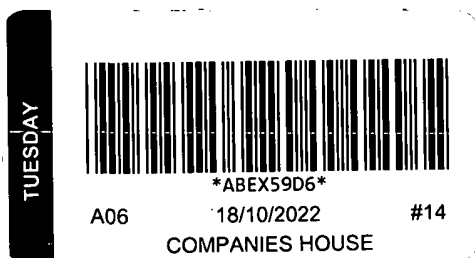


Imagination Technologies Limited

Annual Report and Financial Statements

31 December 2021

Registered Number 01306335



Imagination Technologies Limited

for the year ended 31 December 2021

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Imagination Technologies Limited

Strategic report
For the year ended 31 December 2021

Business Model, Strategy and Products

The company is engaged in researching, developing and licensing high value semiconductor IP to companies that are creating their own SoC (system on chip) products. IP from Imagination is highly differentiated, with market leading features as well as outstanding fundamental PPA (Power, Performance, Area). Customers license IP from Imagination because it gives their own semiconductor products an advantage over their competitors. The company has over 25 years of experience in designing and licensing market-leading IP processor solutions in pursuit of its vision to be “the undisputed leader for semiconductor IP solutions that transform billions of lives”.

The company’s 3D graphics, compute and artificial intelligence IP solutions deliver a rich feature set complemented by high performance and low power consumption in the smallest possible silicon area, enabling chip makers to create products that offer a high level of differentiation. The company has developed a portfolio of products that are targeted at specific market areas, including IP that is able to deliver functionally safe and secure variants of its IP solutions for use in its customers’ automotive, industrial and data centre applications. The company has expert knowledge of the challenges in developing SoCs for the automotive, consumer, computing, desktop/cloud, and mobile applications, enabling it to be a true partner to leading companies across its core markets.

The company’s technology has been used in more than 11 billion chips in a wide array of devices and platforms through IP licences with a number of influential blue chip OEM partners.

The company’s business model means for it to greatly succeed, its customers must succeed also. This is because for the majority of customers, in addition to licence fees, the company receives a royalty payment when its customers create products using the company’s technologies. If customers do not ship in volume, the company does not receive these additional royalties. As a result, the company is motivated to work in partnership with its customers to deliver the support and services they need to reach their target markets, on time and in volume. Innovation and collaboration are in the company’s DNA.

The company designs and licenses IP solutions that are delivered to customers through four key product families that can be integrated as a discrete part of an SoC, for example to drive the 3D gaming experience in a smartphone. Additionally, the company is able to offer IP as a combined solution for complex use cases that require different types of processing units to be combined to meet an application’s performance requirements - all within a stringent power and thermal budget. This is also known as heterogeneous compute.

- **GPU:** *The company’s graphics processors enable an advanced, power-efficient and flexible solution for all forms of multimedia processing, from 3D graphics for a compelling smartphone gaming experience to advanced ray tracing for highly realistic graphics and high-performance compute solutions, suitable for applications such as autonomous driving.*
- **Artificial Intelligence:** *The company’s AI IP solutions bring highly scalable processing capabilities to evolving and emerging markets such as autonomous driving, smart edge and endpoint devices where there are increased demands to accelerate the execution of neural network based algorithms.*
- **Connectivity:** *The company’s family of EPP IP utilises advanced design techniques, complemented by a rich set of features, to deliver Ethernet switch and router solutions with optimum power and performance while minimising the load on the host processor.*
- **CPU:** *The latest addition to the company’s portfolio is a range of RISC-V CPUs IP, supported by a strong and experienced development team that is dedicated to developing a compelling range of CPUs across a range of performance points to complement the rest of the company’s products.*

The company’s product portfolio is supported by more than 3,000 patents granted or pending in areas such as GPU, CPU, ray tracing, datapath, vision / neural networks, and verification. These patents serve as powerful strategic tools to hinder competitors and as fundamental enablers of revenue streams from technology licences and royalties. Imagination has built upon them over time to offer a suite of IP designs, which are well-known by customers for their security, high-performance and low power consumption in the smallest silicon area, which enables chipmakers to create products that offer value to their end users.

Imagination Technologies Limited
Strategic report
For the year ended 31 December 2021 (continued)

Business Model, Strategy and Products *(continued)*

Imagination is a UK-based supplier with a truly strong global footprint, including on-the-ground sales teams in the key technology hubs within the United States, Europe, Japan, Taiwan, South Korea, and China, and R&D sites in Europe and India, which enables Imagination to service all markets.

General Business Review

Despite all our hopes for a swifter end to the pandemic, 2021 continued the challenges – and for some of us the high personal cost – of Covid-19. Notwithstanding the backdrop of the pandemic, and notable global supply chain issues, 2021 proved to be a year of incredible achievement and progress for our Company in which we continued to stabilise the business and get back to profit and growth. The company made significant progress in our turnaround strategy and as this year's results show it is continuing on its growth trajectory.

At the outset of 2021, our Board of Directors approved a refreshed strategy and five-year financial plan. In October, the Board approved a new China strategy which will see a considerable increase in our investment in that important market. This year the company successfully launched the first IMG C-Series GPU (Graphics Processing Unit) with Ray Tracing, a potential game changing technology.

The company's C-Series CXT GPU offers an optimal balance between image quality and performance to deliver graphics with greater realism, improving games and visual applications while simplifying the lighting process for content creators.

The CXT GPU continues to build on the decentralised multi-core architecture introduced with the B-Series GPU IP, enabling up to 9 tera floating point operations per second (TFLOPS) to offer a laptop, desktop and cloud gaming solution with up to 2.5 times better ray tracing efficiency compared to prior solutions for those end-markets.

