

22 June 2011

## Imagination Technologies Group plc

**Adjusted pre-tax profit surges 80% to £24.0m; driven by 94% chip unit volume growth to 245m and licensing up 24%**

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 2011.

### Financial highlights

- Group revenue up 21% to £98.0m (2010: £80.9m)
  - Technology revenues increased 47% to £69.8m (2010: £47.3m)
    - Royalty revenue up 69%; very strong momentum
    - Licensing revenue up 24%; reflects high activity level
  - PURE revenues £28.2m (2010: £33.6m)
- Technology - adjusted operating profit\* up 97% to £26.7m (2010: £13.6m)
- Adjusted Group pre-tax profit\* up 80% to £24.0m (2010: £13.3m)
- Group pre-tax profit £16.4m (2010: £10.2m)
- Adjusted earnings per share\* up 48% to 10.8p (2010: 7.3p)
- Reported earnings per share 7.7p (2010: 6.0p)
- Strong cash generation from operations of £19.1m (2010: £8.6m), cash balance increased to £49.4m at 30 April 2011 (2010: £29.4m)

\* The reconciliation from reported results to adjusted results is set out in note 3.

### Business highlights

#### Technology business

##### Royalties and design wins

- Partner chips shipped almost doubled to 245m units (2010: 126m) – new target of 1 billion units per annum in five years
- Significant volume shipments in mobile phone, TV/STB, personal computing/tablets, digital radio & automotive markets
- 115 active partner chip designs (2010: 91); 48 in production (2010: 37)

##### Licensing

- Strong licensing activities
  - Addition of several new key partners including ST-Ericsson, ST Microelectronics, Fujitsu, LG, NetLogic & SiS
  - Many new and extended agreements with existing partners

- 20+ important agreements involving 35+ silicon IP cores
- Across all markets - mobile phone, digital TV/STB (set top boxes)/thin-clients, Personal Media Player (PMP), mobile computing/tablets/netbooks and in-car navigation/dashboard
- For graphics, video, broadcast/connectivity and processor silicon IP cores and HelloSoft VoIP technologies
  - First tier-one licensee for ENSIGMA UCC technology
- Significantly increased and active pipeline of prospects across all IP families

#### Acquisitions

- Two strategic acquisitions completed in the second half of the year in connectivity/V.VoIP and graphics areas to contribute to Group's next phase of development

#### PURE business

- Tight economic environment and cautious retailers particularly impacted UK revenues
- Good revenue increase from new & growing international markets with a 75% year on year increase for the second half
  - Continued strategic development and path finding role
  - Focus on digital broadcast, connected devices and Cloud solutions
- Expect improvement in 2011/12 driven by the growing export business and new products
  - DAB+ roll-out in Germany set for 1 August 2011
  - Cloud offering strengthening with time and driving connected product adoption

**Hossein Yassaie**, Chief Executive, commented:

*"The almost doubling of the annual unit shipment of devices using our technologies, and strong licensing activities, have again resulted in a substantial jump in full-year revenues and profits."*

*"Our technologies, instrumental in many of the key market trends, continue to gain ground and are powering many market-driving and iconic end-user products."*

*"With well over 500m devices across numerous categories having shipped to date, approximately half of this volume during the last financial year alone, we now see a revised target of around one billion units for the annual run-rate for our partners' chips as a reasonable goal within five years."*

*"Despite the current slow-down in consumer spending PURE continues effectively to showcase and drive key technologies. We expect to see an improvement in this division over the medium term, particularly in international markets."*

*"Whilst acknowledging the on-going challenges to the global economy, we are increasingly confident of our continued good progress in the current financial year and beyond given the very active, growing pipeline of licensing prospects, the growth in design wins and the momentum in our chip volume, together with PURE's leading position and product portfolio."*

#### ENQUIRIES:

##### **Imagination Technologies Group plc**

Geoff Shingles, *Chairman*

Hossein Yassaie, *CEO*

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## **About Imagination Technologies**

Imagination Technologies Group plc (LSE:IMG) – a global leader in multimedia and communication technologies – creates and licenses market-leading multimedia IP cores for graphics, video, and display processing, multi-threaded embedded processing/DSP cores and multi-standard communications and connectivity processors. These silicon intellectual property (IP) solutions for systems-on-chip (SoC) are complemented by platform level IP and services, a strong array of software tools and drivers and 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](http://www.imgtec.com).

