achievement."* – **Elchanan Rushinek, Mobileye SVP Engineering.**

We aim to deliver highly efficient, low power processing to tackle all forms of multimedia and embedded applications, enabling the widest range of price/performance points to be addressed across dynamic markets.

Global reach

Imagination was established in 1985 in Britain and has a long history as an IP provider, with partners amongst the world's top-20 semiconductor and OEM companies. We are a British company with a world outlook.

Imagination has over 1,600 employees (May 2014), and growing, across more than a dozen countries.

Our headquarters and primary R&D base is in Kings Langley, near London, UK, with major R&D centres across the UK, USA and India, as well as other centres in Australia, China, Israel, New Zealand, Poland and Sweden.

We keep close to our technology customers and partners worldwide, with sales and support offices across the USA, Europe, China, Japan, Korea and Taiwan.

Our growing support and sales teams are located in all our key regional markets to ensure that customers always have access to experts who speak their language in their time zone. Our R&D centres are in strong technology regions, which offer highly-developed skills and academic excellence.

We hold The Queen's Award for Enterprise in the International Trade category, the fifth Queen's Award we have won.

Each year we run successful events with our partners around the world, including China, India, Japan, Korea, the USA, Poland, Russia, Taiwan and of course the UK.

Markets

We focus on key market segments where technology is a driver. This translates into a wide array of markets including mobile phones, mobile computing and multimedia, home electronics, automotive, networking, IoT, and many other emerging markets such as health, smart energy and wearables.

Increasingly, consumers expect to be able to access the broad range of media and features they use every day no matter what device they are using. This 'convergence' means that markets increasingly share common requirements.

Our common IP across all markets enables us to drive and ride the convergence trend.

Because Imagination is focused on systems and solutions, and takes the initiative to get inside how consumers think about and experience new technology, we understand market trends and use this knowledge to help our partners navigate the challenges brought about by the increasing convergence between traditionally separate markets.

Strategy

Imagination has delivered on a strategy of innovation and diversification that has created a globally recognized technology company.

Thanks to the long and deep relationships we have with our licensees, and our many strategic and ecosystem partners, we believe the lives of billions of consumers around the world are being enriched by Imagination.

We are proud to contribute technologies that satisfy the creativity and aspirations of some of the brightest stars of software and hardware engineering, and solutions architects, complemented by innovative business models.

As we increase our ability to deliver a full range of technologies we are also increasing the value we can achieve per SoC with our IP inside. We are also creating complementary technologies to help our partners create complete solutions, faster.

Through creating B2C businesses we are making sure that our customers can get to market, in timely and compelling products.

And we are continuing to reinvest and grow R&D, which is the engine of the company's growth, as well as worldwide support functions, to ensure we are in step with our customers.

The underlying business model of IP is to maximize reuse across different markets. This is good for our customers who want to get the best value out of their licensing investment. And it is good for Imagination because it reduces the risks of exposure to a single market and leads to higher volume shipments.

Putting Imagination into the cloud

The next evolution of cloud computing will see the demand for hierarchical communications that sit between devices and the cloud, with multiple levels of intelligence.

Routers and other networking infrastructure equipment will get smarter, deciding when and how to either hold onto the data they gather, or send that data to cloud systems for processing.

Smartness will be pervasive even at the sensor level. The future cloud will be comprised of billions of small and increasingly smart sensors which will help avoid the data and signaling overload threatened by the explosion of IoT by making decisions at the sensor level about what to do with the data gathered.

Imagination is a leader in the embedded smart processors, the connectivity technologies, and the cloud infrastructures needed to make this happen.

Partnership

We work closely with many of the biggest semiconductor companies in the world.

Our business model puts partnership first, focused on our mutual goal of successful and timely volume shipments and long-term strategic innovation.

Our partners include many of the leading companies in the semiconductor and consumer electronics spheres. They have created some of the most iconic and culturally important products of the 21st century.

Our customers include seven of the top 10 semiconductor companies (source: IC Insights, 1Q14 Semiconductor Sales Leaders) and five of the top 10 consumer electronics companies (on the basis of market value, 2013).

We are intensely relationship focused, working closely with our partners to help them get successfully to market, ultimately shipping high volumes of advanced semiconductors containing our technologies.

As a royalty-based business, our partners' success is our success.

Our current key strategic partnerships include numerous API, operating system, standards and tools organizations as well as numerous tier-one technology companies, game engine providers and foundries.

Communities

Our ecosystem communities formalize the ways we work with some partners, providing them with benefits and resources such as education, tools, support, introductions to key partners and access to our best technologies.

These communities comprise companies large and small that create software or other products using chips containing our IP.

We work with thousands of developers who support Imagination-based platforms with the most innovative and exciting content as well as with comprehensive tools, middleware and support.

Increasingly Imagination's partners are working together in communities that target distinct areas in which we excel, including GPU, processor, IoT, augmented reality, design services, apps and more.

We have continued to expand our ecosystem programmes, to help Imagination's licensees and key partners meet and engage with a broad community of developers, middleware providers, foundries, EDA and tool vendors, and third party support teams and provide extensive co-marketing opportunities for product manufacturers, content developers and semiconductor companies.

> "*Under Imagination, we are seeing growing demand for MIPS. With Imagination's and Green Hills Software's combined expertise in security, multi-threaded and multicore CPUs, and heterogeneous computing, [our] collaboration will provide tremendous value to joint customers.*" – ***Mike Haden, General Manager, Advanced Products, Green Hills Software***

Java

We have engaged in a broad collaboration with Oracle Corp. intended to enhance Java for embedded and Internet of Things (IoT) applications and optimize Java for the MIPS CPU architecture.

Oracle and Imagination are working together to bring the Oracle JDK (Java Development Kit), Oracle Java SE Embedded, and other product support to MIPS32 and MIPS64 systems.

Java is the foundation for a broad range of networked applications and is a global standard for developing and delivering embedded, web-based and enterprise content, and applications.

> "*The MIPS architecture is widely used in networking, embedded and other key markets. Through this new relationship with Imagination, we are strengthening the presence of Java in a range of high-volume markets.*" – ***Nandini Ramani, Vice President, Java and Internet of Things, Oracle***

With broad Java support for MIPS32 and MIPS64 instruction set architectures (ISAs), MIPS licensees can make use of this highly portable language and platform for a broad range of applications including routers, wireless access points, residential gateways, next-generation consumer premises equipment (CPE), other networking equipment, mobile devices, IoT, embedded and more.

In addition, Imagination and Oracle will be working to improve Java on systems using Imagination's PowerVR graphics.

Open Source

prpl (pronounced 'Purple') is an open-source, community-driven, collaborative, non-profit foundation targeting and supporting the MIPS architecture – and open to others – with a focus on enabling next-generation 'data center to device' portable software and virtualized architectures.

Initial members include: Broadcom, Cavium, Ikanos, Imagination, Ineda Systems, Ingenic Semiconductor, Lantiq, Nevales Networks, PMC, and Qualcomm Incorporated.

> *"We are excited to provide value to the prpl foundation, based on our rich experience and large footprint in the broadband communications industry. We believe that with the prpl open source initiative Imagination Technologies enters the next step in enabling their customers to offer highly competitive and leading edge networking solutions – based on MIPS Cores."* – Dan Artusi, CEO of Lantiq

prpl represents leaders in the technology industry investing to deliver innovation in efficiency, portability and compatibility for the good of a broad community of developers, businesses and consumers.

For Imagination, this is an important new initiative in the further development of the MIPS ecosystem. prpl will focus and develop a valuable strand of that ecosystem to deliver outstanding benefits for users, and compelling ROI for members.

Imagination intends to leverage prpl to bring together under one roof open source projects based on the MIPS processor community.

This builds on Imagination's long history in Open Source where for years we have been an active supplier into open communities, for example making the kernel of our GPU drivers available.

Inside Imagination's technologies

Each of our core technologies is built on innovation, whether it be innovative architecture, algorithms, programmability or simply great implementation.

We are known for our 'smart' solutions to difficult challenges.

These include the tile-based deferred rendering (TBDR) of PowerVR graphics; the efficient combination of fixed and reconfigurable elements in PowerVR video; the fully programmable heart of our Ensigma connectivity and communications core; the efficiency and multi-threading of our MIPS processors; and the disruptive approach of our PowerVR ray tracing IP.

All of our IP core families are designed to maximize opportunities for our customers to differentiate their products. For example: by using some of our extensions to APIs; selecting from our wide range of IP cores optimized for different power, performance and cost metrics; combining different MCU and CPU cores in a scalable, power-smart SoC; or designing in to customers' unique SoC architectures. With Imagination, every customer can be unique.

Our business is fundamentally driven by our ability to create a vision of future technologies that accurately anticipates the requirements of tomorrow's consumers. Our compelling IP roadmaps are the cornerstone of Imagination's on-going leadership.

System on Chip IP

The SoCs that power just about everything electronic can be constructed from combinations of our unique portfolio of IP cores.

With our software and solutions we enable those SoCs to deliver the key multimedia, communications, connectivity and telecoms features customers require.

By providing the base onto which our customers can add their own unique value, whether in IP, software or business model, we enable them to deliver differentiated and innovative SoCs.

We enable heterogeneous SoCs where multiple processors, each with domain-optimized architectures, can each perform highly optimized tasks in a complementary, efficient and flexible way.

Innovation in SoCs: IP platforms

Imagination is a founder member of the HSA Foundation, which is creating new APIs and tools for the SoCs of the future.

> *"In designing its leading-edge technology for wearables and other emerging portable applications, Ineda's key focus is on combining the right mix of technically superior technologies. Imagination's IP cores provide the ideal combination of features and performance, and importantly, industry-leading power and energy efficiency."* – Dasaradha Gude, CEO, Ineda

We deliver the highest performance at lowest power consumption and silicon area by making full use of our advanced, patented low-level design features alongside system-level philosophies such as hardware multi-threading, system latency tolerance and reconfigurable multi-standard solutions.

At the heart of our approach we have a simple design philosophy: deliver the maximum performance per mW of power consumed, while taking up the minimum silicon area possible.

PowerVR multimedia

The leader in visual IP

Consisting of a comprehensive range of multimedia IP, from GPUs for graphics and GPU compute, to video, imaging and vision, PowerVR is the technology that goes from sensor or CPU to screen, delivering stunning images for entertainment and user interfaces.

These cores combine perfectly to create uniquely optimizable IP platforms that can incorporate customer IP to create highly differentiated, state of the art solutions for all forms of visual challenges from the latest games to smart security cameras.

PowerVR graphics (GPU)

The world's most popular mobile and embedded GPU

The PowerVR graphics processor (GPU) family leads the market in technological capability, roadmap breadth and ecosystem, and is by far the most adopted and shipped technology of its kind. PowerVR graphics IP consists of a broad portfolio of the industry's leading graphics processors, supporting a broad range of applications.

“We’re pleased with the superior technological capability of PowerVR, as well as the great support we receive from Imagination.” - Dr. Zhenyu Zhou, CEO, Actions Semiconductor

PowerVR enables a powerful, power-efficient and flexible solution for all forms of graphics processing, including 3D and 2D graphics as well as high-performance GPU compute, all in the same unified engine.

Imagination’s PowerVR graphics technologies are licensed by world-leading companies to power iconic products delivering the best in smartphone, tablet, TV and console apps, including the most advanced user interfaces and highest performance gaming.

“Thanks to industry-leading features including its advanced PowerVR Series6 64-core GPU, the UltraOcta A80 gives OEMs the highest performance, most power-efficient and cost-effective solution for a range of devices.” - Mike Zhang, CEO, Allwinner Technology

PowerVR is the leading graphics technology because it uses a superior approach. PowerVR’s efficiency through tile-based deferred rendering (TBDR) ensures the lowest possible bandwidth usage and the lowest amount of processing cycles per frame, and all of this leads to high performance efficiency and the lowest power consumption per frame, outperforming other solutions.

PowerVR video (VPU)

Making better pixels

PowerVR video IP addresses video codec needs for customers in a diverse range of applications.

The high performance, low power consumption and advanced feature set of the PowerVR decode and encode IP cores lead to competitive advantage for our customers.

By using PowerVR video technologies, our customers are able to build the efficient decoding required for 4K broadcasts into their silicon today. They can also deliver better image quality using the industry’s first complete IP cores with 10-bit colour depth support throughout.

Multi-standard and multi-stream capabilities are standard across the range.

Our differentiated, multi-standard approach has made PowerVR video the most deployed mobile video technology.

PowerVR vision

The evolution of camera vision

PowerVR vision is a complete solution for camera processing, targeting the highest quality imaging for mobile and handheld devices.

It all starts with our innovative PowerVR Raptor imaging processor architecture which takes image processing to the next level for next generation applications.

Raptor cores are unique in that they are designed to work with Imagination's other PowerVR graphics and video cores, as well as still image encoders and decoders, to form a complete, integrated vision platform that saves power and bandwidth for today's camera applications, and can provide the basis for next-generation context-aware applications such as facial and gesture recognition, augmented reality and more.

> *"With its Raptor ISP, which has features such as simultaneous multi-sensor support, 16-bit capability, and a path to 4K, Imagination is demonstrating that it knows what is needed for next generation imaging. This is how you leap the crowd."*
>
> **– Jon Peddie, President, Jon Peddie Research**

PowerVR ray tracing

Transforming the state-of-the-art in mobile graphics

Imagination's PowerVR ray tracing technology represents the next step in graphics technology evolution.

PowerVR Wizard is a revolutionary new family of graphics IP cores that raises the bar for ray traced graphics to a dramatic new level, delivering astonishing realism and performance at mobile power budgets.

Wizard cores will enable more immersive games and apps with real-life dynamic lighting models that enable advanced lighting effects, dynamic soft shadows, and lifelike reflections and transparencies, previously unachievable in a mobile form factor. PowerVR Wizard ray tracing IP is highly scalable, making it disruptive to many other markets beyond mobile.

Model, surfacing and lighting created by Justin Schubert using the Visualizer for Maya plug-in

> *"We will continue to work with Imagination to fully utilize the PowerVR ray tracing GPU IP within the Unity game engine to further enhance the in-game experience and simplify content creation for our developers."*
>
> **– David Helgason, CEO, Unity Technologies**

MIPS processors (CPU)

The most efficient IP processor architecture

The MIPS family of CPU IP is a comprehensive portfolio of low-power, high-performance 32/64-bit processor architectures and cores, ranging from the ultimate high-performance cores for high-end applications processors down to extremely small cores for deeply embedded microcontrollers.

> "*The MIPSr5 architecture enhancements from Imagination combined with Cavium's in-house design expertise will help create the most advanced MIPS 64-bit processor in the industry.*" – **M. Raghib Hussain, Corporate VP/GM and CTO, Cavium**

With a strong position in home entertainment and networking products and a growing position in mobile devices, MIPS CPUs power billions of products around the globe, and are supported by a broad ecosystem of commercial and open source software, operating systems and tools.

Based on a heritage built and continuously innovated over more than three decades, Imagination's MIPS architecture is the industry's most efficient RISC architecture, delivering the best performance and lowest power consumption in a given silicon area.

SoC designers can use this efficiency advantage for significant cost and power savings, or to implement additional cores to deliver a performance advantage in the same power, thermal and area budget.

The newest MIPS Warrior family of CPUs includes 32-bit and 64-bit variants with a focus on superior performance efficiency across the range. Building on the true 32-bit and 64-bit instruction set compatibility of MIPS, Warrior cores provide binary compatibility from the entry-level to the high-end. The cores come in three classes of performance and features:

Warrior M-class: entry-level MIPS cores for embedded and microcontroller applications

Warrior I-class: mid-range, feature-rich MIPS CPUs

Warrior P-class: high-performance MIPS processors

> "*Imagination is making MIPS a serious contender.*"
> – **Linley Gwennap, principal analyst, The Linley Group**

With more than four billion MIPS-based products already shipped, and many universities and schools around the world teaching CPU architecture using MIPS as their preferred platform, MIPS is truly the ideal CPU for tomorrow's SoCs, from the highest-performance mobile applications processors to the lowest power connected sensor processors.

> "*The power and cost efficiencies embodied in Imagination's multi-threaded MIPS CPUs help us to create high-performance LTE solutions that deliver high throughput, low power consumption and high reliability in a small form factor at a competitive price.*" – **Craig Miller, VP Marketing, Sequans**

Ensigma communications

Delivering on-chip efficiency in a connected world

Ensigma connectivity, communications and networking IP can, singly or in combination, solve the fundamental problems that plague connected devices.

How do I deal with the proliferation of standards for radio and TV broadcast?

How do I deliver the range of connectivity standards required by almost all devices today – and tomorrow?

How do I ensure robust networks with the high levels of multi-domain security that modern users expect?

Ensigma blends programmable and fixed function blocks to deliver flexible connectivity platforms that offer outstanding ROI compared to single-standard devices as well as exceptional performance.

Ensigma radio processor (RPU)

Uniquely flexible communications processor

Ensigma programmable radio processing units (RPUs) address the ever-growing challenge of proliferating broadcast and connectivity standards by supporting them all on a single engine, and enabling them to be integrated onto SoCs for the lowest possible system cost.

Traditionally, radio, TV, Wi-Fi and Bluetooth used to have their own chipsets but, as the number of standards to be supported continues to increase, this approach becomes less cost-effective and more power hungry.

Ensigma Series4 RPU is the world's most comprehensive small silicon footprint, ultra low power software-defined radio solution, delivering a fully-programmable engine supporting all forms of Wi-Fi and Bluetooth connectivity, as well as global DTV, digital radio, and FM receiver capabilities. Ensigma RPUs can deliver a wide portfolio of Wi-Fi solutions up to 802.11ac as well as the new ultra low-power interfaces which are ideal for IoT sensors.

> *"Customers will benefit from Imagination's industry-leading PowerVR graphics and video, as well as its Ensigma processors that provide the high-speed Wi-Fi that is a hallmark of [TZ5000] processors."* – **Toshiya Matsui, General Manager, Logic LSI Marketing & Engineering Department, Toshiba**

> *"Our experience in the demanding automotive environment and our extensive receiver know-how combined with Imagination's Ensigma communications processor technology will allow us to create robust solutions to manage all the digital standards and create a more enjoyable listening experience."* – **Marco M. Monti, EVP and General Manager, Automotive Product Group, STMicroelectronics**

Ensigma network and security processor (NPU)

Delivering secure and programmable networking from the home to the enterprise

The latest Ensigma IP from Imagination extends our reach into networking and security.

On-chip SoC communications have needed to evolve to deliver even higher performance and intelligence for managing the large amount and diverse types of network traffic.

As a leading licensor of processor IP for networking, Imagination can deliver 'data path' solutions for high-performance, smart SoCs for applications ranging from home equipment all the way up to carrier, enterprise networking and LTE infrastructures.

Ensigma solutions are designed for optimal power, performance and area, and are used at the heart of the network, to protect data from attack, provide multi-domain security, and enable secure communication.

HelloSoft VoIP and VoLTE

Carrier grade resilient VoIP

Imagination's HelloSoft range of licensable IP includes comprehensive software SDKs delivering everything needed to implement high-quality, power-efficient enhanced WebRTC, Voice over IP and LTE (VoIP, VoLTE), Voice plus Video over IP (VoIP) and Rich Communications Suite (RCS 5.0) for multi-mode wireless and wireline devices. HelloSoft IP products and technologies are 'carrier-grade' cross-platform solutions, already deployed in millions of devices. Built on years of engineering experience to ensure that they are ready for the most extensive 3G, 4G and enterprise network deployments, all SDKs and platforms are available for Android, iPhone, Windows and Linux environments.

The newest addition to the HelloSoft IP portfolio is the WebRTC media engine, which promises to deliver a new level of quality to companies building native or browser-based voice and video conferencing services based on WebRTC. The open WebRTC initiative, supported by Google, Mozilla, Opera and others, enables development of rich, web-based real-time communications (RTC) multimedia applications such as video chat, file/screen-sharing and other two-way communications.

With our advanced algorithms encapsulated in an off-the-shelf product, we are enabling our customers to dramatically improve the WebRTC user experience.

> *“We're seeing adoption of WebRTC particularly growing in mobile devices. Often overlooked are issues such as acoustic echo cancellation and media performance, in a wide range of physical operating conditions for devices. It's good to see innovation and focus in that domain.” - Dean Bubley, Director of Disruptive Analysis*

FlowCloud platform

Device to cloud connectivity

FlowCloud is a portfolio of cloud connectivity technologies that enable consumer, industrial and embedded products powering the Internet of Things to be fully cloud-connected.

FlowCloud works brilliantly with our Ensigma RPU and MIPS CPU cores to deliver connected platforms for IoT.

With FlowCloud, users can construct solutions for a wide range of applications, including security, personal and professional health monitoring, energy management, cloud-based systems for content delivery and much more.

FlowCloud technology minimizes the resources required to make a product fully connected, bringing together people, devices and services in a platform for easily building connected applications and businesses.

chipKIT WiFire

Imagination is rolling out a range of FlowCloud development platforms. The first of these is the chipKIT WiFire from Digilent Inc. with Microchip's PIC32MZ processor.

> “*The growing chipKIT ecosystem has achieved a new level of innovation with the most advanced 32-bit, MIPS-based MCUs from Microchip, together with the ground-breaking FlowCloud technology from Imagination. It will be very exciting to see what developers can do with the new chipKIT WiFire platform.*” – **Clint Cole, President, Digilent**

Business-to-Consumer brands

Unlike other IP companies we think about the solutions consumer markets require, and find ways to help our customers leverage our technologies to differentiate consumer products.

By developing technology B2C brands, like Caskeid and Flow, and consumer product brands, like Pure and Visualizer, we promote the benefits of our technology to consumers and help our OEM partners clearly articulate the unique value of their Imagination IP enabled products.

Flow

Consumer cloud experiences based on FlowCloud

Flow is a consumer experience based on Imagination's FlowCloud technology. Flow makes it as easy as possible for our partners to deliver a complete solution to their OEM customers, and ultimately, to consumers. Using branded Flow products, like the FlowLive.com music and radio-streaming portal, our customers have a ready to go, high quality solution to some of the more challenging requirements of the consumer cloud.

Caskeid

The wireless hi-fi experience that's as good as wired

Caskeid is a family of technologies developed by Imagination to deliver efficient and accurate wireless multiroom audio. Caskeid is the world's most accurately synchronized wireless multiroom audio experience. The unique technology within Caskeid enabled devices delivers outstanding audiophile-quality stereo playback throughout the home to satisfy even the most demanding listener. Caskeid works seamlessly with all music-streaming services to deliver any audio app content to multiple Caskeid-enabled speakers through a unique combination of Bluetooth and Wi-Fi.

> “*By working with Imagination and its partners we will aggressively expand wireless audio music streaming and High Quality Audio out of Japan to the rest of the world.*” – **Munenori Otsuki, President and CEO, Onkyo Corporation**

Visualizer

Delivering ray tracing to people who 'make'

Visualizer is a new B2C product brand from Imagination. Its core product is Visualizer for SketchUp, a revolutionary new app which allows anybody to take virtual photos of their 3D designs with a 'real life look' in SketchUp with only one click. At its core, Visualizer for SketchUp relies on Imagination's highly optimized PowerVR ray tracing software to produce photorealistic pictures in real-time. Visualizer is not only delivering a compelling product to the SketchUp community but also helping drive our efforts in creating an ecosystem around our ray tracing technologies.

> "*I can think of a few million SketchUp users who are going to smile the first time they try Visualizer.*" - ***John Bacus, Director of SketchUp Product Management, Trimble***

Pure

Where innovation and consumers meet

Pure is Imagination's consumer electronics (CE) division, creating products built on the technologies created by our technology division.

