

23 June 2010

Imagination Technologies Group plc

Adjusted pre-tax profit* jumps 166% to £13.3m; annual chip unit volume up 47% to 126m

Imagination Technologies Group plc (LSE: IMG, "Imagination", "the Group"), a leading multimedia, communications and embedded processor technology company, today announces results for the 12 months to 30 April 2010.

Financial highlights

- Group revenue up 26% to £80.9m (2009: £64.1m)
 - Technology revenues increased 28% to £47.3m (2009: £36.9m)
 - Royalty revenue up 75%
 - Licensing revenue level maintained in a cautious economic environment
 - PURE revenues increased 23% to £33.6m (2009: £27.2m)
 - International revenue up 35% to £7.8m (2009: £5.8m)
- Adjusted Group operating profit* up 171% to £13.3m (2009: £4.9m)
 - Technology - adjusted operating profit* up 78% to £13.6m (2009: £7.6m)
 - PURE - adjusted operating loss** reduced by 90% to £0.3m (2009: loss £2.7m)
- Adjusted Group pre-tax profit* up 166% to £13.3m (2009: £5.0m)
- Group pre-tax profit £10.2m (2009: £2.7m)
- Adjusted earnings per share jumped 55% to 7.3p (2009: 4.7p)
- Cash balance doubled to £29.4m at 30 April 2010 (2009: £14.6m)

* Adjusted before share-based remuneration expenses and gain on/write-down of investments

** Adjusted before share-based remuneration expenses

Business highlights

Technology business

Royalties and design wins

- Partner chips shipped in the period up 47% to 126m units (2009: 86m)
 - Strong mobile phone, Personal Media Player (PMP) volume ramp-up - over 180 models announced or shipping
 - Continued momentum in TV/Set-top box (STB) System-on-Chip (SoC) design wins and chip volume – over 15 TV models shipping
 - Mobile Internet Device (MID)/Netbooks/Tablets - over 90 models announced or shipping; added momentum in Tablet category
 - Continuing global adoption of DAB-based standards - enlarged market opportunity
 - Strong position for graphics for In-car Navigation and Personal Navigation Device (PND)
 - Emerging market for internet and connected audio technologies

- Initial partnerships in new markets - Green Energy/Power, Home Automation and Healthcare
- 91 active partner chip designs (2009: 78); 37 in production (2009: 29)

Licensing

- Twelve important agreements involving over 23 silicon IP cores and many new customers
- Significant number of smaller deals, software licenses and upgrades driving further technology adoption and spread
- Licences in key areas - Mobile Phone, Digital TV, Personal Media Player (PMP), Mobile Computing/Netbooks/Tablets, Digital Camera, Green/Smart Power
- Active pipeline of prospects

PURE business

- Improving economic environment helped revenue growth and achievement of close to break-even position
- Continued good growth in international sales and modest improvement in UK market
- Gross margin recovering with further product cost management
- Major new product category with internet connectivity and online portal successfully launched
- Strong, innovative and diverse roadmap underpins pathfinding, market driving objectives
- Continuing to increase global presence and market position

Hossein Yassaie, Chief Executive, commented:

"The continued strong volume ramp of devices using our technologies, the growing interest in, and customer commitment to, our broadening portfolio of offerings and PURE's improving performance have resulted in record full-year revenues and profits.

"Our technologies in multimedia, connectivity, broadcast and embedded processing offer unique and significant advantages to our partners. They also provide a strong, scalable base for our progress. Our technologies have been instrumental in many of the key recent market trends and have been shipped in well over 300 million devices across numerous end-user product categories.

"PURE has managed to significantly improve its financial performance whilst maintaining its market-leading position and a strong R&D programme underpinning a long-term strategy. The progression of global adoption of DAB and the cloud-based/connected content and services revolution offer market opportunities that PURE is well positioned to exploit.

"The state of the global economy, although improving, remains a concern given the potential impact of world governments' fiscal policies on consumer spending. However, we remain confident of our continued good progress in the current financial year given the active pipeline of prospects for licensing, growth in design wins and the momentum in our chip volume ramp up, together with PURE's leading position and product line-up."