## **Financial and Business Review**

The value and relevance of the Group's range of market leading technologies is reflected in Imagination's continued strong growth despite the challenges of the global economic environment.

The full year saw excellent financial and strategic progress for the Technology business, with strong chip volume, royalty growth and a very active licensing period. The Group successfully closed a number of important licensing deals and secured many new partners. This resulted in a significant jump in operating profit for the Technology business. The licensing prospects and pipeline has never been stronger.

The PURE business continued to be held back in the short-term by the general economic pressure on consumer spending, particularly in the UK market, which has to date been the main driver of PURE's revenues. However, PURE saw its international business grow strongly with more than 75% year on year growth in the second half.

### **Financial Review**

Group revenues for the period ending 30 April 2011 were £98.0m (2010: £80.9m), an increase of 21%. Technology revenues, comprising licensing and royalties, were 47% ahead at £69.8m (2010: £47.3m). PURE revenues were £28.2m (2010: £33.6m).

Within Technology, royalty revenue increased by 69% on both a sterling and dollar basis to £41.3m (2010: £24.4m), driven by a very strong increase in chip volume which increased 94% to 245m (2010: 126m).

Based on the high level of customer activity through-out the year, licensing revenue increased 24% to £28.5m (2010: £22.9m), the same on a dollar basis. The revenue contribution from Caustic and HelloSoft was, as expected, minimal.

The difficult economic environment held back PURE revenues. Whilst the markets for PURE's products are increasingly becoming more global, 76% of PURE's revenue was still in the UK which has seen particularly tough retail conditions.

Group gross profit was £77.3m, a 38% increase (2010: £55.9m). The gross margin has continued to improve to 79% (2010: 69%) as the revenue mix continues to be driven by the higher margin technology business.

Research and development expenses increased 26% to £44.7m (2010: £35.4m). This is a 17% underlying increase excluding share-based incentive costs and the incremental research and development cost of Caustic and Hellosoft. The Group is increasing and widening engagements with its partners across our full range of graphics, video, display, broadcast and processing technologies and has received positive feedback from customers in relation to the recently acquired technologies. It is critical that Imagination continues to invest in its market leading IP cores to enable the Group to exploit opportunities and to ensure that our partners deploy our technologies effectively.

In addition to the research and development investments, which are central to our business, Imagination is also strengthening its technical support both centrally and in the field as part of our plans to scale the business.

PURE continues to play a key role in pathfinding and promoting the Group's technologies, notably in the area of the Cloud/internet connectivity, digital radio and other emerging trends such as machine-to-machine

connectivity. These development activities are vital to support the licensing of our newer connectivity/broadcast and processing technologies to partners.

Sales and administrative expenses were £16.3m (2010: £10.6m). The underlying increase was 16% net of non-cash share-based incentive costs, amortisation of intangible assets, profit and loss on exchange, acquisition transaction costs and the incremental costs of Caustic and HelloSoft.

The adjusted operating profit\* for the Technology business increased 97% to £26.7m (2010: £13.6m) driven by the very strong increase in royalty revenues. The adjusted net operating margin for the Technology business increased to 38% (2010: 29%).

The difficult trading conditions have resulted in PURE recording an adjusted operating loss\* of £2.8m (2010: loss £0.3m).

The adjusted Group profit\* before tax increased by 80% to £24.0m (2010: £13.3m). The reported pre-tax profit was £16.4m (2010: £10.2m).

There was a tax credit of £2.9m (2010: credit £4.0m) arising from the recognition of £3.0m of previously unrecognised tax losses and a cash receipt of £1.3m in respect of an R & D tax credit, offset by £1.4m of tax on overseas earnings. The deferred tax asset on the Group balance sheet to be utilised against future UK profits has increased to £24.9m (2010: £11.0m) as a result of the tax credit of £2.9m recognised through the profit and loss account and £11.0m recognised through equity. The Group has now recognised all of its deferred tax assets in respect of UK tax losses, and UK corporation tax payments will only commence once these have been utilised.

Adjusted earnings per share\* increased by 48% to 10.8p (2010: 7.3p). The Group's reported earnings per share increased to 7.7p (2010: 6.0p).

The Group carried out a share placing in November 2010 and raised £37.1m in order to finance the acquisition of Caustic and Hellosoft. £29.4m of cash was paid out in the year in connection with these acquisitions, with further payments dependent on HelloSoft's performance.