The company also entered the CPU market in December 2021 with the Catapult family. The new CPUs are supported by the rapidly expanding RISC-V (*reduced instruction set computer*) ecosystem, an open standard ISA (*instruction set architecture*), to offer greater choice and avoid lock-in with proprietary architecture. A real-time embedded CPU IP was announced in December 2021 for shipment in H1 2022.

The company has developed a strong position in Android based smartphones and tablets and retains a leading share of the automotive HMI GPU market. The company has built a strong position in desktop and cloud gaming markets with multiple licensees globally, and with notable success in the emerging Chinese desktop market where it is the leading provider for GPU IP.

The company has the complete technology building blocks required to be the leader in heterogeneous compute. Intelligent autonomy, flexibility, efficiency and resilience all demand computing heterogeneity, requiring the ability to deploy different processors in a single platform and to intelligently select and schedule workloads that are best served by a specific architecture. Industry customers no longer want to buy just the GPU IP or CPU IP; they want to work with partners who can act as a "one-stop solution" and provide AI, CPU, EPP and GPU solutions combined. The company's recent foray into the CPU market with the introduction of the RISC-V Catapult CPU line allows it to leverage its entire IP product portfolio (GPU, CPU, AI and connectivity) to offer a RISC-V heterogeneous compute solution.

In 2021, licensing revenues again grew strongly, a very positive sign that customers were happy, with the company's reinvigorated executive management, and ownership by Canyon Bridge, combined with the company's range of product offerings. The strong licensing in 2020 and 2021 should lead to significant royalty streams from this year onwards.

The company has a world-class engineering team led by highly qualified and experienced management. The engineering-focused workforce, management team and experienced and diverse board of directors are critical to the company's success. The company's management team served in prior roles at a variety of the world's leading semiconductor and adjacent companies, bringing an aggregate of over 200 years of executive experience to their roles. Each member of the Board is equipped with deep industry and functional expertise. The Company is fully dedicated to ethical and responsible business practices, personal and social well-being of its diverse and highly skilled employee base, supply chain and environmental stewardship.

Imagination Technologies Limited
Strategic report
For the year ended 31 December 2021 (continued)

General Business Review (continued)

The engineering and design talent of Imagination's workforce is critical to the company's success. As at 31 December 2021, Imagination employed approximately 800 employees with approximately 85% of its workforce focused on R&D activities.

As part of the ongoing CSR activities, the company is delivering a comprehensive introduction to CPU design for undergraduates using RISC-V, as well as an extensive course on mobile graphics, as part of the Imagination University Programme, which will seed the industry with incoming talent familiar with Imagination technology.

The company's innovative technology underpins many leading electronics products from top tier brands. The company appreciates that its customers have a choice and is very grateful that they chose to work with the company through 2021.

The company has proactively sought to engage more with government on pertinent issues such as education, access to talent and investment in technological R&D (research and development). The company is also a member of the Industry & Parliamentary Trust, a non-profit organisation that champions engagement between Parliament and UK businesses.

The company has an engaged, diverse, and inclusive workforce and has formalised its commitments to Diversity & Inclusion ('D&I'). As well as internal forums to promote these discussions, the company is also working to hire and retain talented professionals from an array of diverse backgrounds.

Our people receive a remuneration package, including this year a >110% bonus pay-out, that match our industry's demanding norms.

Values, Mission, Vision and Strategy

The company solves complex problems by creating innovative, high-quality, technologies that empower our partners to succeed.

The company has taken a number of steps to develop its distinct Imagination culture, built around its core values: Customer First, Collaborative, Innovative, Straightforward, and Committed.

Our Mission is to share our partners' challenges, giving them the edge in a global technology market where differentiation, quality and velocity are the keys to success.

By keeping to the company's core values and unleashing the creativity of our people the company aims to be the trusted partner for all technology companies looking to solve complex challenges and build the world's best products.

The company's vision is to be the undisputed leader for semiconductor IP solutions that transform billions of lives.

Imagination's strategy is to focus our R&D resources on innovative GPU, CPU and AI hardware and software for key markets where there is potential to deliver disruptive, differentiated and innovative solutions, via our partners in mobile, automotive, DCD (desktop and data centre) and CPU.

By doing this the company captures available value through strong partnerships with both its customers and its original equipment manufacturers (OEMs), as well as potential business partners, governments and investors. Working in partnership the company can ensure its customers' challenges are shared and their complex issues solved.

Innovation is in our DNA as a result of over 25 years of experience in designing and licensing market-leading IP processor solutions. The company's compute, graphics and AI IP delivers security, high-performance and low power consumption in the smallest silicon area, enabling chip makers to create products that offer the highest value. The company has expert knowledge of automotive, consumer, computing, desktop/cloud, and mobile challenges, enabling the company to be a true partner to leading companies.

Imagination Technologies Limited
Strategic report
For the year ended 31 December 2021 (continued)

Financial performance

The company's trading performance improved significantly during 2021 despite the continued tough conditions as set out in the General Business Review, resulting in research and development expenses of £61.7m (2020: £69.9), sales and marketing expenses of £9.0m (2020: £10.5m), general and administrative expenses of £27.5m (2020: £22.0m) and other operating income and expenses of £7.4m (2020: 7.8m). Net finance expense of £0.4m (2020: £0.4m) and taxation benefit of £2.2m (2020: expense £3.8m) resulted in a statutory profit for the year of £22.4m (2020: loss £5.6m).

Revenue for the year was £111.3m compared to £95.9m in 2020.