Pure uses chips and technologies from Imagination's partners, pathfinding in new markets, promoting the capabilities of our IP and allowing us to experience market and technology conditions as OEMs and consumers do, which helps keep us grounded and solutions focused.

Pure helps to drive our technology business acting as a showcase for our IP. It has been key to raising the profile and interest in our Wi-Fi, Caskeid, processor and cloud connectivity technologies.

Pure digital radios showcase our Ensigma receiver technology. Jongo wireless speakers showcase both Ensigma and FlowCloud technology, as well as Flow and Caskeid consumer experiences.

Pure is a vehicle to spearhead our strategic partnerships in the worlds of entertainment and content with companies such as Onkyo, Media-Saturn, 7digital and Universal Music Group.

> "*Pure has developed an incredibly accessible and flexible way to take multiroom audio into the mainstream and we are extremely excited to be working with such an innovative company to bring Jongo and the range of services available through Pure Connect to music fans around the world.*" - ***Stephen Partridge, Head of e-commerce, Universal Music UK***

Thanks to Pure, Imagination is a world leading supplier of DAB and FM radio technologies and a key player in the ongoing transformation of music listening with the Jongo wireless multiroom systems and Caskeid technology. Pure also enables Imagination to engage with OEMs and other ecosystem partners.

Pure has significantly broadened its market reach to now include: broadcast radio; in-car radio and audio; cloud-based services; and multiroom and internet connected audio.

"Pure Connect is a brilliant extension to your own music."

- The Sunday Times, November 2013

Pure raises Imagination's engagement and profile with consumers, helping us to understand deeply every aspect of how to get technology to consumers, including the retail supply chain dynamics, the latest consumer product trends, and how to communicate effectively with consumers and retailers. This experience is a significant part of what sets Imagination apart from other IP suppliers.

Conclusion

Imagination is now a technology leader in the three most important elements of modern heterogeneous processing: multimedia, CPU and communications, as well as cloud technologies. Through these we have a wide market reach, and our target markets continue to develop, evolve and grow.

There have been some significant transitions in the industry over the last two years with consolidation in the mobile market, the emergence of the 'connected everything' era, and the rise of automation in home and car.

Imagination's focus on delivering key building blocks and platforms has seen us broaden our partnerships with companies focusing on each of those areas.

With the strong strategic direction of the business and the excellent partnerships in which we are engaged we expect Imagination's technologies to go forward to further success, enabling even more significant products across a broad range of mass volume markets.

Chief Executive's review

Overview

Imagination has continued to innovate in the development of its three fundamental and strategic silicon IP families, PowerVR multimedia, MIPS processors, and Ensigma communications. The three carefully developed IP families are central to the Group's overall strategy and they:

- offer a strong and comprehensive range of IP-level products that address each specific area very well and
- enable solution-centric platforms that can efficiently address all key existing and new markets.

In each of our technology areas we have real advantages, unique qualities and growing ecosystems that our customers value. Additionally we are seeing that emerging demand for a solution-centric IP model is a fundamental industry trend, which is driven by the overall supply-chain evolution over the years ahead. Our strategy has been designed to both take advantage of the disruptive nature of each of our technologies and also address the overall changing needs of the market we operate in. Our customers' positive feedback and growing interest in our activities is a strong indicator of the relevance of our strategy to the markets we operate in and their future.

The Group's latest PowerVR Series6 Rogue graphics products are now shipping in key market segments with the new architecture delivering the significant performance benefits that we expected. While the architecture allows very high performance to be achieved with high levels of power efficiency, we have developed a broader range of cores and have had significant engagement across the range, particularly in cores optimized for area and power efficiency. The strength of our new low-end offerings from Series6XE has fuelled significant design wins in low and mid-range application processors for smartphones and tablets, which will reach the market over the next 12 to 24 months. Series6XT continues to set the standard for performance and efficiency for mid to high-end devices with industry leaders continuing to adopt higher end configurations from this family.

The smartphone market continues to develop with a smaller number of larger players shaping the market. While the market continues to grow at a healthy level its characteristics are trending towards maturity. The Group's technologies and partnerships create a strong position to take full advantage of this large market. Significantly Imagination is well poised to take advantage of the next wave of innovation in other related markets such as wearables.

The integration of MIPS has progressed very smoothly with the enlarged processor R&D team focused on the development of new CPU cores. The business continues to make a positive financial contribution to the Group. Customer feedback on the Group's plans and roadmap has been very positive with a record level, well over 50 license deals, signed since the MIPS acquisition. Given the numerous opportunities we continue to believe that longer term, MIPS has the potential to contribute significant additional value to the business. The creation of the prpl foundation, focussed on MIPS open source ecosystem development and with industry-leading founding members including Qualcomm and Broadcom, was among the key developments during the year.

The capabilities of our Ensigma communications technology are being recognized with significant growth in licensing during the year and many further potential customers also evaluating this disruptive technology. We expect the deployment of this technology to follow a similar trajectory to graphics in terms of migration to on-chip integration and volume potential.

In August 2013 the Group acquired Posedge, a provider of networking, security and connectivity IP and SoC design services. This acquisition strongly complements our Ensigma connectivity IP as well as boosting our SoC design services and IP platform delivery capability.

In December 2013 the Group acquired Kisel Microelectronics, a small but leading provider of digital RF IP. A significant number of partner designs, using Ensigma communications IP, depend on Kisel's RF technology which is highly complementary to our Ensigma offering. This acquisition has enabled us to make our communications offering more comprehensive covering both baseband and RF areas.

The Pure business continues to complement and accelerate the deployment of key new technologies developed by Imagination. The launch of the Jongo range of wireless multi-room speakers, deploying Ensigma communications IP, MIPS processors and the revolutionary Caskeid audio distribution, in both the UK and the US has been a key focus. We have now secured a number of licenses for the underlying technologies in this platform and expect these engagements to lead to significant and market-changing third-party products.

As part of the development of the Group and the growing focus on platform delivery, we have undertaken an organizational restructure in the Pure division during the year to further align the activities, reduce cost and increase the focus on the critical projects for this business.

Investment in group-wide R&D remains critical to the success of the business. We continued to use a combination of organic growth and small scale acquisitions to develop the technology and capability to achieve our strategy. During the year we tightly controlled the rate of investment to ensure the operating cost base is effectively managed resulting in significantly lower cost growth rates than recent years, which we expect to sustain going forward.

The Group's capital investment programme continued with both the datacentre and the second phase of the three phase Kings Langley redevelopment now complete. The value of assets created by this programme over the last three years is now in excess of £50m.

Technology business

During the year the Technology business continued to make real progress in both licensing and design wins.

Licensing and design-wins

As expected the momentum in licensing accelerated in the second half of the year leading to a number of important licensing agreements and deal extensions involving over 50 customers and around 115 IP licenses. We saw expanding licensing activities for graphics and video with initial customer engagements for our new vision technology. Additionally there was very strong engagement and licensing for our MIPS processors and significant license growth for the Ensigma communications IP family. Increasing numbers of customers signed licenses for IP from multiple families. There is a growing and general trend towards demand for IP sub-systems or solutions combining multiple IP cores, an aspect that our strategy is designed to fully support.

The target markets for the deals closed include mobile phone and tablets/mobile computing across performance, mainstream and entry categories, TV/STB (set-top box) and the emerging video streaming market, home connectivity and automation, wearables, IoT and embedded control, media players/camera, automotive, digital radio and industrial/enterprise equipment.

Multimedia

The key technologies under this category are graphics, ray tracing, video and vision:

Graphics – The PowerVR graphics processor (GPU) family continues to lead the market in technological capability, roadmap strength and ecosystem and remains by far the most adopted and shipped technology of its kind. During the year there were 37 PowerVR GPU licenses across all markets and segments including several low-end use cases where we expect to regain market share over time.

The PowerVR Series6 technology has seen further deployment in the market and is now shipping for use in automotive, DTV (digital TV) and mobile devices, delivering the latest features (e.g. OpenGL ES 3.x) and demonstrating the performance and power consumption advantages of this class-leading technology. During the year we launched both our PowerVR Series6XT and Series 6XE IP core families. These now provide solutions for the broadest range of performance and area requirements enabling us to support the full range of SoC requirements. We saw strong licensing activities in the year across the full range of these cores.

We announced the PowerVR Wizard family of ray tracing IP cores, and began strategic collaboration with key developers. This technology has been very well received and is in early evaluation with a number of major partners.

Video – Our PowerVR video decode and encode processor (VPU) families, which support the latest and emerging formats, continue to see strong volume growth. We are seeing a growing industry trend in favour of licensing rather than internal development, particularly as the next generation of advanced video standards are coming to market. During the year there were 11 video core licences.

Camera Vision Processing – Vision processing is needed to get the best image from a camera sensor. This is an area that is important both for market opportunity and technology synergy reasons. Specifically it is clear that the deployment of camera functionality is relevant to many product categories and market segments. Furthermore careful and tight integration of camera vision processing, video encode and GPU cores can be used to achieve very important optimizations. We announced the first product, the Raptor architecture, in this family in November 2013. The technology has now been licensed to three partners.

CPU and processor cores

Customers' engagements and licensing activities have been strong and encouraging with around 48 licenses concluded globally for MIPS cores across existing and new customers during the year. Among these there were a number of strategically important agreements including, as reported at the first half, a key license with a new tier-one player.

The opportunities for MIPS include:

- Existing customers who have regained confidence in MIPS and continue their commitment to MIPS;
- Previous MIPS customers, who had in recent years engaged with other architectures, reconsidering their future direction;
- New markets with no barriers to entry and no legacy (wearables and IoT) where the partners have selected MIPS over competitors; and
- Other markets that will become relevant as the Warrior family is delivered including mobile phones and tablets.

Development of the next generation MIPS Warrior family of processor cores and the drive to strengthen and build on the MIPS ecosystem continue as planned.

Strong progress has also been made in further strengthening the MIPS ecosystem with the recent launch of the industry body prpl (pronounced 'purple'). This foundation which is supported by many industry leaders is another key step to bringing together and further strengthening many key developer communities ensuring comprehensive support for the MIPS ecosystem.

Customer engagements with MIPS remain strong and there is considerable interest in the Warrior family of cores which we launched earlier in the year. We are seeing strong interest for the next cores from this family including a range of 64-bit cores which will be available later in 2014.

An important growing market for processors is the wearable device market which is an exciting opportunity for MIPS cores given its efficient architecture and we have seen important progress in this area. During the year Google launched their wearable operating system Android Wear with MIPS announced as a launch partner.

Whilst the progress on MIPS is very encouraging, and is ahead of our internal plans, it should be noted that this is a long-term strategy to offer real choice in the CPU and processor IP market.

The MIPS family of processors combined with our Ensigma communications technology offer a highly efficient 'connected processor' which we believe is uniquely well positioned for many connected devices and the emerging IoT and Machine-to-Machine (M2M) applications.

Communications

The Ensigma communications technology is an important and growing part of our business with a number of new customers licensing this technology during the year.

Connectivity and broadcast – Our Ensigma programmable radio processing unit (RPU) family supports both high performance and low power connectivity standards. These include Wi-Fi, Bluetooth, Bluetooth LE and others as well as multi-standard broadcast receivers, which are essential for many mainstream markets. In particular home connectivity in support of streaming and automation as well as the emerging IoT markets offer major opportunities for our offerings here. We secured 11 further licenses for Ensigma technology during the year, representing 3x growth as this technology becomes a more sizable part of our business.

VoIP – our family of video and voice over IP (VoIP) products, including platform agnostic SDKs, constitute an important element in our IP offering with relevance to both the arrival of 4G/LTE networks which require VoIP over LTE (VoLTE) and general internet-based communication. Two new licenses were signed for this technology during the year.

The Ensigma product offering was further enhanced during the year with the acquisition of Kisel, a small but leading provider of digital RF IP. This allows us to provide a comprehensive solution to customers who require it, while also working with customers who have their own RF partners or solutions.

FlowCloud

This technology is an emerging one with considerable synergy and significant potential for Imagination. Given our strong silicon IP offerings in the key areas of processing and connectivity, we have been taking steps to ensure these technologies are complemented by relevant software technologies that can enable their easy and quick deployment in the emerging IoT and M2M markets. The FlowCloud platform technology has been designed to speed-up the deployment of cloud-managed connected devices in diverse markets including home automation, healthcare monitoring, energy management, security and monitoring, connected/intelligent toys, industrial and agricultural monitoring/control and many more. The technology aims to offer a ready-made 'shrink-wrapped' software platform, running on our silicon IP solutions and covering the server and client ends of such systems. FlowCloud is an application independent software platform that ensures all essential baseline services such as authentication, security, update/maintenance are available to the developers, alongside APIs for functions such as control, streaming, and payment services.

We signed three licenses for FlowCloud software IP during the year.

Partner chip shipments and SoC design-wins

Partner chip unit shipments grew strongly to 1,259m units. Non-MIPS shipments were broadly flat with prior year at 530m (2013: 535m). We have seen an increasing proportion of shipments using Series6 graphics technology and given the design wins achieved during the year we expect this to continue to grow.

The licensing activity in the year has resulted in a significant increase in new committed SoCs with around 60 new SoC design-wins added which will contribute to future royalties.

Pure business

Pure's focus has been and continues to be proactively helping to drive certain important developing and emerging markets that are strategic to our business:

Digital radio – Pure's product line drove the market from the early days and set the much needed agenda to help develop this new market. This continues today in the form of supporting and driving the adoption of digital radio internationally. We now expect some of these markets, including the UK (which has started a digital tick mark transition phase) to begin migration towards a switch-over plan supported by governments whilst others such as Germany develop further in digital radio penetration. As a result we expect the global markets for digital radio to grow substantially over the next few years with our technology playing a key part and securing a major share. Pure was the first manufacturer to gain the Digital Radio Tick mark for its full, current range of home and in-car digital radios.

Wireless home audio – As a first step in helping to drive home connectivity and automation, Pure has been focussed on wireless audio streaming. These systems use many of Imagination's underlying IP offerings including MIPS processors, Ensigma connectivity processors and FlowCloud technology and are paving the way for the connected home revolution.

There are now significant developing partnerships which include tier one players that have been impressed by Pure's products and technologies. The Caskeid stereo and multiroom wireless technologies which power Pure's new Jongo family of wireless speakers deliver industry leading performance and in particular synchronization capabilities that uniquely match wired systems.

Home automation – A longer term goal is to contribute to the emergence and development of home automation opportunities through the use of Imagination's processing, connectivity and FlowCloud technologies.

As part of the development of the Group and the growing focus on platform delivery we have undertaken an organizational restructure in the Pure division during the year to further align the activities, reduce cost and increase the focus on the critical projects for this business.

This year Pure has introduced a new mini version of its iconic Evoke digital radio, the Evoke D2, while Bluetooth has been introduced to selected digital radios to reflect the growing trend for wireless streaming. Pure also expanded its new Jongo multiroom speaker range by adding three tabletop wireless speakers, the Jongo T2, T4 and T6. Jongo is the first multiroom speaker range that can be used with any audio or radio app, thanks to the integration of Imagination's Bluetooth Caskeid technology. Pure's in-car digital radio range was boosted by a strategic relationship with the UK's biggest car accessory retailer Halfords, which produced a range of two exclusive 1-DIN car radios, the Highway 260DBi and the Highway 240Di.

Key international milestones included the launch of Pure's music service, Pure Connect, in the US, the celebration of 10 years of Pure digital radio in Switzerland and the ranging of Jongo in around 1,500 Walmart stores in the US.

Financial review

Revenue

Group revenue for the period ending 30 April 2014 increased by 13% to £170.8m (2013: £151.5m).

Licensing revenue increased 32% to £38.3m (2013: £29.1m). H2 saw substantial growth both sequentially and year on year with revenue of £23.9m (H2 2013: £11.3m) from a wide range of existing and new licensees, across all of our technology areas. Licensing revenue was adversely affected by the strengthening of sterling in the year and increased on a dollar basis by 35%. The high levels of licensing activity also helped to increase the licensing backlog during the year.

Royalty revenue increased by 15% to £109.0m (2013: £95.1m). Royalty revenue was also adversely affected by the strengthening of sterling in the year and increased on a dollar basis by 18%.

Due to the slowdown in growth of the smartphone market and short-term competitive activities in the lower-end mobile segments, partners' chip shipments (excluding MIPS) decreased 1% to 530m (2013: 535m) units. MIPS' partner shipments totalled 729m units in the year.

The average royalty rate, excluding MIPS, was maintained at prior year levels due to a better mix than expected.

Pure continued to experience a difficult environment in the UK and some export markets which resulted in revenue of £23.2m (2013: £25.8m).

Profit and operating expenses

Driven by strong licensing successes in the high margin Technology business, Group gross profit was up 15% to £150.3m (2013: £130.7m) with overall gross margin increasing to 88% (2013: 86%).

Underlying Group operating expenses were tightly controlled growing less than expected to £126.3m (2013: £97.2m). The increase in operating expenses is primarily driven by the full year impact of MIPS costs following the acquisition in February 2013. The underlying rate of operating expense growth was significantly lower than previous years at 11%.

Underlying expenses are those expenses incurred before calculating adjusted operating profit* and exclude:

- non-cash share-based incentives charge of £13.2m (2013: £11.3m);
- amortization of intangibles from acquisitions of £8.6m (2013: £4.2m);
- acquisition related costs of £1.3m (2013: £2.7m);
- impairment of investments of £2.6m (2013: £5.7m);
- gain on investments of £0.3m (2013: £1.8m);
- contingent acquisition consideration release of £1.6m (2013: £nil); and
- one-off Group restructuring costs of £0.4m (2013: £nil).

Adjusted operating profit for the Technology business was £31.5m (2013: £39.9m) reflecting the transitional conditions in the mobile segment. The adjusted net operating margin for the technology business was 21% (2013: 32%).

For Pure the difficult trading conditions resulted in an adjusted operating loss of £7.4m (2013: £6.4m). The organizational changes are expected to result in annual savings of £2.0m p.a..

Earnings and taxation

The Group's adjusted operating profit was £24.1m (2013: £33.5m). The reported operating profit was £0.02m (2013: profit £11.3m). Despite the 13% increase in revenue, the adjusted and reported operating profits reduced in the year. This was due to the increase in underlying expenses of 30% resulting from important investments made in R&D together with the full year impact of the MIPS acquisition.

The net tax position was a credit of £1.1m (2013: charge £5.9m). The deferred tax asset on the Group balance sheet to be utilized against future UK profits has reduced to £4.9m (2013: £10.4m). The tax credit in the year arose primarily from the finalization of the 2013 tax filings for the US operations.

The Group's adjusted earnings per share was 8.1p (2013: 9.4p). The Group's reported earnings per share is 0.3p (2013: 2.4p).

Balance sheet

Goodwill at 30 April 2014 was £59.8m (2013: £55.0m). The increase of £4.8m is due to the acquisitions of Posedge and Kisel.

The investment balance increased to £21.1m (2013: £18.7m) following investments made during the year in Ineda Systems, NetSpeed, Onkyo, Blu-Wireless, Orca Systems, UBC Media and Toumaz totalling £3.6m, and a subsequent appreciation in the value of investments predominantly due to movements in share price and exchange rates of £1.0m which was recognized in the revaluation reserve. These increases were offset by a net £2.2m impairment charge which was recognized in the income statement.

Property, plant and equipment was £63.6m (2013: £45.9m) reflecting the capital expenditure of £22.3m (2013: £22.1m). The primary element of this is the redevelopment of the Group's property facilities in Kings Langley. This is the third year of the four year redevelopment plan.

Trade and other receivables were £51.0m (2013: £64.0m). The majority of the decrease is due to the timing of royalty receipts from customers.

Trade and other payables were £37.5m (2013: £35.6m).

Corporation tax payable was £0.2m (2013: £56.3m). The reduction in the balance reflected the tax liability that arose from the MIPS acquisition, which was settled on 14 June 2013.

Interest bearing loans and borrowings were £24.3m (2013: £31.0m). During the year £4.5m was repaid.

The deferred tax liability was £17.1m (2013: £19.2m).

Cash generated from operations before movements in working capital was £28.3m (2013: £34.0m).

The cash balance decreased to £19.2m (2013: £76.6m). The decrease reflects the £55.9m tax payment in June 2013 that arose as part of the MIPS acquisition. At the year end Group net debt was £5.0m (2013: excluding MIPS tax liabilities £10.3m).

On 17 June 2014 the Group renewed its existing bank facilities with a new 4 year term to June 2018.

* Adjusted profit is used by management to measure the performance of the business year on year by excluding non-recurring items (items which typically do not occur every year), items relating to acquisitions and investments, non-cash based share incentive charges and amortization of intangible assets acquired from acquisitions. The reconciliation from reported results to adjusted results is set out in note 2.

Outlook

Licensing activity remains strong and we expect to see good performance in licensing during FY15 with high activity levels across all of our IP portfolio. We expect the demand for our graphics and video technologies to remain strong. The progress made with MIPS and the confidence created in the customer base will continue to drive the demand for our processor cores. Additionally the opportunities in home connectivity and IoT provide a positive environment for further development of our MIPS and Ensigma licensing business. We also expect the newer technologies including ray tracing (Wizard family) and vision (Raptor family) to make growing contributions.

Based on licensing and design wins achieved during the year, we expect to see shipment volumes increase during FY15 with growth predominantly coming in the second half of the year. The active licensing in MIPS is driving new SoC designs which will ultimately create new volume. Whilst, as stated before, the historical MIPS volume could be subject to some fluctuations, we expect for FY15 that it will be broadly flat. Non-MIPS volume will be driven by continued growth of existing customers' designs, the timing of the ramp-up for the new design-wins in the lower-end of the smartphone categories and the shipment build-up in newer technologies including Ensigma and Vision IP. We are confident that we will see this volume exceeding 1bn unit shipment over the next three years. As all our IP families are increasingly making meaningful contributions to our volume and revenues we plan to report a more representative measure of our market penetration by reporting total volume comprising the units of the multimedia, processor and communications IP shipments.

The smartphone market was around 1bn units in 2013, and is expected to grow to around 1.4bn by 2016. Given our strong existing and growing partnerships across both of the important established platforms, iOS and Android, we continue to believe an ultimate graphics market share of around 40% to 60% of the total smartphone market remains a reasonable and realistic goal.

Progress with MIPS has been encouraging and we remain confident in the opportunities for this business. The strong licensing performance during last year and the visibly growing industry engagement and support should be seen as a good indicator of the progress being made. This is a long-term strategic investment which we expect to create substantial value over a 4-5 year period.

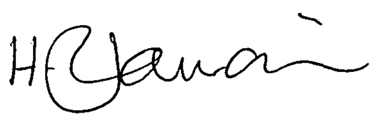
Pure continues to showcase our technologies effectively and drive some of our key IP offerings. The focus in the near term is on wireless audio which is a major industry development area. The product focus and the organizational changes we have made recently are expected to improve Pure's financial performance.

The investments we have made over the last two years have provided us with the required structures for growth. We expect the growth in underlying operating expenses to be significantly lower than previous years at around 10% in FY15.

Given that the vast majority of our revenue is transacted in dollars, and while we have hedging policies in place, it should be noted that significant foreign exchange rate fluctuations could have an impact on our sterling reporting.

Fundamentally our multimedia (graphics and video) business is very strong with ray tracing and camera vision elements offering new and significant opportunities for the future. MIPS is meeting our expectations with next generation technology well-underway with growing customer endorsement and interest, whilst our Ensigma connectivity activities are now moving from investment to mass market exploitation. Additionally the comprehensive and complementary range of IP cores across these key areas is increasingly enabling us to offer solution-centric IP platforms in support of the new industry trends.