Capital expenditure was £13.5m (2010: £2.0m). The Group acquired its existing and adjacent offices in Kings Langley for £9.0m gross in order to be able to redevelop the site and provide for expansion. A mortgage of £5.2m has been taken out on these properties. Plans for a new building on site are well advanced.

There was a substantial increase in operating cash in-flow of £19.1m in the year (2010: £8.6m) generated from the strong increase in Group operating profit. This has led to net cash resources increasing to £49.4m (2010: £29.4m). Cash resources are adequate for the Group's future requirements.

\* The reconciliation from reported results to adjusted results is set out in note 3.

## **Technology Business**

During the 2010/11 financial year, the Technology business continued to make significant progress in its three key metrics:-

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

Other important developments:-

- Two key strategic acquisitions in H2, HelloSoft and Caustic to add strategic complementary technologies and provide further scale to our business.

## Licensing

The active and strengthening pipeline of opportunities led to a number of strategically and financially significant licensing agreements or deal extensions including over 20 major licensing agreements and a number of smaller deals and upgrades.

Among the major agreements, there were new partner deals with STMicroelectronics, ST-Ericsson, Fujitsu, LG, SiS, NetLogic, Skyvia and General Plus as well as significant new licenses or extensions with Intel, Apple, TI, Renesas, MediaTek and CSR. The Group also signed software licenses and upgrades with a number of existing partners as well as with a number of key OEMs deploying partner chips with Imagination IP.

The major licence agreements involved over 35 IP core licences. The target markets for these include mobile phone, digital TV/STB, personal media player, mobile computing/tablet and in-car navigation/dashboard.

Significantly, the Group has seen accelerating momentum in design-wins for its POWERVR graphics technology, which has so far achieved over 70 licenses, including many partners that are working on designs using the multi-processing (MP) SGX543MP and SGX544MP core variants of the Series5XT family. The Group's next generation technology codenamed 'Rogue' has been acknowledged by many key partners as the market leader and has already secured six early licensees.

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 support the latest and emerging video decode and encode formats. We are seeing a growing adoption of these technologies among our partners. Already well over 40% of the devices with our IP shipped annually include our video cores.

The growing demand for video technology is driven by content delivery and, increasingly, content creation and two-way delivery of video. The trend is towards the widespread use of the internet for video content delivery including both mobile video delivery and the internet-protocol (IP) TV capability needed in video-on-demand and catch-up TV.

Also user generated content (YouTube) and video conferencing are increasingly making video encode capabilities a standard feature of many connected devices.

- Connectivity/broadcast – The ENSIGMA UCC family of IP cores are seeing growing demand. We have secured multiple design wins in this area including a recent significant and extensive agreement with a top-tier semiconductor partner. We also have a strong and growing pipeline of engagements and evaluations ongoing for this technology. ENSIGMA UCC programmable radio processing units (RPU) support worldwide TV and radio reception as well as important connectivity standards such as WiFi, all running on the same silicon engine in software. This technology is increasingly essential for delivery of Cloud and broadcast content to home and also within the enterprise.
- Display - POWERVR I2P and FRC are enabling the best image processing for TVs, STBs and other consumer devices. Convergence trends are increasingly requiring features previously reserved for the TV market to migrate into other categories including mobile phones, personal computing and tablets, and in car multimedia. Our offerings are particularly strong in low-power and size efficiency whilst delivering high quality.
- Embedded processor cores – the META family of processors offers multi-threading, hard real-time and signal-processing capabilities which are ideal for highly integrated, feature-rich and cost effective systems. With its extensive capabilities META technology is also ideal as an application processor for running the operating system whilst also offering the built-in multi-threading, real-time and signal processing capabilities to carry out other key tasks, eliminating external hardware.

These features combined with our ENSIGMA technology offer a highly efficient connected processor which we believe is well positioned for many connected devices and Machine-to-Machine (M2M). We have introduced the new METAflow family to address these market segments and are supporting this offering with innovative Cloud-connected client and portal technologies marketed under Flow Technology.

Many of our IP cores integrate META processing cores already. Over 40% of the annual volume of our IP shipments deploy META technology already and we expect this trend to continue upwards. The

emergence of open source operating systems including Android and the inevitable trend towards internet connectivity across the majority of devices will further drive deployment of higher-end META processors in application processors in a variety of markets.