Within this, licensing revenue was £88.0m (2020: £74.8m), with performance and growth consistently strong throughout all periods of the year, representing a very positive sign that customers were happy with the company's reinvigorated executive management, and ownership by Canyon Bridge, combined with the company's range of product offerings.

Royalty revenue for the 2021 year was £23.3m (2020: £21.1m). Royalty performance continues to hold strong in the backdrop of global Covid-19 pandemic and supply chain disruptions.

Research and development expenses were £61.7m (2020: £69.9m). The reduction is due to capitalisation of certain qualifying development expenditure in 2021.

The company continues to suffer tax charge each year on withholding tax deductions at source from customers in certain territories. In 2021 the company has recognised a deferred tax asset of £4.7m (2020: £nil) in respect to net deferred tax assets, including tax losses, management now forecast being able to utilised in future periods.

The Company's statement of financial position at 31 December 2021 shows net current liabilities of £46.5m (2020: £54.3m). This is due to an amount outstanding to the parent company from prior years which does not significantly move year on year (see note 14: 2021: £84.3m, 2020: £91.7m). Excluding balances due to or from fellow Imagination Group companies shows a healthy net current asset of £46.0m (2020: £43.7m).

Further information on the financial performance of the Imagination Group is contained in the Strategic Report in the consolidated financial statements of CBFI Investment Limited – the Company's ultimate UK parent company.

Imagination Technologies Limited
Strategic report
For the year ended 31 December 2021 (continued)

Going concern

In preparing the financial statements on a going concern basis, the directors have considered whether the company can continue in operational existence for a period of at least 12 months from the date of the authorisation of the financial statements. This has involved considering and evaluating all conditions and events both positive and negative, that are relevant to the company and Company's ability to continue as a going concern. Whilst formally assessing a period of 12 months for the purpose of these financial statements, the directors have considered detailed financial forecasts covering a period to 2025 and a number of different forecast scenarios.

The Covid pandemic and the recent unrest between Russia and Ukraine continue to be assessed in terms of the continued uncertainty it presents. During the pandemic, the business productivity was not and continues not to be negatively impacted. Also, the 'new normal' and ways of working has enabled the business to significantly reduce its property footprint and associated costs prospectively. Although the pandemic has not significantly affected the business ability to sell and deliver new licenses; management continue to monitor the impact of the pandemic on royalties.

Imagination does not have offices, staff or any significant customers in Ukraine or Russia. Management continue to monitor the situation as it continues to develop, being aware of the potential Global impacts which may arise with respect to energy costs and the knock on consequences of these.

The Directors of the Company have obtained from Canyon Bridge a letter of support, which commits that Canyon Bridge will seek no repayment of the facilities for a period of at least 15 months from the date these financial statements are signed. The only exception to this is quarterly repayments to make against a working capital facility, which are only required to be made where affordable for the Company. Canyon Bridge has also provided a commitment to provide further funding, or support, to the Company and company should it be required during this 15-month period.

In light of the expected trading performance of the company and the aforementioned commitment of financial support from the parent, beyond the formal period of assessment, the directors are satisfied as to Imagination's ability to continue as a going concern for the foreseeable future and that no material uncertainties have been identified in connection with the company of Company's ability to continue as a going concern.

Outlook

With the backing of Canyon Bridge, Imagination Technologies is fully capitalising on opportunities in the global semiconductor industry.

We have entered 2022 in a much stronger position than we entered 2021. The company has a strong roadmap, a compelling strategy, extensive partnerships, and committed staff. Our stronger position will enable further investment in learning and development, technology and systems, talented engineers and support staff.

Imagination Technologies Limited
Strategic report
For the year ended 31 December 2021 (continued)

Principal Risks and Uncertainties

The company places great importance on the identification, assessment and effective mitigation and monitoring of our risks. The company's approach to risk management helps to deliver their objectives and maximise the returns of the company.

The following table describes the risks that the Board considers to have a potential material impact on the company. While the COVID-19 pandemic remains relevant, the company's adoption of new working models has reduced the impact of this risk to a level beneath the threshold for inclusion on this list.

All risks outlined below are specific to the nature of our business notwithstanding that there are other risks that may occur and may impact the achievement of the company's objectives. These risks are representative of those on the company's register of strategic and escalated risks, used to actively manage the company's risk profile at Board and EMB level.

Risk or uncertainty and potential impact	How we manage it
Geopolitical & Macro-Economic Risks	
<p>As the company conducts a significant proportion of its business in China and the US, the company's customers could be impacted by the ongoing US-China trade tensions.</p> <p>The increasingly complex geopolitical environment is fuelling more restrictive export control regulations, presenting the possibility that certain semiconductor products will not be able to be licensed into certain regions or individual companies will be denied access to such products.</p> <p>With heightened global tensions following the invasion of Ukraine, further impacts to global semiconductor and equity markets, the company may see reduced demand for products or access to equity should it be required for acceleration of the strategy.</p>	<ul style="list-style-type: none"> ➤ Active monitoring of geopolitical developments regarding US/China relations and changes in UK/US/China regulations that may impact the company's customers. ➤ Application for Export Control licenses in accordance with local regulations. ➤ Active engagement with HM Government to influence Export Control policy. ➤ Diversification of customer base across multiple geographies. ➤ Extensive KYC frameworks are in place to identify unacceptable risks.
Customer	
<p>Supplying into a fairly consolidated industry, the company's customer base is composed of a low number of high value customers. Further consolidation in the market could reduce the company's access to customers.</p>	<ul style="list-style-type: none"> ➤ Strategy review completed in Q1 2021 delivers plan for diversified revenues across key market segments. ➤ Licensing deals with wider number of customers across different markets and geographies. ➤ Trends and changes in the semiconductor industry actively monitored to identify further market consolidation.