As a result the Board remains confident that the Group is on track to deliver continued progress.



Sir Hossein Yassaie
Chief Executive

24 June 2014

Key performance indicators

The key performance indicators used in the business are summarized below. The performance of the business in terms of these indicators is considered in the Chief Executive's Review on pages 23 to 28.

	Year to 30 April 2014	Year to 30 April 2013	%
Technology business			
Licensing Revenue	£38.3m	£29.1m	32%
Partner Chips Shipped (units)*	1,259m	700m	80%
Royalty Revenue	£109.0m	£95.1m	15%
Pure business			
Revenue	£23.2m	£25.8m	(10%)
Adjusted operating loss**	(£7.4m)	(£6.4m)	
Income statement			
Revenue	£170.8m	£151.5m	13%
Gross Profit	£150.4m	£130.7m	15%
Adjusted operating profit**	£24.1m	£33.5m	(28%)
Operating (loss) / profit before taxation	(£0.3)m	£12.2m	–
Balance sheet			
Net (debt) / cash***	(£5.0)m	(£10.3)m	–
Net book value of tangible fixed assets	£63.6m	£45.9m	39%

* MIPS units in Year to 30 April 2013 were for the period from 7 Feb 2013 to 30 April 2013 (165m units).

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

*** Year to 30 April 2013 excludes cash of £55.9m held to settle MIPS 2013 tax liability. The Group maintains a £3 million overdraft and £20 million revolving credit facility.

Principal risks and uncertainties

The Group places great importance on the identification and effective management of risks. Our approach to risk management helps us to deliver our objectives and maximize the returns of the Group.

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

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

Risk or uncertainty and potential impact	How we manage it
COMPETITIVE ENVIRONMENT The business operates in a highly competitive market and needs to be able to respond rapidly to competitive threats.	• Drive and deliver new product developments and enhancements which differentiate us competitively • Monitoring and understanding our competitors • Focus on being responsive to customers and improving the quality and delivery of our products • Seek out new market opportunities
INTELLECTUAL PROPERTY Patent-related threats from third parties seeking to use patents as an alternative way of generating revenue.	• Build a portfolio of strategically important patents • Build strong relationships with external counsel to enable us to act quickly and defend our position • Work closely with customers to respond quickly to potential threats
CUSTOMER CONCENTRATION The business currently has a large portion of revenue related to specific customers and technologies. Consolidation within the industry could drive this further and increase Imagination's dependence on a limited number of customers.	• Building a portfolio of technology that appeals to a broad range of customers • Developing relationships with a wider number of customers spread across different sectors and jurisdictions • Monitor trends and changes in the semiconductor industry • Develop business models that reflect the changing industry landscape
CHANGE IN CUSTOMER DYNAMICS A change in the business environment or business models employed by our customers could have a detrimental impact on our financial performance.	• Establish trusted relationships with customers to ensure we fully understand their strategic direction • Adapt a flexible approach to different business models
SUPPORTING BUSINESS GROWTH With the significant growth expected in the business there is a need to effectively scale the infrastructure, people and processes to capitalize on the opportunities.	• Continue to develop procedures and processes to support the growing business • Add resources in key areas • Long term planning undertaken across the business to identify requirements

Risk or uncertainty and potential impact	How we manage it
COMPLETION AND INTEGRATION OF ACQUISITIONS In the fast developing technology market, acquisitions can be beneficial to develop the technology portfolio and enhance the business. Failure to effectively integrate the acquisition and deliver the benefits expected is a risk.	• Project team manages all elements of acquisitions • Comprehensive Board review of potential targets before, during and after acquisition • Thorough due diligence conducted prior to acquisition with particular attention given to how the company will be integrated • Comprehensive integration plan pursued until all elements have been completed
PRODUCTS MEETING CUSTOMER REQUIREMENTS Unable to deliver new products on time or achieve performance that does not meet market requirements in terms of specification, quality or timeliness could result in loss of market share with a corresponding impact on financial performance.	• Close project management, including using project management systems • Checks throughout the project to ensure the expected outcomes including specification and timing will be achieved • Thorough roadmap planning process including discussion with key customers for each business unit • Additional R&D resources allocated to key projects
MACRO-ECONOMIC DEVELOPMENTS Changes in global economic conditions can have a significant impact on our partners and customers and therefore may affect the financial performance of the business.	• Broad customer, engineering and products base to balance risk • Flexible in responding to changing demands • Effective forecasting of business performance • Foreign exchange hedging strategy implemented

Corporate and social responsibility report

Corporate and social responsibility

The Group recognizes that it has responsibilities to all stakeholders, including 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 Groups operations on the local communities and surrounding environment where it operates. Our employees are highly regarded and valued, and their employment and 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 the highest 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.

Environmental impact and 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 and business travel. In the UK we currently have eight offices, four at Group headquarters in Kings Langley, one data centre and three offices at other locations in the UK. We also have a number of overseas sites.

The Group continues to review the supplies of its electricity and tariffs and the number of sites with a green renewable energy tariff continues to increase with four moving in the financial year. Further buildings will move over to this tariff as current contracts expire. The intention is that all electricity used is from renewable tariffs by the end of 2015.

Redevelopment of site and environmental impact

The Group began redeveloping its headquarters site in Kings Langley in 2011. Two of the three buildings are now complete. Construction of the third building will begin in FY15. All of the buildings are 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, for example, 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; and
- 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 watercourse pollution.

As part of the redevelopment of the headquarters the Company focused on the core functions required of a high quality office development whilst being conscious of its environmental responsibilities, in this vein we are promoting the ecology of the area by introducing a native boundary structure and new habitats within the canal race area. Where applicable, native tree shrub and herbaceous plants have been introduced to encourage indigenous species in the more decorative areas of the scheme.

New data centre

To meet the Group's considerable IT requirements, a dedicated data centre was constructed and became operational in February 2014. It contains two highly efficient data halls, the first of which is in current use and 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. 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, Authorization 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; and
- 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; and
- 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 are 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 headquarters at Kings Langley has an on-site restaurant and we work 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 restaurant kitchen for each type of waste allowing the composting of food waste and the recycling of tins and glasses.

Greenhouse gas emissions

Imagination is required to report the quantity of greenhouse gas (GHG) emissions from activities from which the Group is responsible, in accordance with the GHG emissions reporting requirements of The Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 for GHG emissions.

We have adopted a financial control approach to defining our organizational boundary and therefore the data used reflects our material global operations.

The methodology used to compile this data is in accordance with the requirements of the following standards: DEFRA's Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance (June 2013).

Our reporting period for GHG emissions is in line with our financial reporting year to 30 April 2014. This marks our baseline year and will be used for comparative purposes in the future.

Our material GHG emissions from our business activities in FY14 amounts to 6,819 tonnes of CO_2e, consisting of:

Carbon emissions	Tonnes of CO_2e
Scope 1:	
CO_2e from the Combustion of fuel and the operation of any facilities	304
Scope 2:	
CO_2e from the purchase of electricity, heat, steam or cooling by the Company for its own use	6,515
Total	**6,819**

Our Group chosen intensity measurement is square foot	Emissions intensity
Scope 1:	
Tonnes of CO_2e per Sq. ft.	0.00
Scope 2:	
Tonnes of CO_2e per Sq. ft.	0.02

Where data was incomplete GHG emissions were extrapolated from the available information. We will work to improve overall data quality in FY15.

The Group's employees

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 communicated 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 are 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 Groups performance, strategy, vision and operational developments.

There is a quarterly Group magazine 'Imagineer' which is used to report events and activities to all employees worldwide covering the opening of new offices around the globe, different departments explaining their specific functions, introducing new starters to the Group, recreation activity of employees, the arrival of children of employees and retirement tributes to employees.

Furthermore, employee ownership is encouraged via the Group's global share schemes. The Group runs an employee share plan for which all employees globally receive share awards on a bi-annual basis. There is no qualifying period and no performance conditions on share awards below the Executive Management Board (EMB) and Board.

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 SAYE scheme has made a number of employees shareholders in the Company by actively promoting ISAs. The Group believe that shares are a key tool to motivate and retain employees.

Graduate recruitment and internship programme

The Group runs a graduate recruitment and internship programme with universities and colleges throughout the UK having developed strong relationships with a number of universities including the University of Southampton, Imperial College of London, the University of Bristol and the University of Manchester. As a direct result of our programme we have around 40 undergraduates on internship each year, most of whom convert into permanent graduate hires.

Academic outreach and sponsorship

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. We currently sponsor five PhDs at key universities in areas of technical relevance to the Group's activities. In 2013 and 2014 we began sponsoring labs and providing development kits to universities for teaching purposes.

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 opportunities at the Group and financial awards to exceptional successful interns with the intention that the students come to work for the Group in the future. The Group invites around 40 young people annually for structured work experience to learn more about and experience some of the careers available in our sector. We regularly attend and sponsor events focused on promoting Science and Engineering with our university partners.

The Group has committed to donating £25,000 per year for the next 3 years to sponsor a mathematics/physics Chair as a part of the Government's 'Your Life Campaign' to improve the quality of teaching of numerate subjects in our schools in the UK.

Diversity

The Group acknowledges the importance and contribution of its employees and as a global business, values people from all cultures, nationalities, religion and ethnicities irrespective of characteristics such as age, gender, disability or sexual orientation. The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees. The Group has a strong demand for highly qualified staff and disability is not seen to be an inhibitor to employment or career development. The Group considers diversity as an important issue across the Group, not just at Board level.

	Board of directors	Senior managers	Employees
Male	8	88	1,354
Female	0	7	213
	8	95	1,567

Healthy living

The Group promotes healthy living to its employees. This year we held a Healthy Living week at the headquarters in Kings Langley to raise awareness on nutrition, exercise, mental health and changing habits. The Group also provides a range of healthy living benefits to its employees in their respective locations and the Healthy Living week and programme will be extended more globally across the Group in the coming year, with a focus on empowering employees to access programmes and information available to them to lead a healthy lifestyle.

In the UK the Group actively encourages recreation to assist employees to stay fit and healthy by providing 50% of the annual fee for fitness centres and 20% of the UK staff are members of fitness clubs sponsored by the Company. The Group also supports the Government's Ride2Work scheme which was launched in 2010 where the Company works in partnership with a national cycle retailer to promote sustainable transport and health of employees. The scheme allows the Company to offer bicycle and related safety equipment to employees to be used to commute to work which provide considerable tax savings for the employee as well as health benefits. Currently 20% of UK employees participate in the Ride2Work scheme.

Healthier staff restaurants

The new headquarters provides superior catering facilities and employees have been overwhelmingly positive with people enthusiastic about the quality, freshness and variety of produce. The catering firm operating the restaurant also ensures they use only sustainable fish and farm assured meats as standard which is in line with the Group's principles. In the past year we have improved the cuisine and every month we regularly have featured days celebrating food from various countries around the world and commemorating special dates during the calendar year.

Local community and environmental sustainability

As part of its commitment to the community and environment the Group is engaging with a charity in the local community to help the Group develop multiple areas of owned green amenity space into well maintained landscaped areas.

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. Employees get the opportunity to vote on which charities receive the money raised. 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. This year the Group has given donations to the nominated charities, and also recycled old PCs in return for donations towards these charities.

Sports and Social club

Our Sports and Social club was set up in 2000 with the aim of bringing together employees to participate in a variety of activities. For a nominal £2 monthly contribution employees can gain membership which provides a 50% discount on all events supported by the club. We continue to see considerable growth with membership rising to 85% of UK employees. In the financial year there has been a wide range of events, such as visits to theatre shows, opera and Ascot family day. There were also cross-country running events, marathons, mountain biking, combat boxing and rock climbing activities to name but a few.

Going concern basis

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.

Approval

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

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

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

This Strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Imagination Technologies Group plc and its subsidiaries undertakings when viewed as a whole.

This report was approved by the Board of directors on 24 June 2014 and signed on its behalf by:

Sir Hossein Yassaie

24 June 2014

Directors

Geoff Shingles
Chairman

Geoff was the Executive Chairman of Digital Equipment Co. Limited, for 29 years. While at Digital, he worked in both the US and Continental Europe. He joined Imagination Technologies in 1994 and was appointed Chairman of the Board in 1996. He is also Chairman of the Nomination Committee. Geoff is due to retire from the Board as announced on 10 July 2014, once a suitable successor has been appointed. He is Executive Chairman and Chief Executive at Speed-Trap Holdings Limited.

Sir Hossein Yassaie
Chief Executive Officer

After attaining his PhD. Hossein was a research fellow at the University of Birmingham. He then joined STMicroelectronics/Inmos, where he spent eight years, ultimately becoming responsible for the system divisions, including research and development, manufacturing and marketing. After joining Imagination Technologies in 1992 as Technical Director, Hossein refocused the business on advanced technology development and created Imagination's successful silicon IP business model. He became Chief Executive Officer in June 1998. He is a non-executive of Toumaz Holdings Limited and 7digital Group plc. Hossein is a member of the Nomination Committee.

Richard Smith
Chief Financial Officer

Richard holds an MBA from Henley Business School, is a Fellow of the Institute of Chartered Accountants in England and Wales and has an MA in Economics from Cambridge University. His early career included positions with Porsche Cars and PricewaterhouseCoopers. Richard has worked in a number of privately held technology businesses as CFO, and prior to that held senior financial roles at Vodafone. He joined Imagination Technologies in May 2011 and was appointed to the Board as Chief Financial Officer in July 2011.

David Anderson
Non-executive director

David has over 30 years investment banking experience including 17 years at Lazard and six years at JP Morgan Cazenove. He joined the Imagination Technologies Board in November 2010. He is the Senior Independent Director, Chairman of the Audit Committee and a member of both the Remuneration Committee and Nomination Committee.

Gilles Delfassy

Non-executive director

Gilles has worked in the semiconductor and mobile/wireless industry for more than 35 years. He is a highly experienced and respected international figure and while spending 30 years at Texas Instruments Inc. he was a key pioneer and driving force behind mobile and wireless initiatives, which helped shape the industry. He joined the Imagination Technologies Board in June 2012 and is a member of the Remuneration Committee, the Audit Committee and the Nomination Committee.

Andrew Heath

Non-executive director

Andrew brings a wealth of international business experience gained through his executive roles at Rolls Royce, the global power systems company, over the past 30 years. He joined Rolls Royce as an undergraduate trainee in 1982 and progressed to Managing Director, Control Systems Operating Unit in 2001. He currently holds the position of President, Energy at Rolls Royce. He joined the Imagination Technologies Board in August 2012 and is Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

David Hurst-Brown

Non-executive director

David has worked for most of his career in the securities industry. In 2002 he left UBS where, for more than 10 years, he worked in Corporate Finance as an advisor to a wide range of companies. He joined the Imagination Technologies Board in September 2000. David is no longer a member of any Board sub-committees but does on request attend sub-committee meetings. David is a non-executive director of Anite plc.

Ian Pearson

Non-executive director

Ian has over 30 years' experience with companies specializing in semiconductor design, manufacturing and management, with Director level responsibilities. These companies include Inmos and SGS Thompson. He joined the Imagination Technologies Board in 1998 and has subsequently held positions of Senior Independent Director and also Chairman of the Remuneration Committee. Ian is no longer a member of any Board sub-committees but does on request attend sub-committee meetings.

Directors' report

This Directors' report for the year ended 30 April 2014 is made in compliance with Companies Act 2006, the Disclosures and Transparency Rules and the UK Corporate Governance Code 2010 and 2012.

Principal activities and operations

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

The target markets include mobile phone, handheld multimedia devices, connected home consumer, mobile and tablet computing, in-car electronics, telecoms, health, smart energy and connected sensors and controllers. The Group's licensees include many of the world's leading semiconductor, network operator and electronics original equipment manufacturer and original design manufacturer 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 Group and help them assess how the directors have performed their duties under sections 171-177 of the Companies Act 2006, in particular section 172 a 'duty to promote the success of the Company'. More detailed information on the business, its activities and operations along with key performance indicators are set out in the CEO's strategic report on pages 23 to 29. The Corporate Governance Statement set out on pages 44 to 49 forms part of this report. There have been no significant events since the balance sheet date to disclose. An indication of likely future developments in the business of the Group and details of research and development activities are included in the strategic report. Further Information about the use of financial instruments by the Group and its subsidiaries is given in note 19 to the financial statements.

Future developments

The Group intends to continue to develop its range of graphics, video, display, processor, communication and connectivity 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 customer base has grown significantly and provides a strong broad base for future unit and revenue growth. We have developed, and plan to continue developing, a platform strategy which is already appealing to giant global enterprises who are, and will be, the major and dominant players in high technology driven markets in the future.

The Pure business will continue to develop and market consumer products to showcase the technologies of the Group and develop new and emerging markets for such technologies.

Dividends

The directors do not recommend the payment of a dividend.

Share capital

Details of the authorized and issued share capital, together with details of the movements in the Group's issued share capital during the year are shown in note 16, which is incorporated and deemed to be part of this report. The Group has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Group. As at 30 April 2014, there were 267,688,057 ordinary shares in issue of which 1,996,246 (2013: 1,793,940) were held in trust. No person has any special rights of control over the Group's share capital and all issued shares are fully paid.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provision of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Group's shares that may result in restrictions on the transfer of securities or on voting rights.

With regard to the appointment and replacement of directors, the Group is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the main Board's Terms of Reference, copies of which are available on request.

Authority to allot

At the Annual General Meeting (AGM) in 2013, shareholders approved a resolution to give directors the authority to allot ordinary shares up to an aggregate nominal amount of £8,857,329. In addition, shareholders provided approval to directors to allot up to an aggregate nominal amount of £17,714,658 in connection with an offer by way of a rights issue in accordance with Association of British Insurers (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 2014 or at the conclusion of the AGM in 2014 and will be proposed for renewal again at this year's AGM.

Purchase of own shares

At the AGM in 2013, authority was granted to the Company to purchase its own shares in the market up to a maximum aggregate number of 26,571,988 shares, being approximately 10% of the issued share capital. The directors authorized the purchase of 312,006 shares to put in Trust to satisfy future share awards under the new Long-Term Incentive Plan. The current authority will expire the earlier of the 31 October 2014 or at the conclusion of the AGM in 2014. The Group would like to retain the flexibility offered by this resolution and it will therefore be proposed again at this year's AGM.

Research and development

The Group spent £114,835,000 (2013: £83,956,000) on research and development and advanced technology projects.

Directors

The following served as directors of the Group during the year ended 30 April 2014:

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

Full biographical details for the above are set out on pages 38 to 39.

Re-election of directors

In July 2014 our Chairman Geoff Shingles announced his intention to step down as Chairman of the Group as and when a new Chairman has been selected. David Hurst-Brown will be retiring from the Board at the AGM in 2014. All other directors will be standing for re-election at the AGM in 2014 and will present themselves for re-election annually (if eligible) unless the directors have agreed otherwise in accordance with the provisions of the UK Corporate Governance Code 2010 and 2012.

Appointment of directors

The directors may appoint another director to hold office until the next AGM, who shall then be eligible for election.

Directors' indemnities

Article 130 of the Group's Articles of Association provides for the indemnification of directors of the Group against liability incurred by them in certain situations, and is a 'qualifying indemnity provision' within the meaning of section 236 of the Companies Act 2006. The qualifying indemnity was in force during the financial year and up to the date of signing the annual report.

Change of control

The Group's share based incentive plans contain provisions relating to a change of control. The Long-Term Incentive Plans, share awards and performance share award for the CEO and CFO would normally vest and become exercisable on a change of control of the Group, 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.

Substantial shareholdings

As at 5 June 2014, the Group has been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company.

	Ordinary Shares of 10p	Percentage of issued ordinary share capital (%)
Intel Capital Corporation	38,396,664	14.34
Baillie Gifford & Co Ltd	34,938,616	13.05
M&G Investment Management Ltd	27,542,580	10.29
Apple Inc.	23,047,770	8.61
AXA Investment Management	20,490,000	7.65
Newton Investment Management Ltd	17,386,815	6.49

Save for the above, the Group has not been notified, as at 24 June 2014, of any interest exceeding 5% of the issued share capital of the Company.

Directors' interests

Interests of the directors in Group shares and share options are set out in the Directors' remuneration report on pages 55 to 71, together with 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 Group's exposure to market risk, credit risk and liquidity risk.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event a member of staff becomes disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and an international Group magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Employee share schemes

The Group currently has an employee share scheme which has been running successfully since its inception in 2006. All employees worldwide receive shares on a bi-annual basis and the shares normally vest three years after grant. There is not a qualifying period to receive share awards. In the UK we offer a SAYE scheme.

Essential contracts

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

Annual General Meeting

The 2014 AGM of the Group will be held at Imagination House, Home Park Estate, Kings Langley, Hertfordshire WD4 8LZ commencing at 11am on 19 September 2014. The Notice of Annual General Meeting with full description of the business to be conducted is set out at **www.imgtec.com**.

Auditors

Each of the persons who are directors at the date of approval of this annual report confirms that:

so far as the director is aware, there is no relevant audit information of which the Group's auditor is unaware; and the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

KPMG Audit Plc (KPMG) have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming AGM. The business of KPMG Audit Plc is in the process of being transitioned to KPMG LLP. KPMG has been the Group's external auditor since 1994. Whilst the Group has not formally tendered the audit since then, the Audit Committee undertakes an annual review of the independence, objectivity and effectiveness of the audit firm in considering whether to recommend the reappointment of the external auditors at the AGM, further details are provided on page 53. The current partner at KPMG was appointed as Group Audit Partner in 2010, and under the requirement to rotate this position every 5 years, is due to rotate off the Group's audit after completing the 30 April 2015 financial year audit engagement. Further information on the Group's approach to audit tendering can be found in the Audit Committee report on page 53.

Directors' Statement of Responsibility

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations. The directors consider the report and accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair balanced and understanding 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 judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate governance statement that complies with that law and those regulations.

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

By order of the Board

Anthony Llewellyn

Anthony Llewellyn
Company Secretary

24 June 2014
Company number: 2920061

Corporate governance report

Chairman's introduction

It is with pleasure that I present our Corporate governance report.

On behalf of the Board and the Group as a whole we believe in strong governance, a high standard of ethics and our corporate responsibility. It is my role to ensure we regularly review and continue to develop our corporate governance arrangements in line with the best practice guidelines provided by the Government's Department for Business Innovation and Skills. The Board actively focuses on pursuing the success of the Group, developing its strategy and monitoring its implementation whilst at the same time maintaining a strong relationship with all stakeholders, including shareholders, customers, partners and our employees.

At our Board meetings during the year we have had open and frank discussions on the structure of our Board meetings to ascertain how we utilize the time of the Board to improve the business operationally and to deliver the strategy of the Group. As part of this process we appointed Independent Audit Limited to carry out a Board effectiveness evaluation and there are some positive actions from this process which will enable the Board to run more smoothly going forward, further details are provided on pages 48 to 49.

This report explains how the Board and its Committees function to provide appropriate guidance and support to the business while behaving within the letter and spirit of good corporate governance principles.

The membership of the Committees and their Chairmen have changed in recent years and have been faced with new provisions and guidelines from the Companies Act 2006, the Disclosure and Transparency Rules and the UK Corporate Governance Code 2010 and 2012.

As a Board we have discussed and overseen the management of risk. This is achieved by identifying the significant risks to the business and how we can mitigate the risks going forward. This is outlined in more detail in our Strategic Report on pages 30 to 31. The Board has improved its approach to risk by concentrating largely on the risks that could impact our business by greater than £10 million or may cause significant reputational damage and this new process will ensure that the Board focuses on the strategic risks that need to be addressed in the business.