- Since the acquisition of HelloSoft, in addition to better integration of development work on connectivity (WiFi), we have also seen a number of important engagements with respect to our VoIP and V.VoIP technologies with key customers which include a tier-one network operator and a key handset maker.

Given the relevance and competitiveness of Imagination's offerings and increased pipeline of prospects, the strong licensing activity level, which led to the reported 24% growth in licensing revenue, has continued into the current financial year.

### **Partner chip shipments and royalties**

Partner chip unit shipments grew strongly and almost doubled to 245m units (2010: 126m units). Growth was driven by increasing sales of mobile phone, personal media player, TVs, tablets/netbooks, digital radio and car navigation/dashboard.

### **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 115 (net of obsolescence) compared with 91 as at April 2010. Of these, 48 are shipping or beginning to ship, with the balance of 67 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:

- 40 for mobile phone multimedia devices.
- 10 for handheld multimedia (personal media player, hand-held gaming/entertainment, camera, mobile TV)
- 30 for Home Consumer Entertainment (TVs, STBs, DVDs, digital radio and audio, connected audio, and home entertainment devices)
- 15 in mobile computing (tablet/netbook/ultra-mobile PC)
- 14 for In-car (navigation, dashboard, personal navigation devices)
- Six for other markets covering green energy, networking, healthcare, amusement and toys

### **Acquisitions**

#### **Caustic Graphics ('Caustic')**

Imagination acquired Caustic in December 2010 for its ray-tracing acceleration technologies. Ray tracing is a technique for rendering three-dimensional graphics with complex and more natural lighting models to achieve cinema quality 3D and a level of near photographic realism that is impractical with traditional 3D graphics techniques. To date ray tracing has been used in specialised applications such as special effects and computer animated movies, industrial design, mechanical and architectural modelling to create life-like and photorealistic imagery.

Caustic has developed unique and patented hardware and software technologies to radically lower the cost and dramatically increase the efficiency and performance of ray tracing, opening up the potential of highly photorealistic computer generated animated imagery to a host of new real-time applications and markets not possible previously. Very importantly the ray tracing approach has the added benefit of substantially simplifying content creation and reducing associated cost. Caustic technology also allows co-existence of traditional polygon based rendered objects and inclusion of life-like ray-traced elements in the same scene.

The acquisition of Caustic is helping to achieve a number of the Group's objectives:

- Imagination has gained access to unique and patented technology which enables real-time ray traced and cinema quality 3D graphics to be implemented in a novel and highly cost-effective manner. The capability can be efficiently added to Group's highly successful POWERVR Graphics Processing Units (GPUs)

- Caustic technology operates fully in conjunction with, and complements, Imagination's existing graphics processing IP. This helps ensure Imagination stays at technological forefront, driving major innovations in the growing 3D graphics market
- Acquisition enables Imagination to bring further disruptive technologies, as part of its roadmap, to its mainstream graphics markets across mobile, embedded, console and computing segments
- Acquisition provides access to professional and specialised markets that take advantage of Caustic's much more efficient photo-realistic and cinema quality graphics solution. The combined technologies from Imagination and Caustic will dramatically change the price-performance point of these solutions and enable real-time operation
- Acquisition will enable Imagination to extend its ecosystem to include very advanced graphics content and tool developers, and ultimately bring such content and tools to mainstream markets

## **HelloSoft**

Imagination acquired HelloSoft in December 2010 for its leading connectivity (WiFi) and V.VoIP (Video & Voice over Internet Protocol) technologies. HelloSoft is one of the world's leading providers of V.VoIP and wireless LAN technologies supplying to key service providers/operators, OEMs and semiconductor companies.

Delivery of media to connected devices is increasingly becoming a key aspect of many modern service providers. Among the key technological changes in this area are:

- The migration of many networks from circuit-switching (2G, 3G, traditional phone land lines) to packet switching, more commonly referred to as Internet Protocol based delivery, which include WiFi, LTE (VoLTE: Voice over LTE) and all other modern communication standards
- The growing relevance of wireless WiFi to connectivity in the home, on the move (mobile devices and hotspots) and at work. The clear trends towards Cloud-based content storage and delivery are further increasing the demands for internet connected devices and in particular WiFi

Driven by the above industry dynamics, Imagination expects the revenue streams for HelloSoft's products, which provide leading edge solutions to enable such changes, to build progressively as markets emerge and grow.