Imagination Technologies Limited

Strategic report

For the year ended 31 December 2021 (continued)

Principal Risks and Uncertainties (continued)

Strategy	
<p>In depth, top-down and bottom-up strategy review completed in Q1 2021, providing short, medium and long term strategic direction for the company.</p> <p>In a fast-moving business environment, there is a risk that the company will be unable to execute to the defined strategy or that the strategy may become obsolete before it has been fully executed leaving the business without a meaningful place in the market.</p>	<ul style="list-style-type: none"> ➤ Increased focus on core activities contributing to the strategy. ➤ Development of execution plans and governance mechanisms to track progress against strategy. ➤ Annual review of strategy to reaffirm its validity and allow course corrections where required. ➤ Continuous horizon scanning to identify opportunities to accelerate strategy.
Product Competitiveness	
<p>The business operates in a highly competitive market and needs to be able to respond rapidly to competitive threats as well as customer requirements.</p> <p>A change in the business environment or business models employed by our customers could have a detrimental impact on our financial performance.</p>	<ul style="list-style-type: none"> ➤ Revitalized R&D leadership in IMG Labs delivering increased focus on key innovation and differentiation. ➤ Continuous market scanning to identify and harness disruptions in the market. ➤ Focus on improved execution and efficiencies within Engineering teams, delivering customer focused products to market in accelerated timeframes. ➤ Integrated requirements management approach including customer facing teams, Engineering and IMG Labs.
Intellectual Property	
<p>Due to the nature of IP, there is a risk of unlicensed use of Imagination IP by a third party or patent-related threats from third parties seeking to use patents as an alternative way of generating revenue.</p> <p>As contractual indemnities are provided to customers covering IP ownership, there is possible financial exposure in the case of third party litigation against our customers.</p>	<ul style="list-style-type: none"> ➤ Building and maintaining a worldwide portfolio of strategically important patents. ➤ Membership of standardization bodies and tracking industry movements to predict and avoid patent risks. ➤ Strong relationships with external counsel to enable us to act quickly and defend our position. ➤ Working closely with customers to respond quickly to potential threats.

Imagination Technologies Limited
Strategic report
For the year ended 31 December 2021 (continued)

Principal Risks and Uncertainties (continued)

Cyber	
<p>Cyber risk causes disruption to the business or loss of IP following a cyber-attack. This could cause interruption of internal or external facing systems. Cyber-attack has the potential to cause interruption to the business due to loss of personal and/or confidential data causing potential reputational damage.</p>	<ul style="list-style-type: none"> ➤ Use next generation of firewall protection worldwide. ➤ Authentication processes including multi-factor authentication for VPN and cloud-based SaaS. ➤ Improved protection of confidential data on portable computers including encryption, data-loss prevention and next generation anti-ransomware. ➤ Systematic software patching routines to close security vulnerabilities. ➤ Proactive network perimeter scanning for vulnerabilities. ➤ Use of third-party audits. ➤ Compulsory staff training and education initiatives.
Infrastructure	
<p>Due to the datacentre being the single point of failure for Imagination Engineering and IT, there is a risk of loss of critical systems in the event of disaster, leading to significant downtime and cost in replacing systems.</p>	<ul style="list-style-type: none"> ➤ State of the art datacentre protections (fire suppression etc.). ➤ Property Damage Business Interruption insurance in place. ➤ Key systems split between locations. ➤ Cloud providers for core, non-Engineering systems.
Foreign Exchange	
<p>Significant amount of the company's revenue is received in US dollars whilst cost base is primarily in GBP. Weakening of USD against GBP could result in loss against the Annual Operating Plan.</p>	<ul style="list-style-type: none"> ➤ Foreign exchange hedging strategy implemented.
Talent	
<p>The semiconductor talent market is extremely competitive, with increasing turnover and salary inflation seen across the industry.</p> <p>There is a risk that we are unable to recruit at the rate required to deliver the strategy or that established talent leaves the organisation.</p>	<ul style="list-style-type: none"> ➤ Competitive remuneration package designed to attract, retain and reward employees. ➤ Improvement in employee engagement. ➤ Increased focus on diversity and inclusion. ➤ Investment in learning and development. ➤ Flight risk analysis for key staff. ➤ Succession planning.

Imagination Technologies Limited

Strategic report

For the year ended 31 December 2021 (continued)

Section 172(1) Statement

The board places great importance on transparency and accountability in the company's corporate governance. A new Corporate Governance Manual has been introduced setting out the key governance arrangements and delegated authorities for the company.

The board welcomes the S172(1) reporting requirement as an opportunity to explain how dialogue with stakeholders has informed and helped to shape its decisions. The company regularly engages with stakeholders through customer and partner interactions, ongoing public affairs, public relations and internal communications; social media interactions; and a global programme of events.

Through working collaboratively with management and listening to feedback from the company's many stakeholders, the board believes that the company is well positioned to respond to both the uncertainties and opportunities facing the semiconductor industry as the world moves out of the COVID-19 pandemic.

With the Chief Executive Officer now in post for over a year, the leadership of the company's executive leadership has stabilised with the appointment of Chief Innovation Officer and Chairman, China. The company carried out an annual revalidation of the strategy, and with a few minor course corrections continues to track towards the strategy established in 2020. Providing resilience and continuity to the strategy, the company has completed a succession planning process.

The board has continued its focus on good governance, with the appointment of a new non-executive director, Carol Chesney, who will chair the Audit and Risk Committee. Carol brings extensive experience in complex finance, audit and company secretarial roles and has served on the boards of four listed companies.