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About Imagination Technologies

Imagination Technologies Group plc (LSE:IMG) – a leading multimedia, communications and embedded processor technology company – creates and licenses market-leading processor cores for graphics, video, multi-threaded embedded processing/DSP and multi-standard communications applications. These silicon intellectual property (IP) solutions for systems-on-chip (SoC) are complemented by a strong array of software tools and drivers as well as extensive developer and middleware ecosystems. Target markets include mobile phone, handheld multimedia, home consumer entertainment, mobile and low-power computing, and in-car electronics. Its licensees include many of the leading semiconductor and consumer electronics companies. Imagination has corporate headquarters in the United Kingdom, with sales and R&D offices worldwide. See: www.imgtec.com.

Financial and Business Review

The importance of the Group's technologies is reflected in Imagination's continued strong growth despite the challenges to the global economic environment.

The full year saw good financial and strategic progress for the Technology business, with strong chip volume and royalty growth. The Group successfully closed a number of important licensing deals as well as securing many new partners. This resulted in a significant jump in operating profit for the Technology business.

The PURE business substantially reduced the previous year's loss and achieved a close to break-even position whilst continuing its strong investment in research and development. Its international business continued to grow strongly overall, despite some regional post-Christmas channel stock overhang. PURE's UK business saw a modest improvement in line with the initial signs of economic recovery.

Financial Review

Group revenues for the period ending 30 April 2010 were £80.9m (2009: £64.1m), an increase of 26%. Technology revenues, comprising licensing and royalties, were 28% ahead at £47.3m (2009: £36.9m). PURE revenues were up 23% at £33.6m (2009: £27.2m).

Within Technology, royalty revenue increased by 75% to £24.4m (2009: £14.0m), 80% on a dollar basis, driven by increased chip volume and a strengthened royalty rate. The volume of chips shipped increased 47% to 126m (2009: 86m). The strong growth of royalty revenue over the last two years now means that this important revenue stream has overtaken licensing revenue.

The royalty rate per chip has improved as a result of the continued transition towards chips shipping incorporating latest generation POWERVR SGX cores, with the legacy revenue sharing arrangements for the MBX core having a lower impact.

At £22.9m, licensing revenue was flat on a sterling basis, with a 2% reduction on a dollar basis. However, our broadening portfolio of technologies, our existing relationships with key industry players, and the strong and active pipeline of prospects with both current and new partners, means that we remain confident of the continued growth of licensing revenues. However, the precise timing of the closure of licensing agreements and the recognition of the resulting revenue could mean that growth may not be in a straight line.

Whilst the difficult economic environment has impacted the rate of progress, PURE has delivered a significantly improved financial result for the year. PURE revenues increased 23% at £33.6m (2009: £27.2m). The progressive adoption of digital radio overseas resulted in a 35% increase in PURE's international business to £7.8m (2009: £5.8m), which now accounts for 23% of its total revenues. PURE's UK revenues increased by 20% to £25.8m (2009: £21.4m).

Group gross profit was £55.9m, a 32% increase (2009: £42.3m). The gross margin has continued to improve to 69% (2009: 66%) as a result of the change in the revenue mix towards the higher margin technology business, particularly royalties, as well as an improvement in PURE margins.

Research and development expenses increased 14% to £35.4m (2009: £31.1m). On-going investment across our full range of graphics, video, display, broadcast and processing technologies is key to ensure that the Group maximises its opportunities and in particular continues to supply market leading IP cores to partners as well as to support such partners in deploying them effectively.

Investment in PURE has continued to ensure that it is able to carry out its role of pathfinding and promoting the Group's technologies, notably in the area of Wi-Fi and internet connectivity.

Sales and administrative expenses, which are stated net of currency gains, were £10.6m (2009: £8.1m). £1.0m of the increase is accounted for by the reduced currency gain in the year of £0.3m (2009: £1.3m).

The non cash share-based incentive cost included in the above expenses has increased to £3.3m (2009: £1.8m).

The adjusted operating profit for the Technology business, before share-based incentive costs of £2.7m (2009: £1.5m) and the net gain on investments of £0.1m (2009: write-down £0.5m), increased 78% to £13.6m (2009: £7.6m).

The increase in PURE revenue resulted in a significantly reduced adjusted operating loss, before share-based incentive costs of £0.6m (2009: £0.3m), of £0.3m (2009: loss £2.7m).

The adjusted Group profit before tax, before share-based incentive costs of £3.3m (2009: £1.8m) and the net gain on investments of £0.1m (2009: write-down £0.5m), increased by 166% to £13.3m (2009: £5.0m). The reported pre-tax profit was £10.2m (2009: £2.7m).