The acquisition of HelloSoft is helping to achieve a number of Imagination's objectives by:

- Providing access to leading edge V.VoIP and VoLTE technology that, with the migration to internet protocol networks, is of increasing importance in all key markets Imagination addresses today
- Combining HelloSoft's technology and Imagination's multimedia processing cores offers an optimised end-to-end solution for media-over-internet protocol delivery, important to all connected devices
- Opening up the path for wider and deeper engagement with other parts of the telecommunications value-chain, including the handset OEMs and network/service operators. This process has already resulted in important agreements with network/service operators and device manufacturers
- In combination with Imagination's ENSIGMA Universal Communications Core Processor ("UCCP") Platforms, provide a comprehensive and market-leading WiFi technology solution, and complete a fundamental part of Imagination's 'connected home' roadmap. The emergence of Cloud-connected devices, smart TV's and set-top boxes is dependent on easy-to-deploy and high performance home connectivity which is strengthened through this acquisition

The integration of both acquisitions is proceeding well.

## **PURE Business**

Within the UK the overall consumer electronics market environment continued to be tight over Christmas 2010 with retailers acting very cautiously. Monthly consumer electronics sales were down by 10% to 20% across the period.

With similar recession driven softening in international markets, historical overstocking in some markets and the timing of certain new product introductions, PURE showed a 16% revenue reduction for the full year, with a small improvement for the second half over the first half. Despite this continued tough environment, PURE maintained its number one position in the digital radio market in the UK.

During Q4 2010/11, a modest year-on-year improvement (9%) has been noted and more importantly PURE's fledgling international revenues are showing significant second half year-on-year growth of around 75%.

The transition from analogue to digital radio is underway on a global scale but the pace of progress depends on each region. Importantly, Germany has agreed on DAB+ national roll-out and has set a launch date of 1 August 2011, backed up by impressive regional and local broadcast plans. Norway has announced analogue switch-off in 2017, Australia is showing strong growth with Switzerland and Denmark showing good growth. Hong Kong is expected to launch DAB+ in December 2011. France and Italy although active and growing markets for PURE have suffered slow-downs in the transition to digital radio.

Despite the tougher environment in the UK and other markets PURE retained its market-share leadership position in key product categories. During the last six months, PURE has launched three more radios with Flow technology, ONE Flow, Contour and most recently, Sirocco 550, which takes the connected range to eight products. Both ONE Flow and Contour have been well received internationally with ONE Flow receiving five stars from PC Pro magazine and What Hi-Fi? Sound and Vision magazine, plus 80% accolades from Danish titles, eReviews and iTrends while Contour has received four stars from What Hi-Fi? Sound and Vision and T3.

A new colour range for the EVOKE Mio was also announced in the last six months. The iconic radio now comes in a colour collection that complements popular kitchenware colours. These have been very well received by lifestyle press and have been featured in top women's and interiors magazines such as Ideal Home, Red, Good Homes, House Beautiful and Bella.

Other products that have been awarded in the last six months include the i-20, a ground-breaking digital iPod/iPhone dock, which has received a five star award from Hi-Fi Choice and top tech site, techradar. Sensia has retained interest with a 5 star award from iPad and iPhone User and also won the title of 'Best Digital Radio 2011' from Australia's SmartHouse magazine.

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. PURE recently completely revamped thelounge.com, adding a music store and new search facilities.

These connected technologies and services are considered of significant strategic importance to the Group; not only in the delivery of internet-based multimedia content but also for other connected services such as automation, security and remote health care. Over time we will be offering our Flow Technology in its own right, bringing our portal, connectivity and processor IP together to address the many emerging connected applications beyond the radio market.

PURE 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**

The Group's technologies, which have been instrumental in many of the key recent market trends, continue to gain ground and are powering many market-driving and iconic end-user products. With well over 500m devices in total, across numerous categories, having already shipped, and with approximately half of this volume having shipped during the last financial year alone, the Group now sees that within five years a revised target of around one billion units is a reasonable goal for the annual run-rate for our partner chips.

Despite the current economic environment, PURE continues to showcase effectively and drive some of our key technologies. The business is expected to see improvements during the current financial year and in the medium term. PURE is an integral part of the Group's strategy and focuses on targeting emerging consumer markets that can benefit from a concerted drive and pathfinder approach. This has been successfully executed on digital radio in the UK with the focus now moving to international development. Connected devices and the associated Cloud-based solution 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 Cloud services.