Recognising the legitimate interests of investors, employees and society and supporting its existing focus on important issues such as Corporate Social Responsibility (CSR), Diversity & inclusion and governance, the board has established an Environmental, Social and Governance (ESG) steering committee, chaired by board director John Kao. The board has also approved an ESG strategy that looks to guide the company's activities in this area (see separate section on ESG on page 13).

The board believes governance of Imagination is best achieved by delegation of its authority for the executive management of the Company to the CEO, subject to defined limits and monitoring by the board. The board routinely monitors the delegation of authority, ensuring that it is regularly updated, while retaining ultimate responsibility.



Imagination Technologies Limited

Strategic report

For the year ended 31 December 2021 *(continued)*

Section 172(1) Statement *(continued)*

Following a period of enforced change to modes of working during the Covid-19 Pandemic, the board took the opportunity to listen to our employees' feedback and have moved to hybrid working framework on an ongoing basis. Accordingly, the board have also reduced our UK property footprint to reflect new working practices that will require fewer employees to be in the office.

The owners and executive management board have continued to practice good stewardship by assessing and developing a number of strategic options that ensure give the company the foundation to preserve optionality in its growth strategy.

The business model is such that the company has close, and frequently strategic, relationships with our customers.

We maintain continuing dialogue with a number of HM Government departments. With export control becoming an increasingly important consideration for our business, we have engaged in regular, direct communication with several government bodies to encourage a more appropriate approach to export control for semiconductor IP companies.

We have engagements with the wider business community via memberships in the CBI (national) and Dacorum Chamber of Commerce (regional).

Set out below is further discussion of how the board has regard to the factors under Section 172(1) in its decision making.

Key Decision	Stakeholders Engaged	Scope of Engagement
Development of strategic options	Owners; Employees (executive management board).	Investigation of various strategic options for the business and enabling optionality.
Engagement with government around export control	Employees; Government.	Active discussion with government around export control regime.
Appointment of NED	Owners; Executive management.	Appointment and remit of NED
Appointment of executive	Owners; Employees.	Appointments of Chief Innovation Officer and Chairman, China.
Reduction of property portfolio	Employees (senior leadership team and executive management board); Owners; Suppliers (Landlord).	Engagement around the positive and negative impact of reduction of property portfolio in Kings Langley
Move to hybrid working	Owners; Employees.	Engagement around the positive and negative impacts of moving to a hybrid working model.

Imagination Technologies Limited

Strategic report

For the year ended 31 December 2021 (continued)

Corporate and Social Responsibility Report

The company aims to centre environmental, social and governance (ESG) factors throughout its business strategy. The company believes that integrating ESG into its decision-making helps it to build a better, more adaptable business while increasing the positive impact it can make with its technology solutions. The company seeks to ensure that respect for the environment, its employee's labour rights, and providing equal opportunities is reflected across all the company's locations and policies.

The company believes technology is key to a sustainable future. The company's efficient, high-performance technologies enable solutions to the challenges the world faces today. From hyper-efficient datacentres, through embedded intelligence in agriculture and industry, to autonomous vehicles rewriting the entire model of vehicle ownership, the IP the company provides can help enable an era of more sustainable technologies.

We have this year appointed a Board ESG sponsor and created an ESG Steering Committee.

The company is becoming more sustainable across all operations, with the target to achieve net zero in our direct (Scope 1 and 2) emissions by 2027, from modernising offices and moving to sustainably sourced energy, through to adopting flexible ways of working, and supporting employees becoming 'greener' in their private lives.

Relevant reporting such as The company's sustainability report, gender pay gap report, anti-modern slavery statement, CSR report and Corporate Governance manual can be found on the www.imaginationtech.com website.

Environment

The company is committed to lowering its emissions and environmental impact across all of its locations with the goal of achieving Net-Zero in 2027.

The company's technology products are designed to deliver inherent low-power consumption, and that is a significant factor in their success. The company therefore believes that active strategies to reduce environmental impact are essential if it is to be true to its core values. With The company's core values in mind, it has set, meaningful targets that have a positive impact on its environment in alignment with one of the leading reporting frameworks on sustainability to provide structure and transparency. The company is publishing a regular Sustainability report to track its progress on environmental issues.

- As a Group its environmental impact on the whole is low. With its main business being the development of intellectual property, its emissions come mainly from the use of electricity in its offices and air travel. With greater use of enhanced business technology such as video conferencing, and tighter management of travel, the company continues to reduce non-essential travel and the emissions it produces.
- The company is headquartered in Kings Langley, occupying a building which has a BREEAM rating of 'Excellent' and the maintenance regime is such that this level of award will be maintained. The company owns and operates a dedicated data centre to meet its considerable IT requirements. The data hall is supported by a highly efficient electrical distribution system that utilises state of the art static UPS systems to maximise energy efficiency. A low energy cooling solution has also been adopted. In the UK the company uses renewable energy exclusively.
- The company take steps to ensure that across all its geographical locations it encourages and supports employees to recycle their day-to-day waste, providing recycling bins and separate confidential bags in every office. Energy saving measures are also in place for recycling components.

The company is committing to the following principles in relation to its Net-zero ambitions:

- The company will maintain clear, transparent communication and reporting of progress against targets through our annual sustainability report, aligned to globally recognised reporting standards such as GRI and TCFD.
- The company will achieve Direct Net-zero primarily through de-carbonising activities with offsets verified by an accredited third party for any remainder it is unable to directly reduce.
- The company will look to keep pace with best practice as it evolves over time and achieve external validation (such as Science Based Targets Initiative) where possible.
- The company will use direct emissions as the base of its Net-zero ambitions.