There was tax credit of £4.0m (2009: £5.4m) in the year arising from the recognition of £4.9m of previously unrecognised tax losses, partially offset by £0.9m of tax deducted at source on overseas earnings. This has resulted in the deferred tax asset on the Group balance sheet, to be utilised against future profits, increasing to £11.0m (2009: £5.4m). In addition to this recognised deferred tax asset, there is a further £13.2m (2009: £12.5m) of unrecognised deferred tax losses.

Adjusted earnings per share increased by 55% to 7.3p (2009: 4.7p). The Group's reported earnings per share has risen 62% to 6.0p (2009: 3.7p).

There was an operating cash in-flow of £8.6m in the year (2009: £4.7m) reflecting the jump in the Group operating profit. Capital spend in the period was £2.0m (2009: £2.2m). This strong operational cash in-flow together with the £3.1m from the issue of new shares to Apple Inc. in the first half has contributed to a doubling of net cash resources to £29.4m at April 2010, compared to £14.6m at April 2009. Cash resources are adequate for the Group's future requirements.

Technology Business

The Technology business continued to make real progress in its three key metrics:-

- New licensing deals, which generate short-term revenue and are the underlying driver behind future royalty generation
- Growth of SoC design wins, which is a key measure of technology adoption
- Partner chip volume ramp-up, which drives royalty revenues

Licensing

The continuing active pipeline of opportunities led to a number of strategically and/or financially significant licensing agreements or deal extensions including 12 major licensing agreements and a number of smaller deals and upgrades.

Among the major agreements, there were new partner deals with Ambarella, Green Plug, Infomax, Innofidei, Realtek, SiS, as well as significant extensions or continuations with Intel, Sigma Designs, Apple, TI and Renesas. The Group also signed software licenses and upgrades with a number of partners including Samsung, Frontier Silicon, Trident and O2 as well as important software licensing and development agreements with a number of key OEMs deploying partner chips with Imagination IP.

The major license agreements involved 23 IP core licenses. The target markets for these include Mobile Phone, Digital TV, Personal Media Player (PMP), Mobile Computing/Tablets, Digital Camera, Connected Terminals and Green/Smart Power.

Significantly, the Group has seen continuing momentum in design-wins for its POWERVR graphics technology, which has so far achieved over 40 licenses, including five partners that are working on designs using the very latest multi-processing (MP) core variants of the SGX543MP and SGX544MP family.

Additionally we are seeing a steady diversification of design wins and growing interest across our other key IP cores including:

- Video - POWERVR VXD and VXE families supporting the latest and emerging video decode and encode formats
- Display - POWERVR I2P and FRC enabling the best image processing for TVs, STBs and other consumer devices
- Connectivity/broadcast - ENSIGMA UCC Series2 and Series3 programmable radio processing units (RPU) supporting worldwide TV and radio reception as well as important connectivity standards such as Wi-Fi - all running on the same silicon engine in software
- Embedded processor cores - META LTP, MTP and HTP offering multi-threading, hard real-time and signal-processing capabilities ideal for highly integrated and cost effective devices running modern operating systems and connected to the internet

Partner chip shipments and royalties

Partner chip unit shipments grew strongly, up 47% to 126m units (2009: 86m units). Growth was driven by increasing sales of mobile phone, PMP (personal media player), TVs, MID/Netbooks/Tablets, digital radio and car navigation/information systems. Contributions from the TV segment and the Mobile Computing/Netbooks/Tablets/MID segments are significantly increasing.

With current information and visibility, we remain on course to achieve our long-standing target of around 200 million partner chip shipments in the FY 2010/11 timeframe. However, exact timing and the rate of product introduction by OEMs and the speed of production ramp-up can create some variability.

SoC design wins and pipeline

SoC design wins are the driver for future partner chip shipments and royalty revenue growth. Strong continuing momentum saw new partner SoC design wins increase to 91 (net of obsolescence) compared with 78 as at April 2009. Of these, 37 are shipping or beginning to ship, with the balance of 54 still in design. The latter will be the driver for significant further royalty revenue growth.