The two acquisitions complement our technologies and markets whilst also providing us with further capabilities and tools to launch disruptive technologies. We always look very carefully for market discontinuities or disruptive technologies to help us in developing and growing our business. These acquisitions are part of this process.

Even with 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. Video technology deployment is exploding and is migrating from just decode to both decode and encode, which creates further significant opportunities ahead. Similarly the rapidly developing importance of internet connectivity and Cloud-based services will ultimately require almost all home consumer devices such as TVs, STBs and other home appliances to incorporate both connectivity and advanced user interfaces.

Despite the volatile macro economy, the Group remains very well placed for further solid growth based on its very active and growing licensing pipeline, extensive SoC design wins already secured, expected chip volume ramp and royalty growth, as well as the potential for PURE to exploit its strong product line-up, including its Cloud-connected solutions, internationally.

**Hossein Yassaie**  
*Chief Executive*  
**22 June 2011**

## Condensed consolidated income statement

	Year to 30 April 2011 £'000	Year to 30 April 2010 £'000
<b>Revenue</b>	<b>98,045</b>	80,927
Cost of sales	<b>(20,791)</b>	(25,004)
<b>Gross profit</b>	<b>77,254</b>	55,923
Research and development expenses	<b>(44,696)</b>	(35,370)
Sales and administrative expenses	<b>(16,298)</b>	(10,562)
Gain on investments	-	148
Total operating expenses	<b>(60,994)</b>	(45,784)
<b>Operating profit</b>	<b>16,260</b>	10,139
Financial income	<b>158</b>	64
Financial expenses	<b>(58)</b>	(12)
Net financing income	<b>100</b>	52
<b>Profit before tax</b>	<b>16,360</b>	10,191
Taxation credit	<b>2,918</b>	4,016
<b>Profit for the financial year attributable to equity holders of the parent</b>	<b>19,278</b>	14,207
<b>Earnings per share</b>		
<b>Basic</b>	<b>7.7p</b>	6.0p
<b>Diluted</b>	<b>7.4p</b>	5.6p

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

## Condensed consolidated statement of comprehensive income

	Year to 30 April 2011 £'000	Year to 30 April 2010 £'000
<b>Profit for the financial year attributable to equity holders of the parent</b>	<b>19,278</b>	14,207
<b>Other comprehensive income:</b>		
Exchange differences on translation of foreign operations	<b>112</b>	(13)
Change in fair value of assets classified as available for sale	<b>(300)</b>	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
<b>Total other comprehensive income for the financial year, net of income tax</b>	<b>(188)</b>	(2,228)
<b>Total comprehensive income for the financial year attributable to equity holders of the parent</b>	<b>19,090</b>	11,979

## Condensed consolidated statement of financial position

	At 30 April 2011 £'000	At 30 April 2010 £'000
<b>Non-current assets</b>		
Intangible assets	45,088	5,126
Property, plant and equipment	15,723	4,650
Investments	5,717	4,550
Other receivables	-	795
Deferred tax	24,868	11,018
	<b>91,396</b>	26,139
<b>Current assets</b>		
Inventories	6,205	4,972
Trade and other receivables	27,574	20,668
Cash and cash equivalents	49,374	29,367
	<b>83,153</b>	55,007
<b>Total assets</b>	<b>174,549</b>	81,146
<b>Current liabilities</b>		
Trade and other payables	(17,626)	(11,929)
Interest bearing loans and borrowings	(60)	(58)
	<b>(17,686)</b>	(11,987)
<b>Non-current liabilities</b>		
Other payables	(3,927)	-
Interest bearing loans and borrowings	(5,527)	(373)
Deferred tax liability	(4,339)	-
	<b>(13,793)</b>	(373)
<b>Total liabilities</b>	<b>(31,479)</b>	(12,360)
<b>Net assets</b>	<b>143,070</b>	68,786
<b>Equity</b>		
Called up share capital	25,815	24,345
Share premium account	97,300	60,629
Other capital reserve	1,423	1,423
Merger reserve	2,402	2,402
Revaluation reserve	(280)	20
Translation reserve	233	121
Retained earnings	16,177	(20,154)
<b>Total equity attributable to equity holders of the parent</b>	<b>143,070</b>	68,786