On page 46 of this Report we give detail of compliance with the Code, the structure and composition of the Board and Committees, the responsibilities of the Board as a group and for individual roles, the Board meeting structure and the date of our AGM.

Changes to the Board and succession planning

As part of our planned and continuing evolution of the Board there are a number of planned changes to the Board.

In July 2014 I informed the Board that I wish to retire as Chairman of the Group. I made it clear that I would remain in my role while the Group found, hired and installed my successor. The Board via the Nomination Committee appointed a third party to assist in finding my replacement and we are conducting an extensive search, led by the Senior Independent Director. It has been a great privilege to serve as Chairman of the Group and I have greatly enjoyed my time on the Board. I wish the Group well under new chairmanship and every success for the future.

David Hurst-Brown will also be retiring from the Board at the AGM. On behalf of the Board I would like to express our deep appreciation to David for his excellent, wide ranging contributions during his tenure. We offer our sincere thanks and wish him well for the future.
The Board continues to reflect a balance between technology sector, commercial, financial and general business skills, with a highly experienced international team leading the business in both executive and non-executive roles.

Reports from the various Board Committees and details of their current composition are covered in more detail in their respective section of this report.

During 2013/14, the Board played an important role in guiding and overseeing the Group through a number of acquisitions and monitoring the performance of the Group in the challenging and competitive economic environment.

The Board also provided clear strategic direction and ensured that the Group's standards of conduct met its expectations. The roles and specific expertise of the current members of the Board are set out in the Biographies section on pages 38 to 39.

Diversity

There are changes to the composition of the Board in the pipeline as mentioned on page 44. The current structure of the Board comprises of two executive directors, a non-executive Chairman, and five non-executive directors. At the year end all directors were male (100%). The Board recognize that diversity is important to the role for a successful Board but must also consider all appointments on merit. As part of our approach to diversity we are actively considering the appointment of a female non-executive director to address the balance on the current Board. The diversity of the Board broadly reflects the gender diversity of the Group's workforce as a whole since we largely employ engineers and engineering is regrettably mainly a male occupation. The Board noted the publication of Lord Davies' Review into Women on Boards in February 2011 and the proposals published by the European Commission in November 2012 (the latter includes an objective that 40% of non-executive directors should be women by 2020). We believe that diversity should be considered broadly, as well as focusing on gender. It is important to achieve the correct balance of skills, knowledge and experience on the Board. We will continue to make appointments on merit and also to value diversity in its broadest context.

The Group's strategy

The Group has gone through enormous change both organically and by acquisition in accordance with the Group's strategy. In December 2013 the Board and EMB along with other key employees attended an offsite strategy meeting. The next strategy meeting is set for December 2014 and will continue to develop the long-term strategy of the business. More detail is given in our Strategic report on pages 3 to 36.

Ethics

All executives and employees are required to comply with the Group's Code of Conduct. This ensures all employees worldwide are aware of the UK Bribery Act 2010 and carry out their duties with integrity and honesty.

I believe that the Group benefits from a strong Board though we will continue to look for opportunities to further strengthen and diversify, as discussed on page 44. With my pending retirement from the Board, I would like to thank my fellow Board members and our employees for the excellent support given to me over the past eighteen years and would like to thank you, the shareholders and all stakeholders.

G.S. Shingles

Geoff Shingles
Chairman

24 June 2014

Corporate governance compliance

Statement of compliance with the UK Corporate Governance Code

The Group has complied with the provisions of the UK Corporate Governance Code 2010 and 2012, both the main principles and the supporting principles, throughout the year and to the date of this report. We explain in the reports below how we applied the provisions and principles of the Financial Conduct Authority Listing Rules, the Disclosure and Transparency Rules, and the UK Corporate Governance Code 2010 and 2012. Further explanation to how the main principles have been applied is set out below and in the Directors' Remuneration Report and Audit Committee Report.

The role of the Board

The Board is accountable to shareholders for the proper conduct of the business and its long-term success. It has ultimate responsibility 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, 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 each Committees' Terms of Reference. Further information on the responsibilities of the Audit, Remuneration and Nomination Committees are set out in their reports on pages 50 to 71.

Matters specifically reserved for the Board to make decisions on include, but are not limited to, the following:

- Group long-term strategy;
- Group major business decisions;
- Group-wide business and financial review including annual budget;
- major capital expenditure, acquisitions, disposals and investments;
- review of the internal financial control and risk management systems;
- consider recommendations of the sub-committees of the Board including Board remuneration,
- Board appointments and their terms of reference;
- the approval of interim and annual financial statements; and
- treasury management.

The Board will delegate other operational matters to the EMB for its review with other senior managers of the business to enable them to make appropriate divisional decisions.

The composition of the Board

The Board currently consists of eight members; the non-executive Chairman, the CEO, the CFO and five non-executive directors.

Division of responsibilities

The Group has a traditional Board structure with a unitary Board comprising the non-executive Chairman, executive and non-executive directors. The Audit and Remuneration Committees are made up of independent non-executive directors and they, together with the Nomination Committee, report to the Board. The EMB reports to the CEO and the divisions and functions report to the EMB.

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

Role of Chairman

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. He is Chairman of the Nomination Committee. The Chairman's other professional commitments listed on page 38 have not changed during the year and the Board are satisfied that they continue not to interfere with the performance of his duties for the Group. In accordance with best practice he is taking no part in the appointment process to find a new Chairman.

Role of Chief Executive Officer

The Chief Executive Officer, Sir Hossein Yassaie, is responsible 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 is actively managing the overall strategy of the business. He regularly holds meetings with the Group's customers, potential customers and partners for executive discussions on current and future business. He is also responsible, with the EMB, for implementing the decisions of the Board and its Committees.

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

David Anderson acts as a sounding board for the Chairman and serves as an intermediary for the other directors when necessary. He is also the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. He has been actively leading the search for a replacement for the Chairman. More detail is given in the Nomination Committee Report on page 54. He also makes himself available to shareholders if they have concerns where contact through the normal channels of Chairman, CEO or CFO have failed to be resolved or for which such contact is inappropriate. During the year he met with some of the larger institutional shareholders of the business.

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. During the year the Company Secretary facilitated the Board effectiveness evaluation. The Board as a whole decides on the appointment or removal of the Company Secretary.

Role of non-executive directors

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 Financial Reporting Council Code.

During the year the Board considered the independence of each on 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 9 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 believes that they provide continuity and overall balance whilst continuing to demonstrate a strong independence of management in the manner in which they discharge their responsibilities as directors. Following a performance review the rest of the Board believes that they remain both independent in character and judgement and that they will continue to be effective and demonstrate commitment. Accordingly, the Board considers that Ian Pearson and David Hurst-Brown are independent non-executive directors. As stated previously David Hurst-Brown is resigning from the Board at the AGM in 2014.The Board agrees that the remaining non-executives meet the independence criteria specified in the Code. Furthermore, no institutional investor has raised concerns over their independence.

Induction and professional development

The existing induction process is being formalized, following a recommendation from the Board effectiveness evaluation. The induction procedure for all new appointments to the Board is designed to enhance the directors' knowledge of the industry in general and their understanding of the Group's operations and performance, and importantly the Group culture.

The induction programme consists of the following:

- one-to-one meetings with the Chairman, CEO and CFO and meetings 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. Each director is fully aware that they should take responsibility for their own individual development needs and take the necessary steps to ensure they are wholly informed of regulatory and business developments.

Activities of the Board

The Board holds regular scheduled meetings throughout the year which are supplemented by unscheduled meetings which are held when urgent business decisions are needed, such as relating to acquisition activity. The Board papers are circulated electronically in advance of each meeting.

At each meeting certain regular reports are presented which are:

- 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, potential acquisitions and key business issues and actions;
- CFO gives the year to date financial results, latest financial projections, investor relations activity and analysts forecasts;
- The Board reviews the status of the Group's long-term strategy, and
- Company Secretary provides updates covering governance, share price data, risk management reporting 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. This has typically been held on an annual basis. The main objectives of the strategy session are to assess and decide upon the key technologies, products and markets for the business to develop 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 to achieve the strategy. Divisional business plans are built around executing the strategic plan.

The CEO and CFO also 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 was actively involved in monitoring:

- integration of MIPS which is now an effective operating unit within the Group. Acquisitions of Posedge and Kisel;
- the on-going redevelopment of our headquarters in Kings Langley and the construction of a datacentre together with a new regional office in the US;
- the launch of the new Jongo range of products; and
- investments in partners.

Appointment to the Board

There is a formal, rigorous and transparent procedure for the appointment of new directors to the Board. More detail is given In the Nomination Committee Report on page 54.

Commitment

The directors allocate sufficient time to the Group to discharge their responsibilities effectively.

Board evaluation

The Board undertook its first external Board evaluation on its effectiveness. This exercise was conducted by an external provider, Independent Audit Limited, who held detailed individual discussions with all members of the Board. The findings were reported to the Board in March 2014 and were the subject of detailed discussion by the Board in April 2014. Neither the Group nor any individual director has any connection with Independent Audit.

The 2014 evaluation covered:

- Board composition and dynamics;
- the Board's role;
- the operation of the Board; and
- the operation of each of the Audit, Remuneration and Nomination Committees.

The overall conclusion was that individual Board members are satisfied that the Board works well and operates effectively in an environment where there is constructive challenge from the non-executive directors. They are also satisfied with the contribution made by their colleagues and that Board Committees operate properly and efficiently.

There are a number of areas for further consideration and action in 2014 including:

- the size, composition and mix of the Board;
- succession planning both within the executive team and the non-executive directors;
- the number, scheduling, duration and location of Board meetings;
- increased visibility of progress against the strategic objectives;
- more active involvement with members of the EMB who will present regularly to the Board to ensure the Board are fully aware of the status of the operational divisions; and
- a continuing programme of development sessions/teach-ins for the non-executive directors in order to provide them with a more detailed appreciation of possible strategic and technological developments.

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 authorization of such conflict matters by the Board. In deciding whether to authorize a conflict, or potential conflict, the directors have regard to their general duties under the Companies Act 2006. The authorization of any conflict matter, and the terms of authorization, may be reviewed at any time and are reviewed formally by the Group on an annual basis. There have been no conflicts of interest raised in the year.

Board and Committee meeting attendance

	Tenure (years)	Board	Audit Committee	Remuneration Committee	Nomination Committee
Geoff Shingles	20	8/9	–	5/6*	2/2
Hossein Yassaie	19	9/9	–	3/6*	2/2
Richard Smith	3	9/9	5/5*	3/6*	2/2*
Andrew Heath	2	9/9	3/5	6/6	2/2
Gilles Delfassy	2	9/9	1/5	5/6	2/2
David Anderson	3	9/9	5/5	6/6	2/2
David Hurst-Brown	13	7/9	3/5*	4/6*	2/2*
Ian Pearson	16	8/9	–	4/6*	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.

Audit Committee report

Dear Shareholder

I am pleased to present the report for the Audit Committee for 2013/14. 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 Group's internal financial controls and risk management systems are appropriate and regularly reviewed. Its terms of reference are agreed annually by the Board and are set out on the website.

The Audit 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

24 June 2014

Role of the Audit Committee

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

- to ensure that the financial statements of the Group are fair, balanced and understandable;
- consider annually whether there is a need for an internal audit function;
- review the Group's internal financial controls and risk management systems;
- develop and implement policy on the engagement of the external auditor;
- 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 auditors independence and objectivity and effectiveness of the audit process;
- 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 confidence matters of possible impropriety, with suitable subsequent follow-up action; and
- ensure director's expenses are of a reasonable business nature and authorized appropriately.

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

- reviewing the Groups draft half-yearly and full year results prior to Board approval;
- focussing specifically on the accounting associated with the acquisitions of Posedge and Kisel;
- reviewing the draft Interim Management Statements during the year;
- assessing the external auditors' independence and objectivity;
- reviewing the external auditor's 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 external auditor's report on the results of their year-end audit;
- reviewing the structure of the Group following the acquisitions of the past few years;
- reviewing the Group's arrangements for the security and patent protection of its intellectual property;
- reviewing the Group's system to identify and manage risk;
- reviewing the effectiveness of the Group's internal risks over financial reporting; and
- reviewing and updating the Audit Committee's terms of reference.

The full written terms of reference of the Audit Committee can be located on the Group's website **www.imgtec.com**.

Committee composition

The composition of the Audit Committee changed during the year and consists exclusively of independent non-executive directors. Gilles Delfassy and Andrew Heath joined the Audit Committee during the year as replacements for David Hurst-Brown and Ian Pearson.

The Audit Committee comprised the following directors:

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

The Audit Committee met five times in 2013/4. The primary purpose of each of the meetings was to plan the annual audit process, to discuss the changes required in financial reporting, to review the half-year accounts and to review the full year accounts. Other matters were dealt with as necessary.

Attendance at meetings is shown on page 49.

The external auditors KPMG, the Chairman of the Board, the Chief Executive, the Chief Financial Officer and key members of the Group finance team are also invited to attend meetings.

In accordance with UK Corporate Governance 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 the Chairman of the Audit Committee, David Anderson, it is satisfied that this requirement has been met and that the Audit Committee has sufficient experience to fulfil its obligations in an effective manner.

Significant issues that the Audit Committee considered in relation to the financial statements

The Audit Committee considered the key accounting judgements underlying the preparation of the financial statements focussing specifically on:

Significant Issues

Issue	Description	Work performed by Audit Committee
Revenue recognition including non-cash revenue	Revenue recognized is determined by percentage of completion, achievement of milestones and schedule of invoicing. Some contracts are signed in exchange for equity in the customer's business rather than cash.	The Audit Committee has satisfied itself with the internal procedures performed by management to ensure revenue is recognized appropriately and in accordance with applicable standards.
Valuation of goodwill	Goodwill increased in the year with acquisitions. Goodwill is material to the Group and require impairment reviews regularly.	The Audit Committee has reviewed the accounting associated with the acquisitions and considered any need for impairment at the year end based on current factors.

Other Issues

Issue	Description	Work performed by Audit Committee
Valuation and classification of investments	The Group continues to hold strategic investments, required to be considered for correct accounting treatment as a trade investment, and impairment regularly.	The Audit Committee has considered the classifications and any need for impairment at the year end based on current factors.
Valuation of inventory	The Pure division holds significant stock balances at the year end.	The Audit Committee has satisfied itself with the internal procedures performed by management to ensure stock provisioning at the year end is appropriate.
Accounting for income tax including deferred taxation	There remains some complexity in the tax structure of the Group and the accounting for income tax and recognition of deferred tax losses.	The Audit Committee has reviewed the findings of the specialists engaged to perform our tax work.

Recoverability of debtors	The nature of the Group's business means that the Group continues to hold significant debtors at any point.	The Audit Committee has satisfied itself with management's regular assessment of outstanding debtors and how they manage the relationship with those outstanding debtors as required.
Accounting for share based payments	Share based payments is a complex and technical area which we engage specialists to assist in calculating the fair values to attribute to the awards granted.	The Audit Committee has reviewed the findings of the specialists engaged to perform the current year share based payment work.
Disclosures in the annual report	The Group acknowledges that there have been significant changes to the disclosure requirements of the annual report this year with changes directed by The Companies Act 2006 Regulation 2013, The UK Corporate Governance Code 2012 and the Department for Business, Innovation and Skills.	The Audit Committee is in regular dialogue with management and the external auditors over the disclosures presented in the annual report and makes recommendations for changes where appropriate.

Risk management and internal control

The Audit 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. A Board discussion took place on the assessment of risk and concluded that although the Audit Committee had a key role in the monitoring of risk management the prime responsibility for risk management remained with the Board and not with the Audit Committee.

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

Internal audit

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

External audit process

At the start of the audit cycle, KPMG presented their audit strategy, identifying their assessment of the key risks for the purposes of the audit and the proposed scope of their work.

KPMG reports to the Audit Committee at both the half and full-year setting out their assessment of the Group's judgements and estimates in respect of these risks and the adequacy of the reporting. The Audit Committee meets with KPMG in private at least once a year.

The Audit Committee is sàtisfied that the scope of the audit is appropriate, all significant accounting judgements have been challenged robustly and the audit has been effective.

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

Audit tendering

KPMG has been the Group's external auditor since 1994. Whilst the Group has not formally tendered the audit since then, the Audit Committee undertakes an annual review of the independence, objectivity and effectiveness of the audit firm in considering whether to recommend the reappointment of the external auditors at the AGM.

The Audit Committee has been monitoring the debate on external audit tendering and has noted the changes to the UK Corporate Governance Code introduced by the FRC in September 2012 and, in particular, the requirement contained in the Guidance on Audit Committees to put the external audit contract out to tender at least every ten years. The new Code became effective for the Group on 15 September 2013. The Audit Committee has also considered the subsequent proposals of both the UK Competition Commission and the European Commission, in particular the transitional arrangements which if implemented would require KPMG to stand down in 2020. The Audit Committee will continue to monitor developments in this area.

Aside from the Commission rules above there are no contractual obligations currently restricting the current or future choice of external audit firm.

Tudor Aw was appointed as Group Audit Partner in 2010, and under the requirement to rotate this position every 5 years, is due to rotate off the Group's audit after completing the 30 April 2015 financial year audit engagement.

Non-audit services and maintaining auditor independence

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 KPMG did not perform any non-audit work.

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 Audit 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 Audit Committee has reviewed and is satisfied with the effectiveness and independence of the external auditor.

Reappointment of auditor

The business of KPMG Audit Plc is in the process of being transitioned to KPMG LLP. Accordingly, the Audit Committee has recommended to the Board that KPMG LLP be proposed for appointment by shareholders as the Group's external auditor at the forthcoming AGM.

Evaluation of the work of the Audit Committee

As part of the Board evaluation by Independent Audit, which is referred to in the Corporate Governance section of the annual report, the working of the Audit Committee was reviewed. Independent Audit made various recommendations in particular addressing the level of executive attendance at meetings, the role of the Company Secretary in supporting the Committee and the number of issues which the Audit Committee needs to address. The Audit Committee found the evaluation helpful and actions have been taken to reflect the recommendations.

Nomination Committee report

Dear Shareholder

I am pleased to present the Nomination Committee report. The principal role of the Nomination Committee is to consider, and recommend for approval to the Board, the appointment of suitable people as directors of the Group and to lead the process for such appointments.

During the year, the Committee continued to develop its succession plans for executives and non-executive directors. As part of this process we have taken into account their respective tenures of office, analysing the skills which were either missing or could be missing in future and how different personalities would fit our Board. We are very clear that we must continue to appoint the best candidates but we will show an increasing emphasis on recruiting candidates from more diverse backgrounds and with international experience.

Since I announced to the Board my intention to retire, David Anderson (SID) is leading the Committee in its search for a suitable replacement for myself as Chairman of the Board. An independent consultancy, EgonZehnder Consulting LLP, has been appointed to conduct the search after a competitive tender process. We are making good progress with EgonZehnder preparing a short list. I am committed to remain in position until a suitable replacement is securely in place. As is good practice I am not participating in the process to identify my successor as Chairman.

The Committee is mindful of the diversity agenda in its candidate selection process. We did respond to the Davies Report on women on Boards in 2012. We are committed to improving diversity at all levels in the Group but always making appointments based purely on merit especially at the most senior levels of our organization. We recognize the importance of gender diversity in the boardroom and the valuable contribution that women make in achieving the right mix of skills, experience and knowledge.

Role of the Nomination Committee

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

- Lead the process for Board appointments and make recommendations to the Board;
- Consider succession planning at senior levels within the Group and ensure an appropriate balance of skills and experience;
- Evaluate the balance of skills, experience, independence and knowledge of the Board; and
- Consider diversity issues.

Composition of the Committee

- Geoff Shingles
- Hossein Yassaie
- Andrew Heath
- David Anderson
- Gilles Delfassy

The Committee continues to support the Group's management and leadership development programme for the executives and senior management. It is considered essential in support of the Group's strategy and continued development. Hossein Yassaie joined the Committee in October 2013 in order to ensure that there was a better balance between executive and non-executive directors on the Committee.

G. S. Shingles

Geoff Shingles
Chairman of the Nomination Committee

24 June 2014

Directors' remuneration report

Dear Shareholder

On behalf of the Board, I am pleased to present our directors' remuneration report, prepared in accordance with the new reporting regulations which came into effect on 1 October 2013.

The report is divided into two sections: a policy report which sets out our approach to remuneration and an annual report on remuneration which details what has been paid to the directors during the 2013/14 financial year. Each report will be proposed as a separate resolution at the AGM, with a binding vote on the policy report. Subject to shareholder approval the remuneration policy will become effective on 19 September 2014 following the AGM.

At a time of considerable growth and a number of acquisitions within the Group, our remuneration policy has been modified to support our strategy and align the interests of directors with those of our shareholders. This has been achieved through the introduction of two new plans: an annual cash bonus plan and a Long-Term Incentive Plan (LTIP), providing appropriate short and long-term incentive opportunities. As a Committee we endeavour to take a proactive interest in shareholder views on the Group's remuneration policy, and as such we consulted with our largest shareholders and advisory bodies prior to implementing these changes last year. Those consulted were both supportive of the proposals and understanding of the need to make such changes. This was reflected in the high level of support at the AGM in 2013, with 97.5% of shareholders voting in favour of the remuneration report.

Following the changes approved at the 2013 AGM, we are satisfied that the existing remuneration arrangements continue to align with the Group's strategy and there are no plans to change the current arrangements significantly. The Committee will continue to monitor the market competitiveness of the remuneration policy, in order to ensure we are able to retain and attract the best talent.

Annual bonus outcome

The annual bonus plan measures both in-year business performance targets and progress against personal and strategic objectives. An important principle of the annual bonus plan is that no bonus can be paid unless the entire Group has achieved a base level of business performance. The Group did not achieve the required base level of performance this year, and as such no payment will be made to the executives.

Long-Term Incentive Plan (LTIP) outcome

The LTIP takes into consideration the performance of both the Group and its share price, and is designed to act as an incentive to motivate executives to achieve the long-term growth plans of the Group. Under the LTIP the performance period is three years and executives are required to retain a percentage of shares after vesting in order to build up a shareholding value worth more than their annual salaries. The new LTIP will be tested on the third anniversary of grant which will be October 2016, and so no payments will be made to the executives under the LTIP in this financial year.

Executive director salaries

In order to retain the calibre of management necessary to deliver the Group's strategy, our policy is to ensure that base pay for executive directors is competitive with the market, and recognizes personal performance. The Committee reviewed the salaries of both executive directors during the last year. The CEO's salary was increased in line with the average employee increase in the UK of 4.32%. Following a review of the CFO's performance and remuneration relative to the market, it was felt appropriate by the Board to increase his salary by 10% (more detail is given on page 64 of this report).

Activities of the Remuneration Committee during 2013/14

During the last financial year, amongst other things, the Committee:

- considered the potential outcome for the cash bonus for 2012/13 financial year;
- recommended the approval of the 2012/13 remuneration report to the Board;
- consulted with shareholders and advisory bodies on the review of executive remuneration, including base-salary, short-term incentives and long-term incentives;
- with the support of shareholders, put in place the new executive director remuneration policy, including the implementation of a new annual cash bonus plan and long-term incentive plan;
- set 2013/14 annual bonus targets and performance targets for the LTIP 2014 – 2016;
- considered a benchmarking report in support of the executive salary review;

- reviewed executive directors' base salary levels and approved increases as detailed in the report;
- advised on salary adjustments and share awards to the EMB;
- reviewed appropriateness of current all employee share schemes;
- considered the new BIS regulations in respect of executive remuneration policy and in drafting the remuneration report;
- considered the projected out-turns for the 2013/14 annual bonus; and
- reviewed its own terms of reference.