These committed devices are continuing to diversify across Imagination's partners and key market segments:

- 33 for Mobile Phone Multimedia devices
- Nine for Handheld Multimedia (PMP, mobile entertainment/gaming, camera, mobile TV)
- 22 for Home Consumer Entertainment (TV, STB (set top boxes), DVD, Digital Radio and Audio, Connected Audio, and Home Entertainment devices)
- 12 in Mobile Computing (MID/UMPC/Netbook/Tablet)
- 11 for In-car (Navigation, Dashboard, PNDs (Personal Navigation Devices))
- Four for other markets covering Green Energy, Healthcare, Amusement and Toys

Technology business markets

Mobile Phone Multimedia – More than 160 handsets have so far incorporated Imagination's technologies, of which 50 use the latest POWERVR SGX technology. Many of the handsets are market-leading models with new capabilities from key OEMs, including Apple, Fujitsu, Mitsubishi, Motorola, NEC, Nokia, Palm, Samsung, Sharp and Sony Ericsson. We have visibility of many further handsets in the pipeline from various OEMs that are using Imagination's technology.

The requirement for hardware acceleration is still rapidly expanding to a larger proportion of mobile phones. It is also clear that smartphones, to which high-level graphics and video are most relevant, are the fastest growing segment within the mobile phone market. Market commentators are now predicting that the smartphone category will ultimately subsume the feature phone category and account for as much as 50% of the total mobile phone market. With its strong partnerships in this segment, Imagination is well positioned to continue to exploit this opportunity as it grows.

Handheld Multimedia (PMP, Mobile Entertainment/Gaming, Camera and Mobile TV) - This segment is Imagination's second largest in chip volume terms. Imagination has already seen its technology deployed by the leading player in the PMP market where products increasingly require advanced graphics and video capabilities to improve user interface and content delivery capabilities. Combined with other partner SoCs in design, Imagination expects to secure growing market share in this important segment.

Imagination has also seen growing demand for a more advanced user interface on cameras. It sees this market as a new emerging area for a number of Imagination's technologies.

In the mobile TV market, Imagination's current technology is already shipping in some of the early T-DMB mobile TV markets in Asia. Further progress in the mobile TV market requires other world markets such as the North American and European regions to embrace such services. Imagination believes it is well placed to service this market as it develops.

Home Consumer Entertainment (Digital Radio, Connected Audio, TV, IP TV, STB, DVD, Home Entertainment) – Imagination's technologies for, and partnerships in, the TV and STB segments have begun to deliver growth. There are now several devices shipping, with an increasing number in development for these consumer segments.

The partnership with NEC Electronics (now Renesas Electronics) has already resulted in Imagination IP being deployed in TVs from a major global brand, which started shipping in Japan and Europe from March 2009. For STBs, Intel consumer SoCs, including the CE3100 and new CE4100 chips, have begun making a contribution to this segment. In addition, other important existing partnerships with NXP/Trident and Sigma Designs are at customer sample delivery stage and should begin volume shipment in 2010. The emerging market of IP TV is a key driver requiring advanced graphics and multi-standard video processing in both TV and STB SoCs.

The digital radio market continues to be an important focus for Imagination's multi-standard receiver and processor/DSP technologies. Imagination plays a leading role in providing key technologies for this market and has seen its share of digital radio technology deployment across European DAB standard reaching 80%. Markets outside of the UK are increasingly adopting digital radio formats, many based on the DAB standard or its variants.

Furthermore, the rapid spread of internet connectivity and Wi-Fi has enabled new opportunities in the form of internet and Wi-Fi based radio and audio streaming that are strongly supported by our combined broadcast radio and connected audio technology platform. We see this combination as an important market that Imagination will continue to lead, both from a technology licensing perspective as well as through PURE.

Mobile Computing (MID, Netbook, Ultra Mobile PCs and Tablet devices) – In this market Imagination's technologies have and are being deployed in a variety of formats and in conjunction with Intel, ARM and other processor architectures. Imagination's partnership with Intel in the personal computing/UMPC and MID segments has progressed to plan with shipment of the first generation Intel® Atom™ Z range of products that deploy Imagination's graphics and video technologies. This solution has secured many OEM design wins with more than 85 products shipping or announced.

Recently Intel has announced the second generation of this product line (Atom Z6xx) which is more integrated and offers much lower power consumption, higher performance and increased functionality. Imagination's strong partnership with Intel continues to develop with a wider scope of co-operation across several significant projects. In addition, the growing netbook and emerging tablet markets have opened up significant opportunities where other partners are deploying the advanced multimedia technologies that Imagination can provide.