## 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 2009	22,839	53,435	597	826	2,402	2,235	134	(36,870)	45,598
Profit for the year	-	-	-	-	-	-	-	14,207	14,207
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(13)	-	(13)
Change in fair value of assets classified as available for sale	-	-	-	-	-	(2,215)	-	-	(2,215)
Total other comprehensive income for the year	-	-	-	-	-	(2,215)	(13)	-	(2,228)
Transactions with owners:									
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
<b>At 30 April 2010</b>	<b>24,345</b>	<b>60,629</b>	<b>1,423</b>	<b>-</b>	<b>2,402</b>	<b>20</b>	<b>121</b>	<b>(20,154)</b>	<b>68,786</b>
<b>At 1 May 2010</b>	<b>24,345</b>	<b>60,629</b>	<b>1,423</b>	<b>-</b>	<b>2,402</b>	<b>20</b>	<b>121</b>	<b>(20,154)</b>	<b>68,786</b>
Profit for the year	-	-	-	-	-	-	-	19,278	19,278
Other comprehensive income for the year									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	112	-	112
Change in fair value of assets classified as available for sale	-	-	-	-	-	(300)	-	-	(300)
Total other comprehensive income for the year	-	-	-	-	-	(300)	112	-	(188)
Transactions with owners:									
Share based remuneration	-	-	-	-	-	-	-	5,951	5,951
Deferred tax credit on share-based incentives	-	-	-	-	-	-	-	11,183	11,183
Acquisition of own shares for Employee Benefit Trust	-	-	-	-	-	-	-	(81)	(81)
Issue of new shares	1,470	36,671	-	-	-	-	-	-	38,141
<b>At 30 April 2011</b>	<b>25,815</b>	<b>97,300</b>	<b>1,423</b>	<b>-</b>	<b>2,402</b>	<b>(280)</b>	<b>233</b>	<b>16,177</b>	<b>143,070</b>

## Condensed consolidated statement of cash flows

	Year to 30 April 2011 £'000	Year to 30 April 2010 £'000
<b>Cash flows from operating activities</b>		
<b>Profit after tax</b>	<b>19,278</b>	14,207
<b>Tax credit</b>	<b>(2,918)</b>	(4,016)
<b>Profit before tax</b>	<b>16,360</b>	10,191
Adjustments for:		
Depreciation and amortisation	3,227	1,960
Net financing income	(100)	(52)
Share-based remuneration	5,951	3,176
Gain on investments	-	(148)
Loss on disposal of property, plant and equipment	-	2
Exchange difference	(356)	-
<b>Operating cash flows before movements in working capital</b>	<b>25,082</b>	15,129
Increase in inventories	(1,233)	(1,249)
Increase in receivables	(6,825)	(5,971)
Increase in payables	2,187	1,525
<b>Cash generated by operations</b>	<b>19,211</b>	9,434
Interest paid	(58)	(12)
Taxes paid	(61)	(861)
<b>Net cash flows from operating activities</b>	<b>19,092</b>	8,561
<b>Cash flows from investing activities</b>		
Interest received	146	63
Acquisition of intangible assets	(1,150)	(677)
Acquisition of property, plant and equipment	(12,325)	(1,036)
Acquisition of investments	(301)	-
Acquisition of subsidiaries	(27,978)	-
<b>Net cash used in investing activities</b>	<b>(41,608)</b>	(1,650)
<b>Cash flows from financing activities</b>		
Proceeds from the issue of share capital	38,052	8,033
Repayment of borrowings	(59)	(57)
Proceeds from loan	5,215	-
<b>Net cash from financing activities</b>	<b>43,208</b>	7,976
<b>Net increase in cash and cash equivalents</b>	<b>20,692</b>	14,887
<b>Effect of exchange rate fluctuation</b>	<b>(685)</b>	(94)
<b>Cash and cash equivalents at the start of the period</b>	<b>29,367</b>	14,574
<b>Cash and cash equivalents at the end of the period</b>	<b>49,374</b>	29,367

## NOTES

1. The financial information set out above does not constitute the company's statutory accounts for the years ended 30 April 2011 or 2010 but is derived from those accounts. Statutory accounts for 2010 have been delivered to the registrar of companies, and those for 2011 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