We believe our current remuneration practices are set out in line with the new reporting regulations and we welcome the structure and transparency this brings. Overall we believe that our remuneration policy is aligned with delivering the Group's strategy and long-term value to shareholders.

I look forward to the on-going support of the Imagination shareholders on both the advisory vote for the executive remuneration arrangements as they were operated this past year, as well as the forward-looking remuneration policy which is the subject of the binding vote at the AGM.

Yours sincerely

Andrew Heath
Chairman of the Remuneration Committee

24 June 2014

Remuneration Policy

The Directors' Remuneration Policy below will be put to shareholders for approval at the next Annual General Meeting on 19 September 2014 and is intended to apply for three years from that date. The Policy applies to the executive directors at the date of this report and is intended to apply to any new executive directors who may be appointed during this three year period.

Remuneration Policy Table

A summary of remuneration policy is set out below:

Alignment with strategy and purpose	Operation	Maximum potential value	Performance framework
Base salary			
Recognizes experience, responsibility and performance. Supports recruitment and retention to deliver the Group's strategy.	Salaries are reviewed annually. Salary increases for executive directors are set out on page 64. Increases are generally applied from April each year. In its annual review the Committee considers the following: • Pay levels at companies of a comparative size (by reference to market capitalization and revenue) on a geographical basis • External market conditions • Aim to achieve market median salaries • Pay increases for all employees in the Group • Individual performance, skills expertise and potential • Corporate performance on social, environmental and corporate governance matters.	Base salaries are set at an appropriate level for each role taking into account the factors illustrated in this table. Generally salaries are no higher than market median, although higher salaries may be paid, if necessary to recruit externally or to retain key executives. In normal circumstances base salary increases will be no more than the average increases for employees across the Group. Greater increases may be approved if there is a substantial change in a director's role or responsibilities or if the salary is significantly below the current market rate. In such circumstances, increases may be phased over a number of years and be conditional on performance.	The overall performance of each executive director is considered by the Committee when reviewing base salaries. No recovery provisions apply.
Pension			
To provide pension contributions to enable directors to plan for retirement.	Defined contribution plan (with Company contributions set as a percentage of base salary). There are no special arrangements for executives.	The Company match the executive contribution up to a maximum of 7.5%.	None No recovery provisions apply.
Other benefits			
To provide competitive benefits in line with market practice to enable the Group to recruit and retain high-calibre executive directors.	Other benefits are provided as appropriate to the location of the executive director and include car allowance, or car and fuel allowance, long-term sickness and disability insurance, death in service benefit, and private health and travel insurance for the executives and family.	Reasonable market cost of providing benefit. The Committee reserves its discretion to provide such situation-specific benefits as may be required in the interests of the Group's business, such as relocation.	None No recovery provisions apply.

Alignment with strategy and purpose	Operation	Maximum potential value	Performance framework
Annual bonus plan			
Delivery of in-year financial performance and key business imperatives.	Bonus, if earned, is paid wholly in cash after the post year-end Preliminary Announcement. Bonus payments are not pensionable. Individual performance measures are focused on objectives that are specific to each executive director, and relate to clear strategic, operational, or relationship imperatives.	Maximum bonus: 118% of salary. The bonus is self-funding. No bonus is paid if the Group does not achieve 85% of the adjusted operating profit target.	Performance is assessed by the Committee using financial and non-financial measures. The targets are: 1. Group revenue budget (25%) 2. Adjusted operating profit (50%), and 3. Individual performance (25%). The measures (1) & (2) have the following linear calibration: **% of budget achieved** / **% of target bonus payable** 85% / 50% 100% / 100% 115% / 125% The Committee will apply judgement in assessing individual performance based on quantitative and qualitative results. The Committee retains discretion to adjust bonus targets to reflect intervening events, such as acquisitions or disposals. These will be disclosed accordingly. No recovery provisions apply.
Long-Term Incentive Plan 2014			
To incentivize executive directors to achieve performance objectives directly linked to the Group's long-term financial and strategic goals. To align executive directors' interests with those of our shareholders through the performance conditions and share retention obligation.	LTIP awards may take the form of nil-cost options, conditional share awards, or restricted shares at the discretion of the Committee. Additional shares may be accrued in lieu of dividends and awarded on any shares which vest. Awards vest on the third anniversary of grant subject to the performance conditions and provided the Director remains in office with the Company.	The maximum award level is 250% of salary for the CEO and 175% of salary for the CFO. In exceptional circumstances the maximum opportunity is 600%. This was put in place in case there is a need to recruit a highly experienced executive. To date we have not used the 600% and there are no plans to increase the opportunity levels for the current executive directors.	The vesting of share awards under the LTIP will depend on three performance conditions: 1. Adjusted earnings per share (50%), 2. TSR growth relative to the FTSE All World Technology Index constituents (25%) and 3. TSR growth relative to the FTSE 350 Index constituents (25%). The Committee retains discretion to adjust LTIP targets to reflect intervening events, such as acquisitions or disposals. These will be disclosed accordingly. **Malus:** The Committee has discretion to reduce a share award, including to zero, prior to vesting where there are exceptional circumstances, which include a material mis-statement in the Company's published results, misconduct by the executive director that is deemed to have initiated or contributed to a material loss as a result of reckless, negligent or wilful actions, or inappropriate values or behaviour. **Clawback:** The Committee has discretion to clawback shares and executive directors have an obligation under the rules of the LTIP to transfer shares or pay over the proceeds of a share sale in exceptional circumstances (as described above). If sold at less than market value, the obligation is to pay market value at the date of disposal. Clawback would be less any income tax and national insurance paid or due to be paid. The Committee has discretion to set the length of the clawback period, which would normally be two years from acquisition of the shares.

Alignment with strategy and purpose	Operation	Maximum potential value	Performance framework
Save As You Earn (SAYE)			
To encourage share ownership across the broader employee population.	Executive directors may participate on the same terms as other employees. The option price may be discounted by up to 20%. Accumulated savings may be used to exercise an option to acquire shares.	The maximum savings amount is currently £250 per month over a three year period. This may be increased in accordance with changes to UK legislation as applied to all participants in the plan.	No performance conditions are permitted by UK legislation for this type of plan. No recovery provisions apply.
***Chairman and non-executive directors* (NED)**			
Reflect the time, commitment and responsibilities to the role.	Fees are reviewed on an annual basis, taking into consideration market practice and are set with reference to the sector, FTSE250 and general non-executive directors benchmarking data as appropriate. Fees are approved by the Board upon a recommendation from the executive directors. Non-executive directors' fees are paid in cash and are not performance related. There are no benefits or on-going incentive schemes for non-executive directors.	Fees are set by reference to the policy element. The aggregate value of fees paid will not exceed the limit as approved by shareholders set in the Articles of Association.	None. No recovery provisions apply.
LEGACY LONG-TERM SHARE PLANS (AWARDS NO LONGER MADE)			
Employee Share Plan (ESP) including Tax-Efficient Employee Share Plan (in respect of years up to and including 2013)	ESP restricted share awards vest on the third anniversary of grant subject to achievement of the performance measure and provided the Director remains in office with the Company.	100% of salary	Vesting 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 (Index) over the 3 year period commencing on the date of grant. Awards have the following linear vesting schedule: **Out-performance of Index** / **% of shares vesting** < 125% / 0% 125% / 50% ≥150% / 100%
Employee Share Plan (ESP) (in respect of one-off share award for CEO in 2009)	One-off award in 2009 when the Board considered it necessary for retention and motivation purposes.	2.25 million shares awarded	Vesting is based on the annual cumulative growth in the Company's share price over the third, fourth and fifth year from the date of grant. Awards have the following linear vesting schedule: ***Cumulative share price growth*** / ***% of shares vesting*** < 7.5% / 0% ≥15% / 100% The number of shares vested to date: December 2012 – 750,000 December 2013 – 280,000 December 2014 – not yet tested (c/f balance to be tested in December 2014)

Selection of performance measures and the target setting process

Annual bonus plan

Performance measures for the Annual Bonus Plan are set annually. Each year the Committee considers the most appropriate metrics to apply for the following financial year. These metrics are currently Group revenue budget and adjusted operating profit. A performance multiplier is then applied related to the achievement of the financial elements. The annual bonus also includes a 25% element based on personal performance. Each executive director is set a number of personal objectives in relation to clear strategic, operational, or relationship imperatives aligned to the Group's overall strategy. The Committee is of the opinion that the financial targets and personal objectives for the Annual Bonus Plan are commercially sensitive and as such it would be detrimental to the Group to disclose them in advance of or during the relevant performance period. Business targets are set as predefined ranges around budget and individual targets are set taking account of strategic priorities under the control of the executive.

Long-Term Incentive Plan

Performance measures for the LTIP were selected after careful consideration and following consultation with larger shareholders and advisory bodies. The Committee believes that the use of both TSR and EPS measures provides the best measure of the success of the execution of the Group's strategy and encourages, reinforces and rewards the delivery of sustainable shareholder value.

The TSR element (which accounts for 50% of awards) considers Imagination's performance against two relevant comparator groups (sector and size-based) to reward sustainable shareholder value creation relative to alternative investment opportunities for our shareholders. Targets are in line with typical market practice, requiring ranking at median to deliver threshold vesting increasing on a straight-line basis to full vesting for ranking within the upper quartile.

The normalized EPS growth performance condition (which accounts for 50% of awards), has been set following independent analysis by the Group's advisors and brokers. Based on this analysis, the compound annual growth in EPS targets were set for 2013/14 as follows:

- 0% pay out below 10% growth;
- 25% pay out at 10% growth;
- 100% pay out at 20% growth or greater; and
- Linear progression between 25% and 100% thresholds.

The Committee intends to review the targets annually. Changes will be made only if the targets become inappropriate due to changing market conditions.

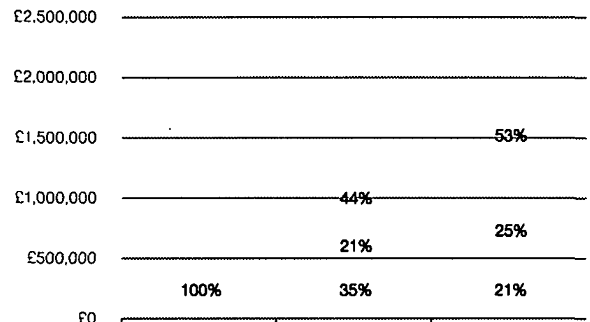
Illustration of remuneration policy for 2014

The graph below illustrates the level of remuneration that could be achieved by the CEO and CFO through the operation of our remuneration policy for 2014/2015. The graph show the proportion of total remuneration made up of fixed pay (salary, pension and other benefits), annual bonus and the LTIP and the pay outcomes for three performance scenarios.

In accordance with the regulations, share price appreciation and dividend accrual are not taken into account. SAYE awards are also excluded.

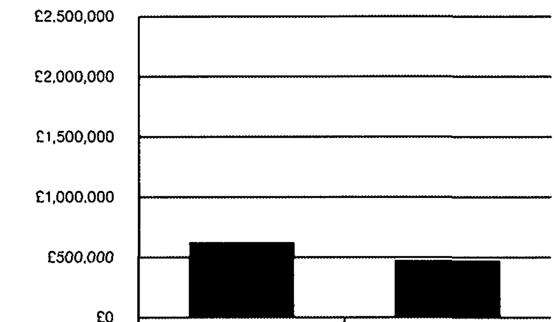
Chief Executive Officer

Scenario



	Minimum	Target	Maximum
■ LTIP	£0	£617,690	£1,235,380
■ Annual Bonus	£0	£293,500	£587,000
■ Total Fixed Pay	£494,152	£494,152	£494,152

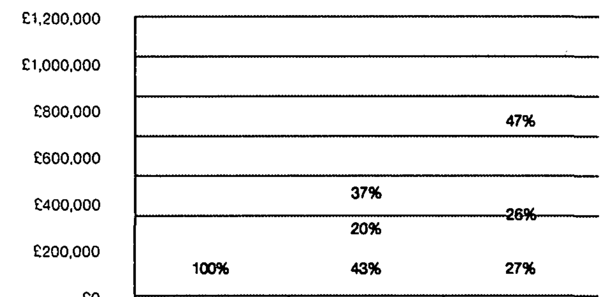
Actual



	2012/13	2013/14
■ LTIP	£0	£0
■ Annual Bonus	£165,000	£0
■ Actual Fixed Pay	£463,073	£476,087

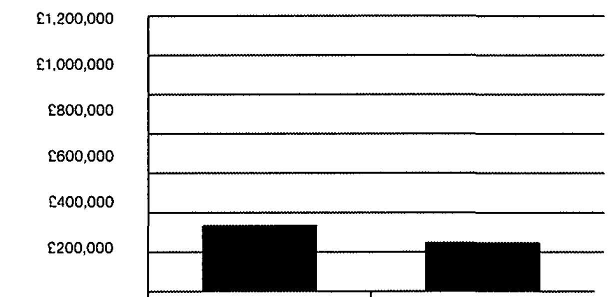
Chief Financial Officer

Scenario



	Minimum	Target	Maximum
■ LTIP	£0	£238,642	£477,284
■ Annual Bonus	£0	£130,000	£260,000
■ Total Fixed Pay	£272,734	£272,734	£272,734

Actual



	2012/13	2013/14
■ LTIP	£0	£0
■ Annual Bonus	£85,000	£0
■ Actual Fixed Pay	£235,510	£249,897

The following assumptions have been used:

Minimum: this represents fixed remuneration consisting of current annualized salary, pension and an estimate of other benefits based on the 2013/14 disclosed value.

Target: this represents fixed remuneration as detailed above, plus 50% of the maximum bonus opportunity and vesting of 50% of the maximum LTIP award.

Maximum: this represents fixed remuneration together with the maximum annual bonus opportunity and vesting of 100% of LTIP award.

Development of the Group remuneration policy

Consideration of executive remuneration with the wider Group

When making remuneration decisions for Executive Directors the Committee considers the wider economic environment and conditions within the Group. In particular, the Committee considers pay and employment conditions across the wider workforce and carefully considers the broader employee salary increase budget when making reward decisions for executive directors. The Committee considers wider industry benchmarking material in the context of monitoring its overall position on director and employee pay.

Consideration of shareholders views

The Committee welcomes an open and transparent dialogue with shareholders and seeks the views of significant shareholders when any major changes are being made to remuneration arrangements. The Committee will continue to engage with shareholders going forward and will aim to consult on any material changes to the application of the approved remuneration policy or proposed changes to the policy itself.

Recruitment remuneration arrangements

When determining the appropriate remuneration package for a new appointment, the Committee will take a number of factors into account. These typically include the candidate's experience and calibre, their personal circumstances, external market influences and arrangements for existing executive directors. The on-going remuneration package offered to new directors will only include those elements listed within the policy table, which may include specific relocation benefits. On-going variable pay awards will be subject to the limits as set out in the policy table. Full details of the recruitment package for any new executive directors will be set out in the next Annual Report on Remuneration.

In addition to the on-going elements of the remuneration package, the Committee reserves the right to 'buy-out' awards being forfeited elsewhere through accepting a role at Imagination. The Committee will give consideration to any relevant factors when determining the value of such awards, including the form of the award (e.g. cash or shares), the proportion of the performance/vesting period outstanding and the potential value of the forfeited remuneration, including performance conditions attached to the awards, the likelihood of those conditions being met, and the timing of any potential payments. It is the intention that such buy-out awards will be made through use of the exceptional LTIP limit. However, the Committee may rely on the relevant Listing Rule exemption if necessary for the purpose of making a buy-out award in the event that the Group hire an executive director and need to match or pay-off shares they held with their previous company. Where an executive director is appointed from within the organization, the Committee has the power to honour legacy arrangements in line with the original terms and conditions.

In the event of the appointment of a new non-executive director, remuneration arrangements will be in line with those detailed on page 67.

Service contracts

Our policy is for notice periods for executive directors to be six months duration and each of the executive directors' service contracts reflect this. These agreements also contain restrictive covenants for periods of three to six months following termination of employment relating to non-competition, non-solicitation of the Group's customers, no-dealing with customers, and non-solicitation of the Group's suppliers and employees. In addition, each service contract has an express obligation of confidentiality in respect of the Group's trade secrets and confidential information and provides for the Group to own any intellectual property rights created by the directors in the course of their employment.

The dates of the service contracts of each person who served as an executive director during the financial year are as follows:

	Contract Date	Notice period
Geoff Shingles	1 November 1995	6 months' notice by director or Company
Sir Hossein Yassaie	31 March 1998	6 months' notice by director or Company
Richard Smith	3 May 2011	6 months' notice by director or Company

In October 2013 the Chairman changed from an Executive Chairman to a non-executive Chairman.

The non-executive directors do not have service contracts and are not eligible to participate in bonus or share incentive arrangements. Their service does not qualify for pension purposes or other benefits, and no element of their fees is performance related. No payments are due on loss of office.

Service contracts for the executive directors and Chairman, and appointment letters for the non-executive directors are available to view at the office of the Company Secretary at the registered office address.

It is the Group's policy to allow executive directors to hold non-executive positions at other companies and to receive remuneration for their services. The Board believes that experience of the operations of other companies and their Boards and Committees is valuable to the development of the executive directors.

Termination of employment

The Committee maintains a discretionary approach to the treatment of leavers, on the basis that the facts and circumstances of each case are unique. When considering a departure event, there are a number of factors which the Committee takes into account in determining appropriate treatment for outstanding incentive awards. These include:

- the position under the relevant plan documentation;
- the individual circumstances of the departure;
- any mitigating factors that might be relevant;
- the appropriate statutory and contractual position;
- the performance of the Company/individual during the year to date;
- the nature of the handover process; and
- the requirements of the business for speed of change.

In some cases, the treatment is formally prescribed under the rules of the relevant plan. Where there are 'good-leaver' circumstances, awards which would otherwise lapse by default, will vest either on the normal vesting date or on cessation of employment. These circumstances include death, injury, ill-health, disability, redundancy or sale of the Company or business. If the executive dies or leaves due to ill health or injury, awards which have less than 12 months of the performance period remaining or LTIP awards which have less than 12 months of the deferred period to run, vest automatically on leaving. In other leaver circumstances the Committee has discretion to determine when, and to what extent, awards vest. The Committee considers the leaver circumstances along a continuum, ranging from bad leaver' scenarios such as termination of employment for gross misconduct or resignation, through to the good leaver scenarios outlined above. Accordingly the Committee may apply (or dis-apply) such performance conditions or time pro-rating awards vesting in these circumstances, as it considers appropriate.

Annual bonus

In a departure event, the Committee will typically consider whether any element of annual bonus should be paid for the financial year. Any bonus, if paid, will be limited to the period served during the financial year in which the departure occurs.

Long-Term Incentive Plans

The default position is that an unvested ESP or LTIP award lapses on cessation of employment, unless the Committee applies discretion to preserve some or all of the awards. This provides the Committee with the maximum flexibility to review the facts and circumstances of each case, allowing differentiation between good and bad leavers and avoiding payment for failure.

Compensation for loss of office and past director payments

No payments were made during 2013/14 to former executive directors by way of compensation for loss of office, or pay in lieu of notice. There are no payments to be disclosed in respect of past directors.

Relative importance of pay spend

The following table summarizes the major cash distributions during the year as set out in the notes to the financial statements on page 91, compared to the total pay spend for the Group.

	2013/2014 £'000	2012/2013 £'000	% change
Total pay spend	87,516	61,126	43.17

Total employment costs for Group are £87,516,000.

Dividends and share buybacks

The Company has not paid any dividends or performed any share buybacks in either financial year.

The Remuneration Committee

Composition

Andrew Heath chairs the Remuneration Committee, made up of independent non-executive directors, which met six times during the year. Our membership and meeting attendance are set out below. In addition to the Committee members the Chairman and Chief Executive Officer may be invited to attend meetings, except in instances where their own remuneration is discussed, or other circumstances where their attendance would not be appropriate.

Committee members

	Meetings	
	Eligible to attend	Attended
Andrew Heath (Chair)	6	6
David Anderson	6	6
Gilles Delfassy	6	5

Given their diverse business experience, the independent non-executive directors who made up the Committee in 2013/14 offer a fair and balanced view in relation to remuneration matters for the Group.

Responsibility

The Committee determines the remuneration policy and rewards for the executive directors and, in his absence the Chairman. The Committee also reviews the remuneration packages of those at the next most senior level of management and has regard to levels of pay across the Group.

Salaries and fees

Our policy is to set salaries in line with market median, when comparing similarly sized companies, and individual performance. The Committee is of the view that the salary of the CEO is consistent with this policy. Sir Hossein Yassaie consequently received a salary increase of 4.32% in April 2014, which mirrored the average employee increase across the Group. However, in the case of our CFO, his basic salary is in the lower quartile compared to the market and the Committee will be taking steps in the coming years to bring this in line with market median. When Richard Smith joined Imagination Technologies in 2011, a conscious decision was taken to set his salary lower than his predecessor, to reflect that he was new to the role. Since Richard joined three years ago the Committee and the Board are pleased with his performance during a time where the Group has expanded considerably. Taking these factors into account the Committee has increased Richard's salary by 10% with effect from 1 April 2014.

External Committee advisers

The Committee has access to independent professional advice on remuneration matters, Towers Watson were appointed by the Committee in 2012, and Committee members continue to be satisfied that their advice is objective and independent and their fees are in line with market practice. Access to their global database and expertise is an important factor in considering remuneration matters across the EMB. Work undertaken by Towers Watson in 2013/14 included advice on the structure and targets for the new LTIP and annual cash bonus plan and assistance in formally drafting the remuneration policy, for which total fees of £25,000 were paid. The Committee also receive advice from JPMC who provided independent verification of the Total Shareholder Return (TSR) calculations for the LTIP.

Voting comes at the 2013 Annual General Meeting

The key activities of the Committee during the year are set out in the letter to shareholders on pages 55 to 56 of this report. As previously noted, shareholder support at the 2013 AGM was high, with 97.5% of shareholders voting in favour of the remuneration report. The following table summarizes the details of votes cast in respect of the resolution to approve the Directors' Remuneration Report at the 2013 Annual General Meeting.

Votes For	Votes Against	Total votes cast	Votes Withheld (Abstentions)
134,671,725	3,411,352	179,160,505	41,002,111
97.48%	2.47%	67.42%	-

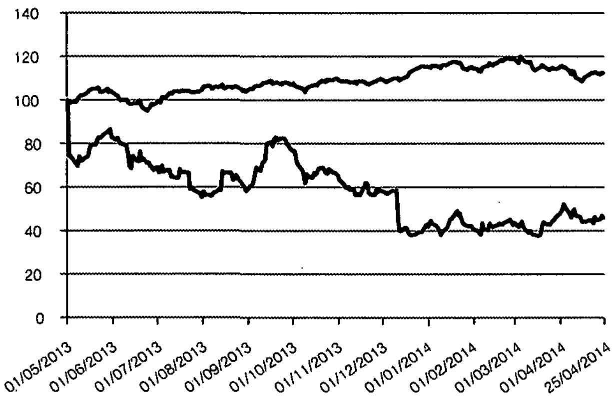
Performance graphs

A performance graph showing the Company's TSR together with the TSRs for the FTSE All-World technology Index from 1 May 2009 is shown below.