Imagination Technologies Limited

Strategic report

For the year ended 31 December 2021 (continued)

Environment (continued)

- The company will aim to account for the indirect emissions and impact of activities both in inbound products from suppliers and the use of its IP in downstream products.
- The company will engage with suppliers and customers to exert influence and support them in reducing their own emissions, accelerating the decarbonisation of the entire value chain.

While Net-zero is a primary priority as part of the ESG strategy, it is by no means Imagination's only focus on this space. The company has carried out a materiality assessment to identify an initial pass at key material topics as a business and will engage with a wider stakeholder set during FY22 to ensure it is focusing on the matters that count the most. Based on this stakeholder engagement, the company will define a set of KPIs and objectives for each of these topics and will track progress towards them and report upon these in future reports.

Social

The company's ambition is to have an inclusive culture. It ensures that it follows all legal requirements and best practice in employment across the jurisdictions, based on equal opportunities for all employees, through the full employee life cycle.

Commitment

The company is committed to creating a workplace founded on equality and fairness and a business that participates in society in all of its locations.

- The commitment to achieving equality is continually strengthened by work undertaken on reward structures, providing transparency into processes that relate to its workforce and reporting on its overall gender pay gap. Its Women in Technology (WiT) working group meets regularly to promote awareness of gender issues as well as lead on specific activities. The company has also become a member of WISE, a campaign for gender balance in science, technology and engineering.
- The company is dependent on the continued 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, marital status, sexual orientation or physical or mental disability. Responsibility for this activity rests with the chief human resources officer (CHRO).
- The company encourages open discussions and innovation across the teams through developed internal communication channels, such as Yammer and regular All Hands meetings.
- The company supports and encourages charitable giving directly by donations and contributions to charities local to its offices globally and to educational establishments allied to its areas of interests (particularly STEM subjects) and supports and encourages the work of its employees contributing time to local charities and communities, in addition to fund matching charitable activities. The company enables its employees to guide charitable contributions and activities at a local level and support this through an employee CSR group. Responsibility for this activity rests with its chief marketing officer (CMO).
- The company's IUP university programme is designed to provide practical help to teachers around the world so that they can use Imagination's technologies in courses and student projects. The focus is on providing the four vital elements needed to teach a course: a suitable hardware platform at a reasonable price, free software development tools, effective technical support, and excellent teaching materials that serve genuine teaching needs. The IUP is open to all members of academia.

Governance

The company is committed to the principles of good corporate governance. The company has clearly defined roles and responsibilities throughout its organisation and delegation of authority is in place to ensure all staff are empowered to carry out their work. The company acts ethically and with integrity in all its business dealings and relationships and have in place a Code of Conduct Policy which supports its actions. The company is also committed to transparency in its business, in its approach to modern slavery, and to implementing and enforcing systems and controls designed to ensure modern slavery is not taking place in its business or in any of its supply chains.

Imagination Technologies Limited

Strategic report

For the year ended 31 December 2021 (continued)

Governance (continued)

- The company has published a Corporate Governance Manual, to document its procedural rules for decision-making, delegations and authorities for spending commitments and signing contracts.
- The company has appointed three non-executive directors to its Company Board whose role is to provide constructive challenge, strategic guidance and hold executive management to account.
- The company has a Code of Conduct Policy that supports the high standards of conduct and ethics it expects from all parts of its businesses, its employees and its supply chain.
- The company carefully selects only those suppliers that share the same commitment as the company to reduce the risk of slavery and human trafficking in their own supply chains.
- The company has regular training through its compliance hub for all appropriate staff on matters relating to:
 - Anti-Bribery, Corruption and Fraud.
 - Code of Conduct.
 - Competition Compliance.
 - Confidential Information.
 - Cybersecurity.
 - Data Protection & Privacy.
 - Export Control.
 - Partner Due Diligence.
 - Modern Slavery.
 - Whistleblowing.

Responsibility for this activity rests with its General Counsel.

Approval

This Strategic report has been prepared solely to provide additional information to the shareholder to assess the company'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 report was approved by the Board of directors on 13th October 2022 and signed on its behalf by:


Ray Bingham
Director

Imagination Technologies Limited

Directors' report For the year ended 31 December 2021

The Directors present their report and audited financial statements of the company for the year ended 31 December 2021.

The Board has prepared a Strategic Report including a general business review, which provides an overview of the development and performance of the company's business to 31 December 2021. Certain information required to be included in the Directors' report can be found in other sections of the financial statements as described below. All information presented in these sections is incorporated by reference into this Directors' report and is deemed to form part of this report:

- Review of the performance and future development of the company, Strategic Report, pages 3 to 7
- Principal risks and uncertainties, Strategic report, pages 8 to 10.
- Employment matters, Strategic report, page 12
- Significant events since the Statement of financial position date are disclosed in note 20 in the notes to the financial statements.

Directors

The directors who held office during the period were as follows:

Ray Bingham
Simon Beresford Wylie
John Richardson
Mark Logan

Research and development

The continuing cost of research and development expenditure and advanced technology projects charged directly to the income statement was £61,665 thousand (2020: £69,874 thousand), net of £7,083 thousand (2020: £nil) of capitalised development costs. An indication of likely future developments in the business of the company and details of research and development activities are included in the Strategic report.

Political donations

No political donations were made during the year. The company has an established policy of not making donations to any political party, representative or candidate in any part of the world.