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 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. 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 2011 £'000	Year to 30 April 2010 £'000
<b>Revenue</b>		
Technology business	69,782	47,357
PURE Digital business	28,263	33,570
<b>Total revenue</b>	<b>98,045</b>	80,927
<b>Operating profit/(loss)</b>		
Technology business	20,039	11,025
PURE Digital business	(3,779)	(886)
Segment operating profit	16,260	10,139
Net financing income	100	52
<b>Profit before tax</b>	<b>16,360</b>	10,191
<b>Taxation</b>	<b>2,918</b>	4,016
<b>Profit for the financial year</b>	<b>19,278</b>	14,207
<b>Total assets</b>		
Technology business	89,897	33,066
PURE Digital business	10,410	7,695
Total segment assets	100,307	40,761
Cash and cash equivalents	49,374	29,367
Deferred tax	24,868	11,018
<b>Total assets</b>	<b>174,549</b>	81,146
<b>Total liabilities</b>		
Technology business	20,745	8,003
PURE Digital business	5,147	3,926
Total segment liabilities	25,892	11,929
Unallocated liabilities	5,587	431

<b>Total liabilities</b>	<b>31,479</b>	12,360
<b>Other segment items</b>		
<b>Capital expenditure</b>		
Technology business	<b>26,538</b>	1,660
PURE Digital business	<b>503</b>	318
	<b>27,041</b>	1,978
<b>Depreciation and amortisation</b>		
Technology business	<b>2,921</b>	1,692
PURE Digital business	<b>306</b>	268
	<b>3,227</b>	1,960

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

	Year to 30 April 2011 £'000	Year to 30 April 2010 £'000
<b>Revenue</b>		
United Kingdom and Europe	<b>28,951</b>	35,576
Asia	<b>20,218</b>	19,003
North America	<b>46,702</b>	24,705
Rest of the world	<b>2,174</b>	1,643
	<b>98,045</b>	80,927

All revenue originated materially from United Kingdom and Europe.  
The operating profit, net assets and capital expenditure of the Group materially relate to the United Kingdom.

### 3. Adjusted Profit

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

	Year to 30 April 2011			Year to 30 April 2010		
	Technology £'000	PURE £'000	Total £'000	Technology £'000	PURE £'000	Total £'000
<b>Reported Operating Profit</b>	<b>20,039</b>	<b>(3,779)</b>	<b>16,260</b>	11,025	(886)	10,139
Share-based incentive costs	<b>4,958</b>	<b>993</b>	<b>5,951</b>	2,664	604	3,268
Net gain on investments	-	-	-	(148)	-	(148)
Amortisation of intangibles from acquisitions	<b>890</b>	-	<b>890</b>	-	-	-
Acquisition transaction costs	<b>809</b>	-	<b>809</b>	-	-	-
<b>Adjusted Operating Profit/(Loss)</b>	<b>26,696</b>	<b>(2,786)</b>	<b>23,910</b>	13,541	(282)	13,259
Net financing income			<b>100</b>			52
<b>Adjusted Profit before tax</b>			<b>24,010</b>			13,311

4. The Directors do not propose the payment of a dividend (2010: Nil).

5. The net tax credit for the year comprises a tax credit of £2,979,000 (2010: £4,877,000) in respect of deferred tax, a credit of £1,295,000 relating to a cash receipt for an R & D tax allowance (2010: £Nil), offset by tax on overseas earnings that are not recoverable in the year of £1,356,000 (2010: £861,000).

## 6. 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.

	<b>Year to 30 April 2011</b>	Year to 30 April 2010
Profit attributable to equity holders of the parent	<b>£19,278,000</b>	£14,207,000
Weighted average number of shares in issue	<b>250.2m</b>	236.6m
Effect of dilutive shares: Employee Incentive Schemes	<b>11.7m</b>	15.3m
Weighted average number of shares potentially in issue	<b>261.9m</b>	251.9m

## 7. Acquisitions

The Group made three acquisitions during the year; Caustic Graphics Inc., Hellosoft Inc. and Bristol Interactive Ltd. Details of net assets acquired for each acquisition are set out below.

### Caustic Graphics Inc.

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

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

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

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

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

#### **Hellosoft Inc.**

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

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

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

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

The contingent consideration represents the fair value assessment as at acquisition date of probable future consideration due based on the achievement of certain revenue and profit targets. The maximum contingent consideration potentially payable is £12,055,000 over the next two years.

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

#### **Bristol Interactive Limited**

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

**8.** The Group's full Report & Financial Statements will be made available to shareholders by 28th July 2011. Additional copies will be available from the Company's registered office, Imagination House, Home Park Estate, Kings Langley, Hertfordshire WD4 8LZ.

**9.** 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 19th August 2011.