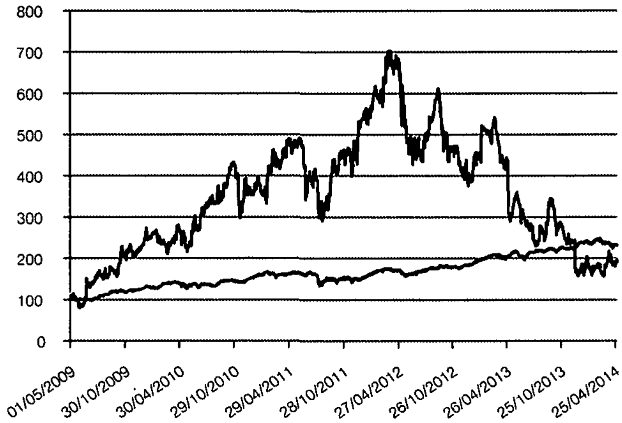
TSR for the Company's shares was (53.78)% over the financial year compared with 12.35% for the FTSE All-World technology Index for the same period.

The Committee considers the FTSE All-World Technology Index to be an appropriate choice as the index contains companies from the US, Asia and Europe and therefore reflects the global environment in which the group operates. In addition, the Index includes many companies that are currently the Group's customers, as well as companies that use Imagination technology in their products.

One year



Five year



IMG techMARK

Share price

The market value of Imagination Technologies Group plc shares on 30 April 2014 was 196.20p. The highest and lowest market share price of the ordinary share in the year was 424.50p and 159.70p respectively.

Remuneration in 2013/14

CEO's pay for the last five financial years

The following table summarizes the total remuneration for the Chief Executive over the last five years.

Year	2009/10	2010/11	2011/12	2012/13	2013/14
CEO's total single figure £'000	675[1]	2,053[2]	6,400[3]	3,639	935
CEO's unexercised share awards £'000	0	0	0	3,011[4]	459[5]
Actual bonus as a percentage of maximum opportunity	0	0	66%[6]	60%[7]	0
ESP/LTIP shares vesting as a percentage of the initial award	35%	50%	100%	100%	37%

[1] In 2010 35% of the initial award vested, the CEO exercised 142,298 shares.

[2] In 2011 50% of the initial award vested, the CEO exercised 500,000 shares.

[3] In 2012 the CEO exercised 802,000 shares, using the sale proceeds of £3.5m from this transaction to pay income tax and national insurance. The CEO retained 227,000 shares.

[4] The total single figure includes the value of 750,000 shares at the date of vesting. These shares remain unexercised.

[5] The total single figure includes the value of 280,000 shares at the date of vesting. These shares remain unexercised.

[6] In 2011/12 the annual cash bonus of 60% represents the portion of the pool of £250,000, the maximum opportunity paid to the CEO the remaining 40% was paid to the CFO and the pool was distributed in full. The bonus related to the 2010/11 financial year.

[7] In 2013 the annual cash bonus of 66% represents the portion of the pool of £250,000, the maximum opportunity paid to the CEO the remaining 34% was paid to the CFO and the pool was distributed in full. The bonus related to the 2011/12 financial year.

Increase in pay and benefits from 2013 to 2014 for the CEO compared to employees:

	CEO	Employees
Base Salary	4.32%	4.32%
Benefits and pension	0%	0%
Bonus	n/a	n/a

No bonus was payable in respect of 2013/14. There has been no change in the nature of benefits provision over the period.

Share dilution

It is proposed that the Group will continue to manage dilution within the context of maintaining award levels within a 15% limit over 10 years, the limit has applied since it was approved in 2006 and will expire in 2016. The Committee will continue to keep below the 15% upper limit. Dilution over the past five years has been 7.42%.

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	227.5	2,250,000	–	–	–	2,250,000	22/12/2012	22/12/2019
Richard Smith	06/10/2011	428.1	50,000	–	–	–	50,000	06/10/2014	06/10/2019

The CEO's award of 2,250,000 shares granted on 22 December 2009 is subject to performance conditions the award will vest in three equal tranches of 750,000 shares commencing on 22 December 2012. The first tranche of 750,000 shares vested on 22 December 2012 and these shares were not exercised. Of the second tranche, 278,000 shares vested on 22 December 2013, in accordance with the performance conditions, these shares have not been exercised. The balance from the second tranche of 470,000 shares will be tested on the third anniversary. The third tranche of 750,000 shares is due to vest on the 22 December 2014. The performance conditions are 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, 100% will vest.

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 share awards for Richard Smith are subject to the same performance conditions as noted below for the TEESP.

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

Tax Efficient Employee Share Scheme ('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	Vesting date	Lapse date
Sir Hossein Yassaie	22/01/2013	461.30	-	40,656	-	-	40,656	22/01/2016	22/01/2022
Richard Smith	22/01/2013	461.30	-	20,725	-	-	20,725	22/01/2016	22/01/2022

Vesting of the share awards is based 100% on the percentage growth in the price of a share in the Group 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 Group 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.

Annual Report on Remuneration

Executive single figure table (audited)

The following table summarizes the remuneration received by the executive directors in respect of the financial years ended 30 April 2014 and 30 April 2013.

	Total amount of salary and fees £'000		All pension-related benefits £'000		All taxable benefits £'000		Annual incentive payments £'000		Long-term incentive payments £'000		Total single figure £'000	
	2014	2013	2014	2013	2014	2013	2014	2013[1]	2014	2013	2014	2013
Executive												
Sir Hossein Yassaie	428	417	32	31	16	16	459[2]	3,176[3]	0	0	935	3,640
Richard Smith	222	211	15	12	12	12	0	85	0	0	249	320
Total	650	627	47	43	28	28	459	3,261	0	0	1,184	3,960

[1] In 2013 the annual cash bonus of 66% represents the portion of the pool of £250,000, the maximum opportunity paid to the CEO the remaining 34% was paid to the CFO and the pool was distributed in full.

[2] The annual incentive figure includes the value of 280,000 shares at the date of vesting and an annual bonus payment of £165,000. The 280,000 shares remain unexercised.

[3] The annual incentive figure includes the value of 750,000 shares at the date of vesting. The 750,000 shares remain unexercised.

	Total amount of salary and fees		All taxable benefits		Total Single Figure	
	2014	2013	2014	2013	2014	2013
Non-executive						
Geoff Shingles*	£78,750	£78,750	£13,000	£13,000	£91,750	£91,750
Andrew Heath	£43,000	£29,000	N/A	N/A	£43,000	£29,000
Gilles Delfassy	£38,000	£35,000	N/A	N/A	£38,000	£35,000
David Anderson	£43,000	£43,000	N/A	N/A	£43,000	£43,000
David Hurst-Brown	£38,000	£38,000	N/A	N/A	£38,000	£38,000
Ian Pearson	£38,000	£43,000	N/A	N/A	£38,000	£43,000
Total	**£278,750**	**£266,750**	**£13,000**	**£13,000**	**£291,750**	**£273,750**

*Geoff Shingles became a non-executive effective as of October 2013 his salary and benefits did not change.

The Chairman and non-executive directors did not receive any other payments.

The following table summarizes salaries paid in the financial year for executives and the changes effective 1 April 2014:

Director	2012/13 £'000	Increase	2013/14 £'000	Increase	2014/15 £'000
Hossein Yassaie	410	4.0%	428	4.32%	445
Richard Smith	209	5.5%	220	10%	242
Average employee		4.0%		4.32%	

The Chairman and non-executive directors' fees were unchanged in 2013/14. The chairmen of the Audit and Remuneration Committees each received a total fee of £43,000 and the other non-executive directors each received a total fee of £38,000. The Chairman received £78,750. No changes are proposed for 2014/15.

Pensions

The Group does not operate its own pension schedule but makes payments into a group personal pension plan with defined contributions. For executive directors, the Group match the executive contribution (maximum 4.5%) and contribute an extra 1.2% and after two years of membership the 1.2% is increased by another 1.8% (to a maximum of 7.5%).

Benefits

For executive directors the Group provides the following benefits:

	Car Allowance	Private Medical
Sir Hossein Yassaie	£15,000	£1,059
Richard Smith	£11,000	£883

Annual Bonus Plan

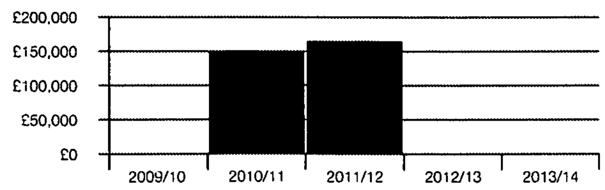
Performance measures for the Annual Bonus Plan are set annually. Each year the Committee considers the most appropriate metrics to apply for the following financial year. These metrics are currently a Group revenue budget and adjusted operating profit. A performance multiplier is then applied related to the achievement of the financial elements. The annual bonus also includes a 25% element based on personal performance. Each executive director is set a number of personal objectives in relation to clear strategic, operational, or relationship imperatives aligned to the Group's overall strategy. The Committee is of the opinion that the numerical values of targets for the Annual Bonus Plan are commercially sensitive because they include budgeted numbers within the range of outcomes and it would be detrimental to the Group to disclose them in advance of or during the relevant performance period.

The Committee retains discretion to adjust bonus targets for any financial year to reflect intervening events including acquisitions or disposals. No such adjustments were made during the financial year.

The bonus targets set by the Committee for each year are intended to be stretching but motivational and average bonus paid to the CEO over the past five years was 18% of salary and to the CFO over the past three years was 17% of salary.

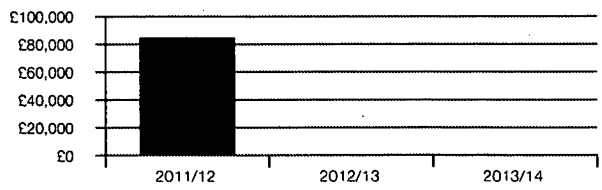
Graph illustrating the bonuses paid over the last five years to current CEO and CFO are shown below.

CEO Bonus payments



£0 £150,000 £165,000 £0 £0

CFO Bonus payments



£85,000 £0 £0

2013/14 financial year

The following table summarizes the targets that applied under the annual bonus plan during the year.

Performance measure and weighting	Performance Range (of budget)	Bonus earned (% of target bonus)
Performance conditions:		
Group Revenue Budget (25%)	85% achieved	50% paid
	100% achieved	100% paid
	115% achieved	125% paid
Adjusted Operating Profit (AOP) Budget (50%)	85% achieved	50% paid
	100% achieved	100% paid
	115% achieved	125% paid
Personal performance (25%)	Must hit minimum of 85% of Group Revenue and AOP before any pay out of the 25%	

The personal performance element depends on the achievement of predetermined objectives, which are reviewed and approved by the Committee each year. These include key strategic, operational or relationship objectives relating to each director's role and responsibilities.

The plan is self-funding and will only pay out when targets have been achieved. In spite of a number of strategic achievements during the past year, there have been no payments in 2013/2014 for executives under the annual bonus plan, due to the Group not achieving the threshold financial targets.

Annual Bonus Plan for 2014/15

Performance measure and weighting	Performance Range (of budget)	Bonus earned (% of target bonus)
Performance conditions:		
Group Revenue Budget (25%)	85% achieved	50% paid
	100% achieved	100% paid
	115% achieved	125% paid
Adjusted Operating Profit (AOP) Budget (50%)	85% achieved	50% paid
	100% achieved	100% paid
	115% achieved	125% paid
Personal performance (25%)	Must hit minimum of 85% of Group Revenue and AOP before any pay out of the 25%	
Target bonus achievement:		
CEO 100% of salary CFO 75% of salary		
Payment:		
Annual assessment of performance conditions	100% of the bonus	Paid in cash

Executive directors are eligible for an annual bonus, as described in the table above, based on adjusted operating profit, group revenue budget and individual performance. The annual bonus is paid in cash.

Share Incentive Plans

For 2013/14 there were three key incentive schemes in operations across the workforce as a whole. They are as follows:

For executives:

- LTIP
- SAYE

For all other employees:

- Employee Share Plan
- SAYE

Option grants to executive directors ceased in 2006. The move away from options to restricted shares for all employees in 2006 has reduced potential dilution and has simplified remuneration arrangements.

Shares earned are satisfied through the issue of new shares and some shares have been purchased to satisfy share awards made under the new LTIP for executives.

Long-Term Incentive Plan (LTIP) 2013/14

The new LTIP was approved by shareholders at the AGM in 2013 and is currently only offered to executives of the Group. The LTIP is subject to performance conditions.

Name	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
Sir Hossein Yassaie	23/09/2013	349.00	–	305,444	0	0	305,444	23/09/2016	23/09/2018
Richard Smith	23/09/2013	349.00	–	110,563	0	0	110,563	23/09/2016	23/09/2018

The above share awards are subject to the following performance conditions:

Performance conditions:

(i) Adjusted Earnings Per Share (50%)

Shares have the following linear vesting schedule:

Compound Annual Growth	% of shares vesting
< 10%	0%
10%	25%
≥ 20%	100%

(ii) TSR growth relative to the World Technology Index constituents (25%) and the FTSE 350 Index constituents (25%):

25% pay-out for median performance
100% pay-out for achieving upper quartile or better

Maximum Value:

CEO 250% of salary	CFO 175% of salary	600% exceptional circumstances

Payment:

On vesting	50%	Shares can be sold on third anniversary
	50%	Shares to be compulsorily deferred until fourth (25%) and fifth (25%) anniversary of grant date

Actual award levels will be determined by the Committee on an annual basis taking into account a range of factors including performance and share price, however it is intended that annual awards to the value of 250% and 175% of salary will be made to the CEO and CFO respectively. The reason for these percentage limits is largely due to the Group operating and competing for high calibre executives and to act as an incentive to retain executives to achieve the long-term growth plans of the Group. In exceptional circumstances the Committee wants to be able to make share awards of 600% of base salary. This facility was established primarily to facilitate global recruitment of executives, and especially to attract key executives from the US.

Linkage of Long-Term Incentive Plan targets to business strategy

The new Long-Term Incentive Plan has a number of targets, as described above, which are relevant to the long term strategy of the Group.

Our intent is to review these targets on an annual basis, taking into account market conditions and any other relevant factors to ensure that they remain appropriate in the context of the factors set out above. The Committee will review their applicability on an annual basis, so that in the event that exceptional circumstances arise, such as material corporate activity or substantial changes in market conditions, their impact can be considered against subsequent annual awards. If changes are to be proposed for any prospective LTIP award, it would be the Committee's intention to confirm any such change to shareholders in advance.

Former share option schemes

The executives have no legacy share options.

Shareholding requirements

Under the new LTIP approved at the AGM in 2013 executives are required to build up and retain shares to a specified percentage of salary, 250% for the CEO and 175% for the CFO. Until these targets have been reached, the executives must retain at least half of any shares acquired under the new LTIP (but not taking into account, for these purposes, any shares sold to meet any tax liabilities arising in connection with the new LTIP).

Directors' interests

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

			Scheme Interests					
			Shares	Nil-cost options				
				With performance conditions		Without performance conditions		
Director	Total Interests	Beneficial Interests	With performance conditions	Unvested	Vested but unexercised	Unvested	Vested but unexercised	All-Employee Share Plans (SAYE)
Geoff Shingles	237,876	104,084	0	0	131,250	0	0	1,934
Hossein Yassaie	3,414,887	816,245	305,444	1,260,656	1,030,000	0	0	2,542
Richard Smith	189,943	6,113	110,563	70,725	0	0	0	2,542
Andrew Heath	20,677	20,677	0	0	0	0	0	0
David Anderson	8,175	8,175	0	0	0	0	0	0
Gilles Delfassy	0	0	0	0	0	0	0	0
Ian Pearson	42,622	42,622	0	0	0	0	0	0
David Hurst-Brown	60,000	60,000	0	0	0	0	0	0

There have been no further changes in the above interests between 30 April 2014 and 24 June 2014.

In addition to the interests disclosed above, the executive directors have interest in dividend shares that could be awarded under the LTIP, the amount of which will be confirmed once the performance conditions are satisfied.

There is no requirement in the Articles of Association for directors to hold shares in the Group.

The Directors' Remuneration Report was approved by a duly authorized Committee of the Board and signed on its behalf by:

Andrew Heath
Remuneration Committee Chairman
24 June 2014

Independent auditor's report to the members of Imagination Technologies Group plc only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Imagination Technologies Group plc for the year ended 30 April 2014 set out on pages 76 to 119. 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 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- 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.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

- **Percentage of completion revenue recognition for license contracts (£38,324,000)**

Refer to page 50 (Audit Committee statement), page 82 (Accounting Policy) and page 87 (financial disclosure)

The risk: The percentage of completion method based on costs to complete is used to recognize revenue for licence contracts modified to meet specific customer requirements. This method of recognizing revenue involves a number of judgements, the main one being an assessment of the extent of progress towards completion of the contract. The complexity of the estimation process and the costs to complete assumptions (such as budgeted hours to complete) applied in the Group's revenue recognition policies require significant judgement and could have a material impact on the revenue reported in the financial statements.

Our response: Our audit procedures included, among others: testing the Group's controls over the approval of licence contracts and monitoring progress of licence completion and development; assessing the revenue recognition policies to ensure that these are compliant with IFRS and have been applied consistently across the Group; obtaining a selection of licence contracts based on the magnitude of the individual contract and/or revenue recognized in the year and through discussions with the chief operating officer, we challenged the cost to complete assumptions in particular, the status of contracted licences, assumptions used in the forecasts (such as budgeted hours to complete), development work in the period, determining the financial and technology status of contracts selected and ensuring that this corresponded with the percentage of completion calculations; retrospective testing of the prior year percentage of completion estimates to analyse the Group's historical accuracy in their estimations; evaluating the reasonableness of hours charged by comparing actual against budget; obtaining evidence of the percentage of completion estimates, such as budgeted and actual hours and milestone achievement records, and considering whether these support the estimates made. We also assessed the Group's disclosures about the significant judgements and estimates made in respect of the revenue generated from license contracts.

- **Carrying amount of goodwill (£59,834,000)**

Refer to page 50 (Audit Committee statement), page 85 (Accounting Policy) and page 87 (financial disclosure)

The risk: An impairment assessment of goodwill is carried out annually using a value in use model, using the business forecasts. This area remains a significant risk due to the inherent levels of judgement involved in the impairment testing and the quantum of goodwill. The goodwill balances are material to the financial statements and the risk is that these are materially overstated if impairment reviews are not performed appropriately.

Our response: In this area our audit procedures included, among others, testing of the Group's budgeting procedures upon which the forecasts are based and the principles and integrity of the Group's discounted cash flow model. We challenged the assumptions and methodologies used by the Group, in particular those relating to the forecast revenue growth and profit margins. We compared the Group's assumptions to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth, cost inflation and discount rates, as well as performing break-even analysis on the assumptions. We compared the sum of the discounted cash flows to the Group's market capitalization to assess the reasonableness of those cash flows. We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £1,200,000. This has been determined with reference to a benchmark of Group revenue, which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group. Materiality represents 0.7% of Group revenue.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £60,000. We also agreed to report any audit misstatement below that threshold that we believe warranted reporting on qualitative grounds.

Full scope audits for Group reporting purposes were performed at the key reporting components in the UK and the US. These Group procedures covered 99% of total Group revenue; 83% of Group loss before taxation (absolute); and 98% of total Group assets.

The audits undertaken for Group reporting purposes at key reporting components were performed by the group team to a materiality level of at £1,200,000 for the UK audit and £600,000 for the US audit. The US component audit was led by the group engagement partner with assistance from our US KPMG network firm in performing audit procedures. The Group engagement partner and manager visited the US component to perform this audit.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate governance statement set out on page 44 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Significant issues that the Committee considered in relation to the financial statements section of the Audit committee report does not appropriately address matters communicated by us to the Audit Committee.

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; or
- a Corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 36, in relation to going concern; and
- the part of the Corporate governance statement on page 46 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 43, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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**.

This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at **www.kpmg.com/uk/auditscopeukco2013a**, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Tudor Aw (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

24 June 2014

Consolidated income statement

		Notes	Year to 30 April 2014 £'000	Year to 30 April 2013 £'000
Revenue		1, 2	**170,835**	151,467
Cost of sales			**(20,461)**	(20,816)
Gross profit			**150,374**	130,651
Research and development expenses			**(114,835)**	(83,956)
Sales and administrative expenses			**(33,257)**	(28,750)
Group restructuring costs			**(397)**	–
Gain on investments			**348**	1,763
Impairment of investments			**(2,585)**	(5,679)
Acquisition related costs			**(1,275)**	(2,744)
Contingent acquisition consideration release			**1,648**	–
Total operating expenses			**(150,353)**	(119,366)
Operating profit		3	**21**	11,285
Financial income			**83**	1,195
Financial expenses			**(418)**	(320)
Net financing (expense)/income			**(335)**	875
(Loss)/profit before tax			**(314)**	12,160
Taxation credit/(charge)		5	**1,089**	(5,884)
Profit for the financial year attributable to equity holders of the parent			**775**	6,276
Earnings per share	Basic	6	**0.3p**	2.4p
	Diluted		**0.3p**	2.3p

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

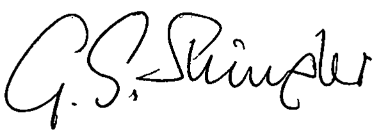
Consolidated statement of comprehensive income

	Notes	Year to 30 April 2014 £'000	Year to 30 April 2013 £'000
Profit for the financial year attributable to equity holders of the parent		**775**	6,276
Other comprehensive income:			
Items that are or maybe reclassified subsequently to profit or loss:			
Exchange differences on translation of the balance sheets of foreign operations		**4,242**	(797)
Exchange differences on translation of part of the net investment in foreign operations		**(2,206)**	-
Change in fair value of assets classified as available for sale	9	**997**	-
Tax on items that are or may be reclassified subsequently to profit or loss		–	–
Total other comprehensive income/(expense) for the financial year, net of income tax		**3,033**	(797)
Total comprehensive income for the financial year attributable to equity holders of the parent		**3,808**	5,479

Consolidated statement of financial position

	Notes	At 30 April 2014 £'000	At 30 April 2013 £'000
Non-current assets			
Other intangible assets	7	**58,560**	59,615
Goodwill	7	**59,834**	54,981
Property, plant and equipment	8	**63,616**	45,873
Investments	9	**21,081**	18,711
Deferred tax	5	**4,928**	10,446
Corporation tax	5	**1,657**	-
		209,676	189,626
Current assets			
Inventories	10	**9,054**	8,512
Trade and other receivables	11	**51,016**	64,018
Corporation tax	5	**4,415**	-
Cash and cash equivalents	12	**19,248**	76,572
		83,733	149,102
Total assets		**293,409**	338,728
Current liabilities			
Trade and other payables	13	**(37,514)**	(35,575)
Interest bearing loans and borrowings	14	**(8,561)**	(4,643)
Corporation tax payable	5	**(240)**	(56,279)
		(46,315)	(96,497)
Non-current liabilities			
Other payables	15	**(6,010)**	(2,871)
Interest bearing loans and borrowings	14	**(15,696)**	(26,309)
Deferred tax liability	5	**(17,062)**	(19,241)
Corporation tax	5	**(3,325)**	(2,418)
		(42,093)	(50,839)
Total liabilities		**(88,408)**	(147,336)
Net assets		**205,001**	191,392
Equity			
Called up share capital	16	**26,769**	26,571
Share premium account	16	**99,648**	99,236
Other capital reserve	16	**1,423**	1,423
Merger reserve	16	**2,402**	2,402
Revaluation reserve	16	**1,583**	586
Translation reserve	16	**1,415**	(621)
Retained earnings		**71,761**	61,795
Total equity attributable to equity holders of the parent		**205,001**	191,392

These financial statements were approved by the Board of Directors on 23 June 2014 and were signed on its behalf by:



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 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 remuneration	–	–	–	–	–	–	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
At 1 May 2013	**26,571**	**99,236**	**1,423**	**2,402**	**586**	**(621)**	**61,795**	**191,392**
Profit for the year	–	–	–	–	–	–	**775**	**775**
Other comprehensive income for the year:								
Exchange differences on translation of the balance sheets of foreign operations	–	–	–	–	–	**4,242**	–	**4,242**
Exchange differences on translation of part of the net investment in foreign operations	–	–	–	–	–	**(2,206)**	–	**(2,206)**
Change in fair value of assets classified as available for sale	–	–	–	–	**997**	–	–	**997**
Total other comprehensive income for the year	–	–	–	–	**997**	**2,036**	–	**3,033**
Transactions with owners:								
Share based remuneration	–	–	–	–	–	–	**13,179**	**13,179**
Tax credit in respect of share-based incentives	–	–	–	–	–	–	**(2,713)**	**(2,713)**
Purchase of shares for LTIP	–	–	–	–	–	–	**(1,106)**	**(1,106)**
Issue of shares at nil cost	**169**	–	–	–	–	–	**(169)**	–
Issue of new shares	**29**	**412**	–	–	–	–	–	**441**
At 30 April 2014	**26,769**	**99,648**	**1,423**	**2,402**	**1,583**	**1,415**	**71,761**	**205,001**

Consolidated statement of cash flows

	Notes	Year to 30 April 2014 £'000	Year to 30 April 2013 £'000
Cash flows from operating activities			
Profit after tax		**775**	6,276
Tax (credit) / charge		**(1,089)**	5,884
(Loss) / profit before tax		**(314)**	12,160
Adjustments for:			
Depreciation and amortization	3	**14,392**	8,374
Loss on disposal of fixed assets		**180**	292
Net financing charge / (income)		**335**	(875)
Share-based remuneration	4	**13,179**	11,316
Gain on investments	9	**(348)**	(1,763)
Impairment of investments	9	**2,585**	5,679
Contingent acquisition consideration release		**(1,648)**	–
Group restructure costs		**397**	–
Exchange difference	3	**(479)**	(1,146)
Operating cash flows before movements in working capital		**28,279**	34,037
Change in working capital, net of effects from acquisition of subsidiaries			
Increase in inventories		**(542)**	(2,598)
Decrease / (increase) in receivables		**8,409**	(11,708)
Decrease in payables		**(2,284)**	(22,263)
Cash generated by operations		**33,862**	(2,532)
Interest paid		**(580)**	(103)
Taxes paid		**(58,442)**	(1,205)
Net cash flows from operating activities		**(25,160)**	(3,840)
Cash flows from investing activities			
Investments made in the year	9	**(2,643)**	(7,399)
Proceeds from disposal of investments	9	–	795
Acquisition of intangible assets		**(1,717)**	(1,128)
Acquisition of property, plant and equipment		**(20,326)**	(22,901)
Acquisition of subsidiaries		**(2,484)**	16,621
Interest received		**41**	226
Net cash used in investing activities		**(27,129)**	(13,786)
Cash flows from financing activities			
Proceeds from the issue of share capital	16	**441**	1,003
Draw down of loan	14	–	30,952
Purchase of own shares for LTIP		**(1,106)**	–
Repayment of borrowings		**(4,635)**	(5,527)
Net cash from financing activities		**(5,300)**	26,428
Net (decrease) / increase in cash and cash equivalents		**(57,589)**	8,802
Effect of exchange rate fluctuation		**265**	1,508
Cash and cash equivalents at the start of the period		76,572	66,262
Cash and cash equivalents at the end of the period	12	**19,248**	76,572

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 115 to 118.

Basis of preparation

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

The following additional accounting standards, amendments, and interpretations have been adopted in the period:

- 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).

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 for investments which 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 in the current economic environment.

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, as well as other factors including board representation. 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.

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

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, and all development costs, are written off in the period in which they are incurred by the Group.

Development expenditure incurred by subsidiaries prior to acquisition, 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 incurred by subsidiaries prior to acquisition is recognized as a pre-acquisition expense in the entity accounts of that company.

Development costs incurred by the Group after the establishment of technical feasibility and overall project and commercial profitability described above have not been significant and, therefore, no further costs have been capitalized.

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 the income statement. Where there has been more than one investment made in the same company, each tranche is assessed in isolation to calculate the movements in fair value.

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

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

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

a) 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.

b) 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. Please refer to "Trade investments" above for management's application of accounting for trade investments.

Recoverability of debtors

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

Valuation of inventory

Inventory comprises raw components, work in progress and finished goods. The Group monitors the level of inventory across the business and specifically slow moving finished goods. Management makes estimates to ensure adequate provisions are in place to ensure the value of inventory recorded on the Statement of Financial Position is not over stated in accordance with IAS 2.

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:

- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities (effective for annuals periods beginning on or after 1 January 2014)

- Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for annual periods beginning on or after 1 January 2014)
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014)
- Recoverable amount disclosures for non-financial assets – Amendments to IAS 36 (effective for annual periods beginning on or after 1 January 2014)
- Continuing hedge accounting after derivative novations – Amendments to IAS 39 (effective for annual periods beginning on or after 1 January 2014)
- IFRS 9 Financial Instruments (not yet endorsed by the EU).

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 adjusted operating profit as shown in the table at the end of this note. Operating costs within the Technology business are not attributable to specific income streams and have not been allocated to specific income streams.

	2014 £'000	2013 £'000
Revenue		
Technology business		
Licensing	**38,324**	29,112
Royalties	**109,033**	95,051
Other	**241**	1,553
Total	**147,598**	125,716
Pure business	**23,237**	25,751
Total revenue	**170,835**	151,467
Operating profit / (loss)		
Technology business	**8,617**	18,857
Pure business	**(8,596)**	(7,572)
Segment operating profit	**21**	11,285
Net financing (expense) / income	**(335)**	875
(Loss) / profit before tax	**(314)**	12,160
Taxation credit / (charge)	**1,089**	(5,884)
Profit for the financial year	**775**	6,276

		2014 £'000	2013 £'000
Total assets			
Technology business		**251,888**	239,796
Pure business		**16,311**	10,923
Total segment assets		**268,199**	250,719
Cash and cash equivalents		**19,248**	76,572
Deferred tax		**4,928**	10,446
Unallocated assets		**1,034**	991
Total assets		**293,409**	338,728
Total liabilities			
Technology business		**82,352**	143,076
Pure business		**6,056**	4,260
Total segment liabilities		**88,408**	147,336
Unallocated liabilities		**-**	–
Total liabilities		**88,408**	147,336
Other segment items			
Capital expenditure	Technology business	**18,591**	21,787
	Pure business	**5,724**	1,451
		24,315	23,238
Depreciation and amortization	Technology business	**14,018**	8,057
	Pure business	**374**	317
		14,392	8,374

Revenue is reported by geographical area of sales as follows:

	2014 £'000	2013 £'000
USA	**94,218**	85,189
Asia	**40,359**	32,518
United Kingdom	**17,230**	21,812
Rest of Europe	**11,289**	9,319
Rest of the world	**4,611**	1,218
Rest of North America	**3,128**	1,411
	170,835	151,467

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 £52,503,000 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 (items which typically do not occur every year), items relating to acquisitions and investments, non-cash based share incentive charges and amortization of intangible assets acquired from acquisitions.

		Year to 30 April 2014			Year to 30 April 2013		
	Notes	Technology £'000	Pure £'000	Total £'000	Technology £'000	Pure £'000	Total £'000
Reported operating profit / (loss)		**8,617**	**(8,596)**	**21**	18,857	(7,572)	11,285
Share-based incentive costs	4	**12,401**	**778**	**13,179**	10,190	1,126	11,316
Net gain on investments	9	**(348)**	**-**	**(348)**	(1,763)	–	(1,763)
Impairment of investments	9	**2,585**	**-**	**2,585**	5,679	–	5,679
Amortization of intangibles from acquisitions	7	**8,607**	**-**	**8,607**	4,207	–	4,207
Acquisition related costs		**1,275**	**-**	**1,275**	2,744	–	2,744
Contingent acquisition consideration release		**(1,648)**	**-**	**(1,648)**	–	–	–
Group restructuring costs		**-**	**397**	**397**	–	–	–
Adjusted operating profit / (loss)		**31,489**	**(7,421)**	**24,068**	39,914	(6,446)	33,468
Net financing (expense) / income				**(335)**			875
Adjusted profit before tax				**23,733**			34,343

Acquisition related costs relate largely to the acquisitions of Posedge and Kisel (see note 24) and include legal and professional fees incurred when completing the acquisitions (£424,000) and elements of consideration which are being accounted for as compensation (£1,105,000). These costs are offset by a partial release of an unutilized legal cost provision relating to the acquisition of MIPS (£254,000).

The contingent acquisition consideration release relates to contingent consideration that has not crystallized relating to the acquisitions of Hellosoft Inc (£749,000) and Nethra Imaging Inc (£899,000).

One off restructuring costs relate to the Pure division.

3 Expenses

	2014 £'000	2013 £'000
Operating profit is stated after charging/(crediting):		
Depreciation and amortization of tangible and intangible assets	**14,392**	8,374
Loss on disposal of fixed assets	**180**	292
Foreign exchange gain	**479**	(1,146)
Operating lease rentals:		
Property	**3,268**	2,298
Other	**8,924**	5,906
Auditor's remuneration		
Audit of these financial statements	**25**	25
Amount received by auditor and their associates in respect of:		
Audit of financial statements of subsidiaries of the Group	**123**	116
Audit-related assurance services	**12**	12
Other assurance services	**-**	4
Other services – tax filing services	**-**	–
	160	157

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

4 Employees

The average number of persons employed by the Group (including directors) was:	2014	2013
Research and development	**1,229**	1,000
Production	**43**	45
Administration	**139**	97
Sales and marketing	**118**	107
	1,529	1,249

The aggregate payroll costs of these persons were:	2014 £'000	2013 £'000
Wages and salaries	**66,951**	43,483
Social security costs	**4,771**	4,025
Other pension costs	**2,615**	2,302
Share-based payment	**13,179**	11,316
	87,516	61,126

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 remuneration report on pages 55 to 71.

5 Taxation

	2014 £'000	2013 £'000
Analysis of tax charge in the year		
Current tax charge		
UK corporation tax	**81**	1,088
Foreign tax	**511**	263
Total current tax charge	**592**	1,351
Deferred tax		
Origination and reversal of temporary differences	**(2,876)**	4,257
Effect of changes in tax rates on deferred tax balances	**(524)**	304
Changes in recoverable amounts of deferred tax assets	**621**	460
Adjustments in respect of prior periods	**1,098**	(488)
Total deferred tax (credit) / charge	**(1,681)**	4,533
Total income tax (credit) / charge	**(1,089)**	5,884

The total tax credit for the year of £1,089,000 (2013: tax charge £5,884,000) is higher (2013: higher) than the standard rate of corporation tax in the UK of 22.83% (2013: 23.9%). The difference is explained below:

	2014 £'000	2013 £'000
(Loss) / profit before taxation	**(314)**	12,160
Notional tax charge at UK standard rate of 22.83% (2012: 23.9%)	**(72)**	2,906
Tax effect of expenses that are not deductible for tax purposes	**2,746**	(714)
Utilization of previously unrecognized tax assets	**(10,711)**	–
Tax assets not recognized	**2,703**	3,097
Effect of tax rate change	**(524)**	296
Adjustments in respect of prior periods	**(1,265)**	(488)
Withholding tax	**2,531**	1,430
Higher taxes on overseas earnings	**2,881**	(643)
Changes in recoverable amounts of deferred tax assets	**622**	–
Total income tax (credit) / charge	**(1,089)**	5,884

Tax on items charged to equity:

Deferred tax charge	**2,794**	4,881
Current tax credit	**(81)**	(1,088)

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 as a result of the fall in potential future tax deductions due to the reduction in the Company's share price during the year.

Current tax assets

At 30 April 2014, there are current tax assets receivable in more than one year of £1,657,000 (2013: £nil) and receivable in less than one year of £4,415,000 (2013: £nil). £3,706,000 relates to the R&D tax credit due to Imagination Technologies Limited. The remaining assets relate to prepayments of tax by overseas subsidiaries in the US and India.

Current tax liabilities

At 30 April 2014, there is a current tax liability due in less than one year of £240,000 relating to the Group's Indian subsidiaries (2013: £56,279,000). Of the 2013 liability, £55,918,000 related to MIPS Technologies, Inc (MIPS). This tax liability was the result of MIPS completing a sale of patents for $350,000,000 prior to its acquisition by the Group in February 2013. The liability was paid during the year.

At 30 April 2014 there is a current tax liability due in more than one year of £3,325,000 (2013: £2,418,000). The balance in both years largely relates to a provision in the US.

Deferred tax

The movement on the deferred tax account is as follows:

	As at 30 April 2013 £'000	On acquisition of subsidiaries £'000	Recognized in income statement £'000	Recognized in equity £'000	As at 30 April 2014 £'000
Tax losses	1,829	–	2,387	–	**4,216**
Share based payments (note 21)	7,809	–	(2,745)	(2,794)	**2,270**
Other timing differences	643	–	(564)	–	**79**
Capital allowances	393	–	(4,224)	–	**(3,831)**
Gain on foreign exchange contract	(228)	–	83	–	**(145)**
Acquisition of intangible assets	(19,241)	(2,226)	6,744	–	**(14,723)**
	(8,795)	(2,226)	1,681	(2,794)	**(12,134)**

	2014 £'000	2013 £'000
Deferred taxation has been presented on the balance sheet as follows:		
Deferred tax asset	**4,928**	10,446
Deferred tax liability	**(17,062)**	(19,241)
At end of the period	**(12,134)**	(8,795)

Management consider the utilization of the £4,928,000 (2013: £10,446,000) deferred tax asset to be probable based on assessment of forecasts of future taxable profits.

The deferred tax asset reduced during the year primarily as a result of a fall in the potential future tax deductions available in respect of historic share based payments of £4,393,000, and a net utilization of tax losses and capital allowances of £3,114,000.

These were partially offset by the recognition of a deferred tax asset of £3,058,000. During the year Intellectual property relating to the Hellosoft and Caustic businesses was transferred from the US to the UK. This will give rise to future tax deductions in the UK on the amortization of the Intellectual property, hence the recognition of the asset. The taxable gain on disposal in the US was sheltered by unrecognized tax losses.

The deferred tax liability reduced during the year to £17,062,000 (2013: £19,241,000). This was primarily as a result of the amortization of intangible assets relating to previous acquisitions of £2,854,000. The liability also reduced by £1,557,000 because of a change in tax rate and a reclassification against recognized deferred tax assets, of the original deferred tax liabilities of the Hellosoft and Caustic intellectual property that was transferred from the US to the UK as described above.

The reduction was offset by an increase of £2,226,000 as a result of a liability arising on intangible assets acquired as part of the acquisitions of Posedge and Kisel (further details on these acquisitions are set out in note 24).

None of the recognized tax assets or liabilities expire.

Deferred tax assets and liabilities are only offset where they relate to income taxes levied by the same taxation authority and there is a legally enforceable right to offset.

Unrecognized deferred tax assets

Deferred tax assets of £13,023,000 (2013: £15,102,000) reported at the applicable tax rate, have not been recognized in respect of losses and other temporary differences in the US of £37,209,000 (2013: £43,149,000). The assets have not been recognized due to the uncertainty of future taxable profits arising in the US.

The unrecognized tax asset decreased during the year due to the utilization of tax losses against the gain on the disposal of Hellosoft and Caustic related Intellectual property from the US to the UK.

The remaining unrecognized tax assets are available for utilization against profits arising in the US in future periods as follows:

Tax assets of £6,247,000 relating to US tax losses of £17,849,000, expire progressively from 2021.

Tax assets of £1,605,000 relating to US foreign tax credits of £4,586,000, expire progressively from 2021.

Tax assets of £762,000 relating to US tax losses of £2,177,000, expire progressively from 2015.

Tax assets of £571,000 relating to US R&D tax credits of £1,631,000 expire progressively from 2027.

Tax assets of £3,838,000 relating to US tax losses of £10,966,000, do not expire.

Factors affecting future tax charge

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

6 Earnings per share

	2014 £'000	2013 £'000
Profit attributable to equity holders of the parent	**775**	6,276

	2014 Shares '000	2013 Shares '000
Weighted average number of shares in issue	**266,246**	264,903
Less: Weighted average number of shares held by Employee Benefit Trust	**(1,902)**	(2,896)
Effect of dilutive shares: Employee incentive schemes	**11,553**	12,925
Weighted average number of shares potentially in issue	**275,897**	274,932

		2014	2013
Earnings per share	Basic	**0.3p**	2.4p
	Diluted	**0.3p**	2.3p

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

	2014 £'000	2013 £'000
Adjusted profit before tax – (see note 2)	**23,733**	34,343
Adjusted taxation charge	**(2,431)**	(9,689)
Adjusted profit attributable to equity holders of the parent	**21,302**	24,654

	2014 Shares '000	2013 Shares '000
Weighted average number of shares in issue	**266,246**	264,903
Less: Weighted average number of shares held by Employee Benefit Trust	**(1,902)**	(2,896)
Effect of dilutive shares: Employee incentive schemes	**11,553**	12,925
Weighted average number of shares potentially in issue	**275,897**	274,932

		2014	2013
Adjusted earnings per share	Basic	**8.1p**	9.4p
	Diluted	**7.7p**	9.0p

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.

7 Goodwill and other intangible assets

	Goodwill £'000	Intangible assets from acquisitions* £'000	Software, patents and trademarks £'000	Total £'000
Cost				
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
At 1 May 2013	**58,498**	**64,460**	**13,931**	**136,889**
Additions	**–**	**–**	**1,948**	**1,948**
Acquisition of subsidiaries	**4,853**	**6,946**	**5**	**11,804**
At 30 April 2014	**63,351**	**71,406**	**15,884**	**150,641**
Amortization				
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
At 1 May 2013	**3,517**	**7,766**	**11,010**	**22,293**
Charge for the year	**–**	**8,607**	**1,347**	**9,954**
At 30 April 2014	**3,517**	**16,373**	**12,357**	**32,247**
Net book value at 30 April 2013	54,981	56,694	2,921	114,596
Net book value at 30 April 2014	**59,834**	**55,033**	**3,527**	**118,394**

*Intangible assets from acquisitions are those assets recognized when fair value accounting for the acquisitions of Hellosoft Inc, Caustic Graphics Inc, MIPS Technologies Inc (since renamed Imagination Technologies LLC), Posedge Inc (now liquidated into Imagination Technologies LLC) and Kisel Microelectronics AB (since renamed Imagination Technologies AB). They are analysed below.

	Developed technology £'000	Customer relationships £'000	Trade names £'000	In process R&D £'000	Total £'000
Cost					
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
At 1 May 2013	**54,944**	**7,153**	**1,597**	**766**	**64,460**
Acquisition of subsidiaries	**5,209**	**1,737**	**–**	**-**	**6,946**
At 30 April 2014	**60,153**	**8,890**	**1,597**	**766**	**71,406**
Amortization					
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
At 1 May 2013	**7,561**	**178**	**27**	**–**	**7,766**
Charge for the year	**7,551**	**950**	**106**	**–**	**8,607**
At 30 April 2014	**15,112**	**1,128**	**133**	**-**	**16,373**
Net book value at 30 April 2013	47,383	6,975	1,570	766	56,694
Net book value at 30 April 2014	**45,041**	**7,762**	**1,464**	**766**	**55,033**

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 (2013: 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 7.1% 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 (2013: 10%).

The directors have considered the sensitivity of the assumptions used and 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.

8 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold improvements £'000	Plant and equipment £'000	Total £'000
Cost				
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
At 1 May 2013	**35,945**	**3,553**	**22,854**	**62,352**
Reclassification between asset class	**(114)**	**369**	**(255)**	**-**
Additions	**12,443**	**804**	**9,068**	**22,315**
Acquisition of subsidiaries	**-**	**-**	**46**	**46**
Disposals	**-**	**(61)**	**(1,286)**	**(1,347)**
At 30 April 2014	**48,274**	**4,665**	**30,427**	**83,366**
Depreciation				
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
At 1 May 2013	**962**	**1,961**	**13,556**	**16,479**
Reclassification between asset class	**(17)**	**14**	**3**	**–**
Charge for the year	**569**	**467**	**3,402**	**4,438**
Disposals	**-**	**-**	**(1,167)**	**(1,167)**
At 30 April 2014	**1,514**	**2,442**	**15,794**	**19,750**
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
Net book value at 30 April 2014	**46,760**	**2,223**	**14,633**	**63,616**

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

At 30 April 2014, the unamortized cost of buildings under construction accounted for within freehold land and buildings was £9,807,000 (2013: £8,412,000).

Contained within Plant and Equipment is CAD equipment with a net book value of £1,969,000 which is deemed to have been acquired under a finance lease.

9 Investments

	2014 £'000	2013 £'000
Trade investments classified as available for sale	**21,081**	18,711

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

	Carrying value at 1 May 2013 £'000	Increased holding in investments £'000	Reduced holding in investments £'000	Fair value movement during period: Income statement £'000	Fair value movement during period: Statement of comprehensive income £'000	Carrying value at 30 April 2014 £'000
Toumaz	6,795	1,936	–	(471)	8	8,268
Orca	580	484	–	–	(9)	1,055
Blu-Wireless	0	250	–	–	59	309
UBC	663	100	–	–	1,078	1,841
7digital	4,514	0	–	–	(352)	4,162
Ineda	3,659	1,221	(1,221)	307	631	4,597
Onkyo	0	359	–	41	(27)	373
NetSpeed	0	481	–	–	(5)	476
Greenplug	2,500	0	–	(2,114)	(386)	–
Total	**18,711**	**4,831**	**(1,221)**	**(2,237)**	**997**	**21,081**

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

Orca – The Group made an additional cash investment of £484,000. At the balance sheet date a £9,000 decrease in the value of the investment due to foreign exchange movements resulted in a carrying value of £1,055,000. The £9,000 decrease has been recognized as a change in fair value of available for sale investments in the consolidated statement of comprehensive income.

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

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

7digital – At the balance sheet date a £352,000 decrease in the value of the investment due to foreign exchange movements resulted in a carrying value of £4,162,000. The £352,000 decrease has been recognized as a change in fair value of available for sale investments in the consolidated statement of comprehensive income.

Ineda – The Group increased its shareholding converting their $2,000,000 promissory note, rather than utilizing additional cash, for equity shares at a discount. This resulted in a gain on the initial recognition of the shares of £307,000 which has been recognized in the consolidated income statement. At the balance sheet date a £631,000 increase in the value of the investment due to foreign exchange movements and this funding round resulted in a carrying value of £4,597,000. The £631,000 increase has been recognized as a change in fair value of available for sale investments in the consolidated statement of comprehensive income.

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

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

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

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

All Gains and losses for the period recognized in the consolidated income statement are included within the 'gain on investments' and 'impairment of investments' rows within the consolidated income statement. All gains or losses for the period recognized in other comprehensive income are included within the 'change in fair value of assets classified as available for sale' row within the statement of comprehensive income.

Please see note 19 for further information surrounding fair value valuation principles. The directors have considered the sensitivity of the unobservable inputs used and do not believe that any reasonably foreseeable changes to these inputs would result a material change to fair value of the investments.