Share capital

Details of the issued share capital are shown in note 18, which is incorporated and deemed to be part of this report. The company has a single class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the company. As at 31 December 2021, there was 14,161,291 ordinary shares on issue and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

Imagination Technologies Limited
Directors' report
For the year ended 31 December 2021 (continued)

Dividends

The directors do not recommend the payment of a dividend. (2020: Nil)

Directors' indemnities

All directors of the Company CBFi Investment Limited have the benefit of directors' and officers' liability insurance which was in place from the effective date of the acquisition of Imagination Technologies Group Limited until the end of the financial year. Qualifying third party provisions for the benefit of all directors of the Company were in place during the financial year. Article 83 of the Company's Articles of Association provides for the indemnification of directors of the company (i.e., CBFi and subsidiaries) below 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.

Employment Policies

Through its diversity policy, the company seeks to ensure that every employee, without exception, is treated equally and fairly.

Our policies and procedures fully support the hiring and engagement of our disabled colleagues. We take active measures to do so via:

- a robust reasonable adjustment practice;
- modifications and support at interview stage; and
- processes to ensure colleagues are fully supported.

The company is responsive to the needs of its employees. As such, should any employee of the company become disabled during their time with us, we will actively support that employee and make reasonable adjustments to their working environment where possible, in order to keep the employee with the company. It is the policy of the company that the recruitment, training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee Engagement

Imagination Technologies engages with its employees on a regular basis and in a number of ways to suit a global workforce. This includes:

- line manager briefings;
- monthly all-hands meetings;
- function and location specific executive led meetings;
- email news alerts;
- employee focus groups; and
- employee social media groups.

The company's online learning platform has become well embedded since its launch in 2019. This has proved engaging and cost effective during the Covid-19 lockdowns, with colleagues able to continue to grow their skills.

The company did not access government furlough schemes in any of the jurisdictions it operates in during Covid-19 lockdowns.

Imagination Technologies is keen to encourage employee involvement in the company's performance through short term and long term performance related reward. The company operates a universal annual performance bonus plan and a selective long-term performance reward plan.

Energy and Carbon

As required by that Streamlined Energy and Carbon Reporting (SECR) which came into place on 1st April 2019, the company has identified its energy and carbon usage in the year ending 31st of December 2021 as follows:

The company has reported on all sources of GHG emissions and energy usage as required under The Large and Medium-Size companies and Groups (Accounts and Reports) regulations 2008 as amended.

Imagination Technologies Limited
Directors' report
For the year ended 31 December 2021 (continued)

Energy Usage

Energy Use (mWh)	Year ended 31 December 2021	Year ended 31 December 2020
Natural Gas	2,122	755
Electricity	6,666	5,476
Gas Oil	N/A	N/A
Total	8,788	6,231

Carbon Emissions

CO2 Emissions (tCO2e)	Year ended 31 December 2021	Year ended 31 December 2020
Emissions from combustion of gas (Scope 1)	431	154
Emissions from electricity purchase for own use, including for the purposes of transport. (Scope 2)	300	1,277
Emissions from business travel in employee-owned vehicles. Where the company have reimbursed staff business mileage claims (Scope 3)	-	-
Total	731	1,431

Intensity Ratio

CO2 Emissions (tCO2e)	Year ended 31 December 2021	Year ended 31 December 2020
Emissions from Electricity and Gas (premises related only) per Full Time Employee (FTE)	0.97	2.67

Methodology

Energy figures are based on data from all sites and include electricity and gas where applicable output is in MW hours (mWh). The carbon emission figures are calculated in accordance with the Greenhouse gas (GHG) protocol and outputs are in tCO2e using the most up-to date conversions factors from the Department of Business, Energy & Industrial Strategy (BEIS). Carbon emission figures are premises-related only (gas and electricity). We have followed the 2019 UK Government environmental reporting guidance. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Companies Reporting 2021 to calculate the above disclosure.

Energy Efficiency Measures

The company move to 100% onshore wind generated electricity during FY21, significantly reducing our CO2 Emissions for the year.

Imagination Technologies Limited
Directors' report
For the year ended 31 December 2021 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Basis of preparation

In preparing the financial statements on a going concern basis, the directors have considered whether the company can continue in operational existence for a period of at least 12 months from the date of the authorisation of the financial statements. This has involved considering and evaluating all conditions and events both positive and negative, that are relevant to the company and Company's ability to continue as a going concern. Whilst formally assessing a period of 12 months for the purpose of these financial statements, the directors have considered detailed financial forecasts covering a period to 2025 and a number of different forecast scenarios.

The Covid pandemic and the recent unrest between Russia and Ukraine continue to be assessed in terms of the continued uncertainty it presents. During the pandemic, the business productivity was not and continues not to be negatively impacted. Also, the 'new normal' and ways of working has enabled the business to significantly reduce its property footprint and associated costs prospectively. Although the pandemic has not significantly affected the business ability to sell and deliver new licenses; management continue to monitor the impact of the pandemic on royalties.

Imagination Technologies Limited
Directors' report
For the year ended 31 December 2021 (continued)

Basis of preparation (continued)

Imagination does not have offices, staff or any significant customers in Ukraine or Russia. Management continue to monitor the situation as it continues to develop, being aware of the potential Global impacts which may arise with respect to energy costs and the knock on consequences of these.

The Directors of the Company have obtained from Canyon Bridge a letter of support, which commits that Canyon Bridge will seek no repayment of the facilities for a period of at least 15 months from the date these financial statements are signed. The only exception to this is quarterly repayments to make against a working capital facility, which are only required to be made where affordable for the Company. Canyon Bridge has also provided a commitment to provide further funding, or support, to the Company and company should it be required during this 15-month period.

In light of the expected trading performance of the company and the aforementioned commitment of financial support from the parent, beyond the formal period of assessment, the directors are satisfied as to Imagination's ability to continue as a going concern for the foreseeable future and that no material uncertainties have been identified in connection with the company of Company's ability to continue as a going concern.