In-car - The vast majority of the new 3D-based navigation systems in Japan continue to use partner chips that deploy Imagination's POWERVR technology. In addition to the long-standing relationship with Renesas, which is progressing well, more recent relationships with other key players in this market, such as NEC Electronics and SiRF/CSR, are helping to increase our market share in both traditional in-car navigation systems and next generation PNDs.

The attention that the traditional mobile phone application processor semiconductor companies, such as TI, and also Intel through its Intel® Atom™ technology, are paying to these markets has increased the routes through which Imagination's technologies can be deployed. There is now a fast-developing market, as the car manufacturers transition from the traditional mechanical displays to LCDs, for electronic dashboards; Imagination is well placed to target this market as it emerges.

Emerging Markets (Home Automation, Green/Smart Energy, Healthcare) - Given the diversity and capability of Imagination's IP family, it is forging partnerships in emerging markets that will see the deployment of Imagination's technologies in a wide variety of devices. Highly relevant to these markets are Imagination's embedded processing cores, which are able to combine modern operating system-based needs with hard real-time processing requirements involving general as well as signal processing computation.

Combined with Imagination's software programmable connectivity solutions, these cores offer a highly effective solution for next generation applications requiring the capability of a 'connected processor' supporting advanced operating system, real-time operation and internet connectivity. Imagination plans to complement these silicon technologies with internet and portal based solutions providing its partners with a comprehensive offering designed to address the requirements of the new connected world. Partnerships formed recently in these new market areas include those with Toumaz and Green Plug Inc.

PURE Business

Despite a difficult economic environment PURE was able to grow its revenues by 23%, dramatically reducing last year's loss and achieve a near break even position. Both UK and overseas revenues grew, with the UK seeing 20% growth and international sales growing by 35%. Excluding Switzerland, where there was some stock overhang post Christmas, international revenues doubled.

The key drivers of PURE's financial improvement were economic recovery in the UK, the increasing globalisation of digital radio and the emergence of new, connected audio devices for streaming internet radio from thousands of channels.

In the UK and other markets, PURE retained its leadership position in key product categories and strengthened its line-up with significant new models including further expansion of the Flow family of internet connected products and a strengthening of the DAB range with new micro-system, bedside and portable radios.

Overseas, it is clear that the transition from analogue to digital radio is underway on a global scale and reaching far beyond PURE's early markets of the UK, Switzerland, Norway and Australia. With many other countries including France, Germany and Italy beginning to switch to DAB standards, often driven by government switch-over plans, Imagination stands to gain as both the provider of the core technology and, through PURE, the leading radio manufacturer.

The launch of PURE's well received Flow connected audio family and the associated internet portal, thelounge.com, have opened up further significant opportunities in both DAB and non-DAB countries as such products take advantage of Wi-Fi and internet connectivity. Following the launch of EVOKE Flow last year, which became the most successful connected digital radio, PURE continues to extend this range.

Among the additions are the AVANTI Flow, a high quality next-generation digital audio system with iPod connectivity, the Siesta Flow bedside clock radio, and most notably Sensia which brings a new dimension to not only radios but also to the emerging connected devices.

The Sensia is the beginning of a convergence that brings together broadcast radio, which we see as the bedrock of mass content delivery, and the on-demand and interactive benefits of internet connectivity. The colour touch screen offers a fun and easy user interface whilst at the same time offering relevant internet content such as social networking, instant messaging and other community, information and entertainment-based applications.

PURE continues to win many prestigious accolades, including three top awards at What HiFi? Sound & Visions Awards 2009; the overall radio category award 'Radio Product of the Year 2009' for AVANTI Flow, the prize of the 'Best Desktop DAB £100-£200' for EVOKE-2S, and the award for the 'Best Desktop DAB up to £100' for ONE Elite. Additionally, PURE won two key awards in Australia's 2010 Sound and Image Awards: 'Digital Radio of the Year' for Sensia and 'Highly Commended' for ONE Classic. The innovative Sensia also took 'Best Product of the Year' in Smart House magazine's Best of the Best Awards.

EVOKE Flow has already won Get Connected's 'Product of the Year 2010' while across the range PURE is now receiving more international awards including Stuff and T3 magazines in France, GEAR magazine in Denmark and CNET in Germany.

PURE radios offer significant eco-friendly features and many PURE products are now recommended by the Energy Saving Trust, a message being promoted in trade and consumer campaigns.