10 Inventories

	2014 £'000	2013 £'000
Raw materials and components	**1,190**	1,036
Finished goods	**7,864**	7,476
	9,054	8,512

Provisions of £1,032,000 (2013: 644,000) recognized in cost of sales were made against inventories. During the period, £824,000 (2013: £719,000) of the provision against inventories was utilized for the write-down and write off of inventories. As at 30 April 2014 the provision for obsolescence of inventories was £674,000 (2013: £466,000).

Raw materials, consumables and changes in finished goods and work in progress recognized as cost of sales in the period amounted to £19,005,000 (2013: £19,538,000).

11 Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables	**19,926**	33,840
Prepayments and accrued income	**27,193**	24,499
Other receivables	**3,897**	5,679
	51,016	64,018

Provision for impairment of trade receivables as at 30 April 2014 was £178,000 (2013: £nil), with the movement recognized in the income statement during the period.

12 Cash and cash equivalents

	2014 £'000	2013 £'000
Cash at bank – short term deposits	**1,541**	71,033
Cash at bank – current account	**17,707**	5,539
Cash and cash equivalents as per consolidated statement of financial position	**19,248**	76,572
Cash and cash equivalents as per consolidated statement of cash flows	**19,248**	76,572

13 Trade and other payables

	2014 £'000	2013 £'000
Trade payables	**7,100**	6,491
Other taxes and social security	**1,973**	1,477
Other payables	**2,303**	1,629
Accruals	**14,082**	14,323
Deferred income	**9,874**	9,505
Deferred and contingent consideration	**2,182**	2,150
	37,514	35,575

Contained within other payables is £377,000 due within 12 months relating to liabilities owed under a finance lease. The corresponding asset has been identified and disclosed in note 8.

The deferred and contingent consideration is in respect of the acquisitions of HelloSoft, Inc. (£45,000), Nethra Imaging, Inc. (£100,000), Imagination Technologies AB (£595,000) and Posedge, Inc. (£1,442,000) 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

	2014 £'000	2013 £'000
Current liabilities		
Bank loan	**8,561**	4,643
Non-current liabilities		
Bank loan	**15,696**	26,309
	24,257	30,952
Borrowings to be repaid within one year	**8,561**	4,643
Borrowings to be repaid between one and five years	**15,696**	26,309
Borrowings to be repaid over five years	**-**	–
	24,257	30,952

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 which commenced in December 2013 and finishing in June 2016. The loan is subject to variable quarterly interest payments at a rate of 1.5% above 3 month LIBOR on the outstanding balance.

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 £46,760,000.

On 17 June 2014, the Group completed a re-negotiation of the terms of the above loan. Under the revised terms the remaining loan balance of $40,800,000 is repayable in seven six monthly instalments of $2,500,000 between December 2014 and December 2017, with a final bullet payment of $23,300,000 due in June 2018. The loan is now subject to lower variable quarterly interest payments at a rate of 1.3% above 3 month LIBOR on the outstanding balance.

HSBC Bank plc's security over the bank loan, revolving credit facility and overdraft facility remains unchanged.

15 Other payables

Other non-current payables

	2014 £'000	2013 £'000
Other payables	**2,620**	1,285
Deferred income	**837**	1,036
Deferred and contingent consideration	**2,553**	550
	6,010	2,871

Contained within other payables is £1,510,000 due after 12 months relating to liabilities owed under a finance lease. The corresponding asset has been identified and disclosed in note 8.

The deferred and contingent consideration of £2,553,000 is in respect of the acquisition of Posedge (2013: Nethra £550,000) and represents an assessment of probable future consideration, converted using the period end exchange rate, due after 12 months based on contractual payment dates.

16 Capital and reserves

Called-up share capital

Ordinary shares of 10p each	Authorized No.	Authorized £'000	Allotted, called-up and fully paid No.	Allotted, called-up and fully paid £'000
At 1 May 2013	300,000,000	30,000	265,711,788	26,571
Issued during period	–	–	1,976,269	198
At 30 April 2014	**300,000,000**	**30,000**	**267,688,057**	**26,769**

The rights attached to ordinary shares are as set out in the Directors' report on page 40.

Share capital and share premium

The movement on the share capital and share premium reserve in the period arises from the issue of 1,976,269 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 £610,000. Of this consideration, £441,000 was settled in cash and £169,000 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.

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Within one year	**3,624**	2,322	**6,531**	5,050
In two to five years	**8,884**	2,722	**11,050**	7,144
After five years	**3,399**	–	**–**	–
	15,907	5,044	**17,581**	12,194

Other operating leases include the rental of software and vehicles.

18 Capital commitments

At 30 April 2014, the Group had contractual capital commitments of £16,437,000 (2013: £14,535,000). 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 2015 with the remainder due early in the year ended 30 April 2016.

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	**2014 £'000**	2013 £'000
Financial assets			
Loans and receivables			
Trade and other receivables	11	**23,823**	39,519
Cash and cash equivalents	12	**19,248**	76,572
Available for sale investments	9	**21,081**	18,711
Total financial assets		**64,152**	134,802

	Notes	**2014 £'000**	2013 £'000
Financial liabilities			
Bank loan	14	**24,257**	30,952
Trade and other payables	13	**11,376**	9,597
Total financial liabilities		**35,633**	40,549

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 management 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 exchange 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 $77,000,000 or £51,011,000 (2013: £61,722,000). As at 30 April 2014 the outstanding currency contracts amounted to £9,952,000 (2013: £33,437,000). The fair value of these outstanding currency contracts was £1,034,000 (2013: £991,000). The movement in fair value of £43,000 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 2014					30 April 2013				
	£	**$**	**€**	**Other**	**Total**	£	$	€	Other	Total
Trade receivables	**1,341**	**18,053**	**417**	**115**	**19,926**	1,667	31,788	348	37	33,840
Other receivables	**3,063**	**-**	**10**	**824**	**3,897**	3,153	2,091	11	424	5,679
Cash and cash equivalents	**449**	**15,610**	**812**	**2,377**	**19,248**	8,730	65,109	1,348	1,385	76,572
Available for sale assets	**10,418**	**10,290**	**-**	**373**	**21,081**	7,458	11,253	-	-	18,711
Trade payables	**(4,094)**	**(2,658)**	**(201)**	**(147)**	**(7,100)**	(4,587)	(1,700)	(98)	(106)	(6,491)
Other payables	**(3,023)**	**(1,000)**	**(11)**	**(242)**	**(4,276)**	(2,991)	-	(13)	(102)	(3,106)
Bank loan	**-**	**(24,257)**	**-**	**-**	**(24,257)**	-	(30,952)	-	-	(30,952)
	8,154	**16,038**	**1,027**	**3,300**	**28,519**	13,430	77,589	1,596	1,638	94,253

The significant foreign exchange risks for the Group are USD receivables of £14,600,000 held by Imagination Technologies Limited and Imagination Technologies AB and the USD loan of £24,257,000 held by Imagination Technologies plc. The majority of the other assets and liabilities are held within foreign subsidiaries in the respective local currencies.

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 2014, each additional one cent increase or decrease in the US Dollar exchange rate against Sterling would have decreased or increased revenues by circa £786,000 (2013: £725,000) and profit by circa £517,000 (2013: £436,000).

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.

	2014				2013			
	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		**449**	**-**	**449**		8,730	-	8,730
US Dollar		**15,610**	**-**	**15,610**		65,109	-	65,109
Euro		**812**	**-**	**812**		1,348	-	1,348
Japanese Yen		**415**	**-**	**415**		396	-	396
Indian Rupee		**810**	**-**	**810**		343	-	343
Chinese Yuan		**250**	**-**	**250**		93	-	93
Polish Zloty		**70**	**-**	**70**		53	-	53
New Zealand Dollar		**88**	**-**	**88**		33	-	33
Australian Dollar		**520**	**-**	**520**		467	-	467
Swedish Krona		**30**	**-**	**30**		-	-	-
Korean Won		**11**	**-**	**11**		-	-	-
New Taiwan Dollar		**167**	**-**	**167**		-	-	-
Israeli Shekel		**16**	**-**	**16**		-	-	-
		19,248	**-**	**19,248**		76,572	-	76,572
Floating rate	**0.0%**	**17,707**	**-**	**17,707**	0.0%	5,539	-	5,539
Fixed rate	**0.3%**	**1,541**	**-**	**1,541**	0.3%	71,033	-	71,033
		19,248	**-**	**19,248**		76,572	-	76,572
Bank Loan								
Secured bank loan – USD*	**1.7%**	**(8,561)**	**(15,696)**	**(24,257)**	1.8%	(4,643)	(26,309)	(30,952)
		(8,561)	**(15,696)**	**(24,257)**		(4,643)	(26,309)	(30,952)

* 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 loan floats at 1.5% above quarterly LIBOR and the unexpired term is 2 years and 3 months.

Interest rate sensitivity analysis

In the financial year to 30 April 2014, if interest rates had been 100 basis points higher and all other variables were held constant, the Group's profit would have been decreased by circa £253,000 (2013: increased by circa £255,000). Similarly, if interest rates had been 100 basis points lower and all other variables were held constant, the Group's profit would have been increased by circa £54,000 (2013: decreased by circa £133,000).

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 2014 £'000	Impairment 2014 £'000	Gross 2013 £'000	Impairment 2013 £'000
Not past due	**9,297**	**-**	27,398	-
Past due 0-90 days	**8,747**	**-**	4,174	-
Past due greater than 90 days	**1,882**	**-**	2,268	-
	19,926	**-**	33,840	-

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 2014	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	**24,257**	**24,364**	**8,669**	**8,561**	**7,134**	**-**
Trade and other payables	**11,376**	**11,376**	**11,376**	**-**	**-**	**-**
	35,633	**35,740**	**20,045**	**8,561**	**7,134**	**-**

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	-

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	2014 Carrying amount and fair value £'000	2013 Carrying amount and fair value £'000
Financial assets:			
Trade and other receivables	11	**23,823**	39,290
Cash and cash equivalents	12	**19,248**	76,572
Available for sale investments	9	**21,081**	18,711
Financial liabilities:			
Long term borrowings	14	**(24,257)**	(30,952)
Trade and other payables	13	**(11,376)**	(9,597)

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 categorized as Level 1.

UBC – the valuation is based on the quoted share price for UBC Media Group on AIM. This investment is categorized 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 categorized as Level 3.

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

7digital – the valuation is based on the purchase price of the investment. This investment is categorized as Level 3.

Ineda – the valuation is based on the purchase price of the investment. This investment is categorized as Level 3.

Blu-Wireless – the valuation is based on the purchase price of the investment. This investment is categorized as Level 3.

Onkyo – the valuation is based on the quoted share price for Onkyo Corporation on Tokyo stock exchange. This investment is categorized as Level 1.

NetSpeed – the valuation is based on the purchase price of the investment which was acquired during the year. This investment is categorized 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 categorized:

	2014 £'000	2013 £'000
Level 1	**10,483**	7,458
Level 2	**–**	–
Level 3	**10,598**	11,253
	21,081	18,711

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 2013	11,253
Investment in the year	2,436
Total gains and losses:	
In income statement	(1,807)
In other comprehensive income	(63)
Disposals	(1,221)
At 30 April 2014	**10,598**

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.

The valuation of Blu Wireless, Orca, NetSpeed 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 2014 are not materially different to these valuations.

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 2014 or 30 April 2013.

21 Employee benefits

Pension

The Company participates in a group personal pension plan with defined contributions. 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 2014:

Year of Issue	Outstanding at 30 April 2014	Exercise price	Date from which first exercisable	Expiry date
2004	15,500	82p	2007	2014
2005	422,346	64.25p	2008	2015
2005	287,630	67.5p	2008	2015
2006	*145,000	55p	2009	2016
2010	261,277	305.2p	2013	2014
2011	226,244	366.2p	2014	2015
2012	180,918	381.2p	2015	2016
2013	702,107	228p	2016	2017
2013	*416,007	351.2p	2016	2023
Sub-total of options with exercise price	2,657,029			

Year of Issue	Outstanding at 30 April 2014	Exercise price	Date from which first exercisable	Expiry date
2010	703,827	0p	2013	2013
2011	1,327,934	0p	2014	2014
2011	863,346	0p	2011	2016
2011	1,548,397	0p	2014	2019
2011	76,674	0p	2013	2017
2012	1,600,616	0p	2015	2020
2012	224,998	0p	2012	2017
2012	1,000	0p	2014	2019
2012	1,000	0p	2015	2020
2012	386,002	0p	2015	2020
2012	153,401	0p	2014	2019
2013	1,668,673	0p	2016	2021
2013	1,928,649	0p	2016	2021
Sub-total of nil cost options	10,484,517			
	13,141,546			

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

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

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

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

Employee Share Plan

The following awards have been granted under the Imagination Technologies Employee Share Plan and remain outstanding at 30 April 2014:

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

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

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

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

The Company has share option schemes and an employee share plan scheme, details of which are contained in the Director's report on page 42.

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

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

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

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

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

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

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

Share-based payments for the year

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

Year of Award	2014 £'000	2013 £'000
2009/10	**393**	1,819
2010/11	**3,506**	4,717
2011/12	**2,594**	2,096
2012/13	**4,567**	2,684
2013/14	**2,119**	-
	13,179	11,316

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

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

Year of Award	2014 £'000	2013 £'000
To be incurred within one year	**10,508**	10,344
To be incurred after one year	**6,558**	6,790
	17,066	17,134

A deferred tax asset of £2,270,000 (2013: £7,809,000) 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 55 to 71.

The key management personnel compensations are as follows:

	2014 £'000	2013 £'000
Emoluments	**959**	1,157
Pension contributions	**48**	75
Share based payments	**754**	809
	1,761	2,041

Details of key management's interests in the Company's shares and share options are set out in the Directors' remuneration report on pages 55 to 71.

During 2014 and 2013, 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	India	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 AB	Sweden	Ordinary	100%
Imagination Technologies Hyderabad Private Limited	India	Ordinary	**100%
Imagination Technologies NZ Limited	NZ	Ordinary	**100%
Imagination Technologies LLC.	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

Posedge Inc.

On 2 August 2013, the Group acquired 100% of the share capital of Posedge Inc, a company based in the US. Posedge, founded in 2006, licenses networking, connectivity and System on Chip ('SoC') IP & undertakes SoC design services. Imagination acquired Posedge for its complementary technology and resource, enabling Imagination to accelerate and extend its existing plans.

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

	Fair value to Group on acquisition £'000
Goodwill	3,256
Intangible assets – developed technology	3,936
Intangible assets – customer relationships	1,430
Bank loan & overdraft	(297)
Trade and other receivables	165
Trade and other payables	(901)
Deferred tax liability	(1,878)
Net assets acquired	**5,711**
Consideration transferred	1,282
Deferred and contingent consideration	4,429
Total consideration	**5,711**

The deferred and contingent consideration is payable on the first, second and third anniversaries of the acquisition. The maximum payment has been recorded as a liability as this represents the fair value at the date of acquisition. The contingent consideration is payable based upon revenue targets being achieved, and certain employees remaining in the employment of the Imagination Group.

The goodwill of £3,256,000 represents the benefits the Group expects to gain from future technology and future customers as well as the value represented by the assembled workforce.

The intangible assets acquired of £5,366,000 represent the fair value placed on Posedge's technology and customer base.

The revenue attributable to the Group from the date of acquisition to 30 April 2014 is £660,000, and the loss after tax was £1,351,000.

The revenue and loss after tax for the period 1 May to the date of acquisition were £354,000 and £500,000 respectively.

Acquisition related transaction costs of £229,000 were incurred during the period. These are included in acquisition related costs in the consolidated income statement.

Kisel Microelectronics AB

On 23 December 2013 the Group acquired 100% of the issued share capital of Kisel Microelectronics AB ('Kisel'), a Company based in Sweden, which is a provider of radio frequency IP for wireless connectivity, which complements the Group's existing Ensigma division. Since acquisition the company has changed its name to Imagination Technologies AB.

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

	Fair value to Group on acquisition £'000
Property, plant and equipment	51
Goodwill	1,597
Intangible assets – developed technology	1,274
Intangible assets – customer relationships	306
Cash	88
Trade and other receivables	416
Trade and other payables	(494)
Deferred tax liability	(348)
Net assets acquired	**2,890**
Consideration transferred	2,278
Contingent consideration	612
Total consideration	**2,890**

The contingent consideration is payable on the first anniversary of the acquisition. The maximum payment has been recorded as a liability as this represents the fair value at the date of acquisition. The contingent consideration is payable based upon revenue targets being achieved.

The goodwill of £1,597,000 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 £1,273,000 represents the value placed on Kisel technology and the underlying patents.

The intangible asset relating to customer relationships of £306,000 represents the value placed on the Kisel customer base.

The fair value of the financial assets included trade receivables acquired relating to outstanding sales invoices as at 23 December 2013 whose fair value totalled £312,000. This comprised gross contractual value of £570,000. The best estimate at acquisition date of the contractual cash flows not to be collected was £258,000 relating to one individual customer.

The revenue attributable to the Group from the date of acquisition to 30 April 2014 was £280,000 and the loss after tax was £725,000.

The revenue and loss after tax for the period from 1 May 2013 to the date of acquisition were respectively £1,599,000 and £1,654,000.

Acquisition related transaction costs of £120,000 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 2014 £'000	As at 30 April 2013 £'000
Fixed assets			
Investment in subsidiary undertakings	3	**122,798**	117,298
Current assets			
Debtors	4	**64,709**	72,389
Cash		**60**	533
		64,769	72,922
Current liabilities			
Creditors: amounts falling due within one year	5	**(9,392)**	(6,667)
Net current assets		**55,377**	66,255
Total assets less current liabilities		**178,175**	183,553
Non-current liabilities			
Creditors: amounts falling due after one year	5	**(15,732)**	(26,309)
Net assets		**162,443**	157,244
Capital and reserves			
Called up share capital	8	**26,769**	26,571
Share premium account	9	**99,648**	99,236
Other capital reserve	9	**1,423**	1,423
Warrant reserve	9	**-**	-
Share based payment reserve	9	**48,216**	34,848
Retained earnings	9	**(13,613)**	(4,834)
Equity shareholders' funds	10	**162,443**	157,244

These financial statements were approved by the Board of Directors on 23 June 2014 and were signed on its behalf by:

G.S. Shingles

G S Shingles
Director

1 Accounting policies

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

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

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

Basis of preparation

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

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The Company made a loss for the year of £7,504,000 (2013: £571,000 profit).

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 55 to 71). 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 pages 55 to 71. The non-executive directors are remunerated by the Group.

3 Investments in subsidiary undertakings

	2014 £'000	2013 £'000
Cost and net book value		
At beginning of period	**117,298**	74,138
Addition – Further investment in subsidiary undertaking	**2,890**	31,933
(Disposal) / Addition – Revaluation of deferred consideration due on acquisition of subsidiary	**(18)**	81
Disposal – Consolidation of US operations	**(9,788)**	–
Reversal of deferred consideration	**(748)**	–
Addition – Share based payment to employees of subsidiary	**13,164**	11,146
Adjustment – Purchase of subsidiary undertakings	**–**	–
At end of period	**122,798**	117,298

4 Debtors

	2014 £'000	2013 £'000
Other debtors	**41**	73
Amounts owed by subsidiary undertakings	**64,668**	72,316
	64,709	72,389

£32,467,000 (2013: £31,933,000) of the amounts owed by subsidiary undertakings are due after more than one year.

5 Creditors: Amounts falling due within one year

	2014 £'000	2013 £'000
Bank loan	**8,561**	4,643
Accruals and deferred income	**192**	362
Deferred and contingent consideration	**639**	1,662
	9,392	6,667

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 £24,257,000 (2013: £30,952,000) of which £8,561,000 is due within one year (2013: £4,643,000) and £15,696,000 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 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 £44,143,000.

On 17 June 2014, the Group completed a re-negotiation of the terms of the above loan. Under the revised terms the remaining loan balance of $40,800,000 is repayable in seven six monthly instalments of $2,500,000 between December 2014 and December 2017, with a final bullet payment of $23,300,000 due in June 2018. The loan is now subject to lower variable quarterly interest payments at a rate of 1.3% above 3 month LIBOR on the outstanding balance.

HSBC Bank plc's security over the bank loan, revolving credit facility and overdraft facility remains unchanged.

6 Operating leases

At 30 April 2014, the Company had no operating lease commitments (2013: £nil).

7 Capital commitments

At 30 April 2014, the Company had no capital commitments (2013: £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 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)
At 1 May 2013	**99,236**	**1,423**	**-**	**34,848**	**(4,834)**
Loss for the financial year	**-**	**-**	**-**	**-**	**(7,504)**
Issue of new shares	**412**	**-**	**-**	**-**	**-**
Shares issued at nil cost	**-**	**-**	**-**	**-**	**(169)**
Acquisition of own shares for LTIP	**-**	**-**	**-**	**-**	**(1,106)**
Share-based remuneration	**-**	**-**	**-**	**13,368**	**-**
At 30 April 2014	**99,648**	**1,423**	**-**	**48,216**	**(13,613)**

10 Reconciliation of movements in equity shareholders' funds

	2014 £'000	2013 £'000
Equity shareholders' funds at the start of the period	**157,244**	144,354
(Loss)/profit for the financial year	**(7,504)**	571
Share-based remuneration	**13,368**	11,316
Issue of new shares	**(665)**	1,003
Equity shareholders' funds at the end of the period	**162,443**	157,244

Consolidated five year record

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Income statement					
Revenue	**170,835**	151,467	127,499	98,045	80,927
Cost of sales	**(20,461)**	(20,816)	(21,014)	(20,791)	(25,004)
Gross profit	**150,374**	130,651	106,485	77,254	55,923
Research and development expenses	**(114,835)**	(83,956)	(59,633)	(44,696)	(35,370)
Sales and administration expenses	**(33,257)**	(28,750)	(23,171)	(16,298)	(10,562)
Group restructuring costs	**(397)**	–	–	–	–
Gain on investments	**348**	1,763	822	–	148
Impairment of investments	**(2,585)**	(5,679)	(145)	–	–
Acquisition & restructuring costs	**(1,275)**	(2,744)	–	–	–
Contingent acquisition consideration release	**1,648**	–	4,009	–	–
Total operating expenses	**(150,353)**	(119,366)	(78,118)	(60,994)	(45,784)
Operating profit	**21**	11,285	28,367	16,260	10,139
Net financing (expense)/income	**(335)**	875	177	100	52
(Loss) / Profit before taxation	**(314)**	12,160	28,544	16,360	10,191
Taxation credit / (charge)	**1,089**	(5,884)	(8,083)	2,918	4,016
Profit for the financial year	**775**	6,276	20,461	19,278	14,207
Earnings per share Basic	**0.3p**	2.4p	8.0p	7.7p	6.0p
Diluted	**0.3p**	2.3p	7.5p	7.4p	5.6p
Statement of financial position					
Non-current assets	**209,676**	189,626	99,971	91,396	26,139
Current assets	**83,733**	149,102	112,747	83,153	55,007
Total assets	**293,409**	338,728	212,718	174,549	81,146
Current liabilities	**(46,315)**	(96,497)	(26,874)	(17,686)	(11,987)
Non-current liabilities	**(42,093)**	(50,839)	(8,457)	(13,793)	(373)
Total liabilities	**(88,408)**	(147,336)	(35,331)	(31,479)	(12,360)
Net assets	**205,001**	191,392	177,387	143,070	68,786
Called up share capital	**26,769**	26,571	26,425	25,815	24,345
Capital reserves	**106,471**	103,026	102,935	101,078	64,595
Retained earnings	**71,761**	61,795	48,027	(16,177)	(20,154)
Total equity	**205,001**	191,392	177,387	143,070	68,786

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

Advisers

Imagination Technologies Group plc

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A Llewellyn

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