As a result of its continuing innovation, strong product line up and planned delivery of new technologies, PURE has maintained its strong product ranging at key retailers in the UK and has been able to develop key overseas relationships in support of its strategy to develop its international business. These trends will see PURE playing a key role in the UK as well as other regions as the inevitable digital wave sweeps the radio industry and connected products become a major new consumer product category.

The Group's investment in developing the internet and web services portal, thelounge.com, in support of its connected radio and multimedia platform with its first deployment in the form of the PURE Flow range, is enabling the next generation of 'cloud-based' products and services.

These connected technologies and services are considered of significant strategic importance to Imagination as a whole, not only in the delivery of internet-based multimedia content but also for other connected services such as automation, security and remote health care.

It is important to note that PURE, in its own right, is making very valuable contributions to the development of fundamental intellectual property that are critical for key aspects of the Group's future strategies.

Outlook and way forward

As the financial results demonstrate, key aspects of our long-standing strategy are beginning to deliver good returns. Our technologies in multimedia, connectivity/broadcast and embedded processing offer both

significant advantages to our partners and at the same time provide a strong and highly scalable base for our growth.

Despite the significant progress we have made to date, the exploitation of many of our key technologies is still at an early stage in many markets. For example, the worldwide embedded graphics market alone has the potential to reach multi billion annual units over the next five years or so. Similarly the rapidly developing internet connectivity and cloud-based services trends will ultimately require TVs, STBs and almost all other home appliances to incorporate both connectivity and advanced user interfaces.

We remain on course to achieve significant growth as existing markets develop and new markets and applications emerge where our technology can make a significant difference to the consumer experience. It has been a feature of our strategy to both ride and drive key trends with new technologies; this process is still very much ongoing.

Another key aspect of our business is the cyclical nature of technology roll-out, which continues to offer opportunities for follow-on generations of previously deployed IP cores. This is particularly relevant to flexible and programmable solutions. We offer this attribute in all our key IP solutions and over time this creates a development ecosystem of considerable value to the user community.

We therefore continue to believe that there are significant opportunities going forward to offer current customers the next generations of technologies that they have already licensed, to extend existing partnerships with completely new complementary IP categories and to engage with entirely new customers.

The technologies we offer are highly relevant to many of the trends in new and evolving markets. These go across the three planned areas of: multimedia (graphics and video processing units - GPUs); programmable baseband for the growing connectivity/broadcast standards (radio processing units – RPU); and embedded processor cores offering multi-threading, hard real-time, general-purpose and signal-processing capabilities all in one.

PURE is an integral part of our strategy and focuses on targeting emerging consumer markets that can benefit from a concerted drive and pathfinder approach across the Group. This has been successfully executed on digital radio in the UK with the focus now moving to international development of this market. Connected devices and the opportunities they offer are another key area where PURE's efforts are directed, with a starting point that bridges the broadcast and internet arena and enables optimal delivery of both mass and individual targeted content. Our strategy will ultimately also lead to complementary areas involving home connectivity and the provision of useful remote services. The progress made by PURE in the year is a very good base for further steps including its steady expansion into other geographical markets.

The Group remains well placed for further growth based on its active licensing pipeline, expected chip volume ramp and royalty growth, as well as the potential for PURE to exploit its strong product line-up and develop its new sales territories.

As we set out a few years ago, among our key targets for this financial year is shipment by our partners of around 200m devices using our IP. We remain on course to achieve this target, and can now see annual volumes heading toward 500m units over the next few years.

The Board remains confident that the Group's solid progress will continue. However, the macro economy remains volatile, with many governments implementing austerity measures which may influence consumers, potentially impacting our licensees' progress and some aspects of our development.

Hossein Yassaie
Chief Executive
23 June 2010

Condensed consolidated income statement

	Year to 30 April 2010 £'000	Year to 30 April 2009 £'000
Revenue	80,927	64,088
Cost of sales	(25,004)	(21,755)
Gross profit	55,923	42,333
Research and development expenses	(35,370)	(31,114)
Sales and administrative expenses	(10,562)	(8,100)
Gain on/(write down of) investments	148	(517)
Total operating expenses	(45,784)	(39,731)
Operating profit	10,139	2,602
Financial income	64	149
Financial expenses	(12)	(29)
Net financing income	52	120
Profit before tax	10,191	2,722
Taxation	4,016	5,404
Profit for the financial year attributable to equity holders of the parent	14,207	8,126
Earnings per share		
Basic	6.0p	3.7p
Diluted	5.6p	3.5p

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

Condensed consolidated statement of comprehensive income

	Year to 30 April 2010 £'000	Year to 30 April 2009 £'000
Profit for the financial year attributable to equity holders of the parent	14,207	8,126
Other comprehensive income		
Exchange differences on translation of foreign operations	(13)	116
Change in fair value of assets classified as available for sale	20	-
Change in fair value of assets classified as available for sale transferred to profit and loss	(2,992)	-
Deferred tax on available for sale investment	757	-
Other comprehensive income for the financial year net of income tax	(2,228)	116
Total comprehensive income for the financial year attributable to equity holders of the parent	11,979	8,242

Condensed consolidated statement of financial position

	At 30 April 2010 £'000	At 30 April 2009 £'000
Non-current assets		
Intangible assets	5,126	4,909
Property, plant and equipment	4,650	4,851
Investments	4,550	4,094
Trade and other receivables	795	795
Deferred tax	11,018	5,460
	26,139	20,109
Current assets		
Inventories	4,972	3,723
Trade and other receivables	20,668	18,002
Cash and cash equivalents	29,367	14,574
	55,007	36,299
Total assets	81,146	56,408
Current liabilities		
Interest bearing loans and borrowings	(58)	(58)
Trade and other payables	(11,929)	(10,246)
	(11,987)	(10,304)
Non-current liabilities		
Deferred tax liability	-	(76)
Interest bearing loans and borrowings	(373)	(430)
	(373)	(506)
Total liabilities	(12,360)	(10,810)
Net assets	68,786	45,598
Equity		
Called up share capital	24,345	22,839
Share premium account	60,629	53,435
Other capital reserve	1,423	597
Warrant reserve	-	826
Merger reserve	2,402	2,402
Revaluation reserve	20	2,235
Translation reserve	121	134
Retained earnings	(20,154)	(36,870)
Total equity attributable to equity holders of the parent	68,786	45,598

Condensed consolidated statement of changes in equity

	Share capital	Share premium account	Other capital reserve	Warrant reserve	Merger reserve	Revaluation reserve	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 May 2008	21,926	50,937	597	826	2,402	2,235	18	(46,698)	32,243
Profit for the period	-	-	-	-	-	-	-	8,126	8,126
Other comprehensive income for the period	-	-	-	-	-	-	116	-	116
Share based remuneration	-	-	-	-	-	-	-	1,703	1,703
Acquisition of own shares for Employee Benefit Trust	-	-	-	-	-	-	-	(1)	(1)
Issue of new shares	913	2,498	-	-	-	-	-	-	3,411
At 30 April 2009	22,839	53,435	597	826	2,402	2,235	134	(36,870)	45,598
At 1 May 2009	22,839	53,435	597	826	2,402	2,235	134	(36,870)	45,598
Profit for the period	-	-	-	-	-	-	-	14,207	14,207
Other comprehensive income for the period	-	-	-	-	-	(2,215)	(13)	-	(2,228)
Share based remuneration	-	-	-	-	-	-	-	3,176	3,176
Acquisition of own shares for Employee Benefit Trust	-	-	-	-	-	-	-	(667)	(667)
Exercise of warrants	-	-	826	(826)	-	-	-	-	-
Issue of new shares	1,506	7,194	-	-	-	-	-	-	8,700
At 30 April 2010	24,345	60,629	1,423	-	2,402	20	121	(20,154)	68,786

Condensed consolidated statement of cash flows

	Year to 30 April 2010 £'000	Year to 30 April 2009 £'000
Cash flows from operating activities		
Profit after tax	14,207	8,126
Taxation	(4,016)	(5,404)
Profit before tax	10,191	2,722
Adjustments for:		
Depreciation and amortisation	1,960	1,776
Net financing income	(52)	(120)
Share-based remuneration	3,176	1,766
(Gain on)/write down of investments	(148)	517
Loss on disposal of property, plant and equipment	2	-
Operating cash flows before movements in working capital	15,129	6,661
(Increase)/decrease in inventories	(1,249)	1,406
Increase in receivables	(5,971)	(4,904)
Increase in payables	1,525	1,873
Cash generated by operations	9,434	5,036
Interest paid	(12)	(31)
Taxes paid	(861)	(321)
Net cash flows from operating activities	8,561	4,684
Cash flows from investing activities		
Interest received	63	162
Acquisition of intangible assets	(677)	(722)
Acquisition of property, plant and equipment	(1,036)	(1,660)
Net cash used in investing activities	(1,650)	(2,220)
Cash flows from financing activities		
Proceeds from the issue of share capital	8,033	3,411
Repayment of borrowings	(57)	(40)
Net cash from financing activities	7,976	3,371
Net increase in cash and cash equivalents	14,887	5,835
Effect of exchange rate fluctuation	(94)	1,498
Cash and cash equivalents at the start of the period	14,574	7,241
Cash and cash equivalents at the end of the period	29,367	14,574

NOTES

1. The financial information set out above does not constitute the company's statutory accounts for the years ended 30 April 2010 or 2009 but is derived from those accounts. Statutory accounts for 2009 have been delivered to the registrar of companies, and those for 2010 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. Segment Reporting

As of 1 May 2009, 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. This change in accounting policy is due to the adoption of IFRS 8 – Operating Segments. Previously operating segments were determined and presented in accordance with IAS –14 Segment Reporting. The adoption of IFRS 8 has not resulted in any change to the determination of the Group's operating segments.

The group is organised into two operating divisions which offer different services to different industries and are managed separately: the Technology business and the PURE Digital business. The costs of the corporate head office and other costs which are not controlled by the operating divisions are allocated to these divisions. Segmental information previously reported for periods prior to 1 May 2009 has been restated where appropriate. 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.

Principal activities are as follows:

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

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

Information regarding the operations of each reportable segment is included below. Performance is measured based on operating profit

	Year to 30 April 2010 £'000	Year to 30 April 2009 £'000
Revenue		
Segment revenue		
Technology business	47,357	36,889
PURE Digital business	33,570	27,199
Total revenue	80,927	64,088
Operating profit/(loss)		
Segment operating profit/(loss):		
Technology business	11,025	5,648
PURE Digital business	(886)	(3,046)
Segment operating profit	10,139	2,602
Net financing income	52	120
Profit before tax	10,191	2,722
Taxation credit	4,016	5,404
Profit for the financial year	14,207	8,126
Total assets		
Segment assets:		
Technology business	33,066	28,978
PURE Digital business	7,695	7,396
Total segment assets	40,761	36,374

Cash and cash equivalents	29,367	14,574
Deferred tax	11,018	5,460
Total assets	81,146	56,408

Total liabilities

Segment liabilities:		
Technology business	8,003	5,692
PURE Digital business	3,926	4,612
Total segment liabilities	11,929	10,304
Unallocated liabilities	431	506
Total liabilities	12,360	10,810

Other segment items

Capital expenditure

Technology business	1,660	1,937
PURE Digital business	318	273
	1,978	2,210

Depreciation and amortisation

Technology business	1,692	1,601
PURE Digital business	268	175
	1,960	1,776

The net gain on investments of £148,000 (2009: £517,000 write-down) relate to the Technology business

Revenue is reported by geographical area of sales as follows:-

	Year to 30 April 2010 £'000	Year to 30 April 2009 £'000
Revenue		
United Kingdom and Europe	35,576	28,957
Asia	19,003	21,215
North America	24,705	13,888
Rest of the world	1,643	28
	80,927	64,088

All revenue originated from United Kingdom and Europe.

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

3. The Directors do not propose the payment of a dividend (2009: Nil).

4. The net tax credit for the year comprises a tax credit of £4,877,000 (2009: £5,627,000) in respect of deferred tax, offset by tax deducted at source on overseas earnings not recoverable in the year of £861,000 (2009: £223,000).

5. Earnings per share

The basic earnings per share for the financial periods reported have been calculated on the weighted average number of shares in issue as shown in the table below. The diluted earnings per share have been calculated on the weighted average number of shares potentially in issue.

	Year to 30 April 2010	Year to 30 April 2009
Profit attributable to equity holders of the parent	£14,207,000	£8,126,000
Weighted average number of shares in issue	236.6m	222.6m
Effect of dilutive shares: Employee Incentive Schemes	15.3m	8.8m
Weighted average number of shares potentially in issue	251.9m	231.4m

6. The Group's full Report & Financial Statements will be made available to shareholders by 22nd July 2010. Additional copies will be available from the Company's registered office, Imagination House, Home Park Estate, Kings Langley, Hertfordshire WD4 8LZ.

7. The Annual General Meeting of Imagination Technologies Group plc will be held at Imagination House, Home Park Estate, Kings Langley, Hertfordshire WD4 8LZ at 11.00am on 13th August 2010.