Disclosure of information to auditors

Each director confirms that, at the date this Annual Report and Financial Statements was approved, so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he or she ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will therefore continue in office.

For and on behalf of the Board

Ray Bingham



Director
13th October 2022

Company number: 01306335

IMAGINATION TECHNOLOGIES LIMITED

Independent auditor's report to the members of Imagination Technologies Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Imagination Technologies Limited ("the Company") for the year ended 31 December 2021 which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

IMAGINATION TECHNOLOGIES LIMITED

Independent auditor's report to the members of Imagination Technologies Limited (continued)

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework, the Companies Act 2006 and relevant tax compliance legislation.

IMAGINATION TECHNOLOGIES LIMITED

Independent auditor's report to the members of Imagination Technologies Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Extent to which the audit was capable of detecting irregularities, including fraud (continued)

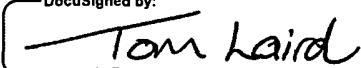
- We understood how Company are complying with those legal and regulatory frameworks by making enquiries of management and through reviewing legal correspondence. We corroborated our enquiries through our review of board minutes and discussion with management.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it is considered there was a susceptibility of fraud.
- Our audit planning identified fraud risks in relation to management override and inappropriate or incorrect revenue recognition. We obtained an understanding of the processes and controls that the Company has established to address the risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors that processes and controls.
- We designed our audit procedures to detect irregularities, including fraud. Our procedures included journal transaction testing, with a focus on large or unusual transactions based on our knowledge of the business, reviewing revenue contracts, seeking substantiation for a sample of accrued and deferred review transactions, and challenging the assumptions made by management in their significant accounting estimates. Our audit procedures were designed to provide reasonable assurance that the financial statements were free from material fraud or error.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

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Tom Laird (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

14 October 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

IMAGINATION TECHNOLOGIES LIMITED

Income statement for the year ended 31 December 2021

	<i>Notes</i>	2021 £'000	2020 £'000 (restated*)
Turnover	2	111,316	95,916
Operating expenses			
Research and development expenses	3	(61,665)	(69,874)
Sales and marketing expenses		(9,048)	(10,514)
General and administrative expenses		(27,469)	(22,047)
Other operating income and expenses	4	7,399	7,765
Finance expense	7	(353)	(413)
Profit before taxation		20,180	833
Taxation benefit / (charge)	8	2,248	(3,830)
Profit / (loss) after tax from continuing operations		22,428	(2,997)
Loss on discontinued operations, net of tax		-	(2,572)
Profit / (loss) for the financial year		22,428	(5,569)

* See note 23 for details regarding the restatement as a result of an error and note 22 for the change in presentation basis of the income statement.

There is no difference between the total reported result for the year and that on a historical cost basis.

The notes on pages 28 to 51 form an integral part of these financial statements.

IMAGINATION TECHNOLOGIES LIMITED

Statement of other comprehensive income for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000 (restated*)
Profit/(Loss) for the financial year		22,428	(5,569)
Other comprehensive income / (loss)			
<i>Items that will not be reclassified to profit or loss:</i>			
Change in fair value of assets classified as fair value through other comprehensive income	12	(528)	-
Other comprehensive income / (loss) that will not be reclassified to profit or loss in subsequent years		(528)	-
Other comprehensive income / (loss) for the year, net of income tax		(528)	-
Total comprehensive income / (loss) for the financial year		21,900	(5,569)

* See note 23 for details regarding the restatement as a result of an error.

The notes on pages 28 to 51 form an integral part of these financial statements.

IMAGINATION TECHNOLOGIES LIMITED

Statement of financial position As at 31 December 2021


	Note	2021 £'000	2020 £'000 (restated*)
Non-current assets			
Intangible assets	9	20,880	11,651
Tangible fixed assets	10	28,349	31,071
Deferred tax asset	8	4,681	-
Debtors	13	2,200	-
Investments in subsidiary undertakings	11	549	549
Investments	12	573	543
		57,232	43,814
Current assets			
Stock		293	-
Debtors	13	32,615	42,508
Cash at bank and in hand		55,849	42,203
		88,757	84,711
Creditors: amounts falling due within one year	14	(134,196)	(137,625)
Provisions: amounts falling due within one year	16	(1,062)	(1,346)
Net current liabilities		(46,501)	(54,260)
Total assets less current liabilities		10,731	(10,446)
Creditors: amounts falling due after more than one year	15	(13,618)	(14,530)
Provisions: amounts falling due after more than one year	16	(399)	(1,326)
Net liabilities		(3,286)	(26,302)
Capital and reserves			
Called up share capital	18	14,161	14,161
Capital contribution from Parent	18	1,827	711
Fair value reserve of financial assets at FVOCI	18	(528)	-
Accumulated deficit		(18,746)	(41,174)
Total Shareholders' deficit		(3,286)	(26,302)

* See note 23 for details regarding the restatement as a result of an error.

The notes on pages 28 to 51 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 13th October 2022 and were signed on its behalf by:

Ray Bingham
Director
Registered Number 1306335



IMAGINATION TECHNOLOGIES LIMITED

Statement of changes in equity for the year 31 December 2021

	Share capital £'000	Capital contribution from parent £'000	Fair value reserve of financial assets at FVOCI £'000	Accumulated deficit £'000	Total £'000
At 1 January 2020	14,161	-	-	(35,605)	(21,444)
Loss for the financial year (restated*)	-	-	-	(5,569)	(5,569)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(5,569)	(5,569)
Transactions with owners in their capacity as owners:					
Capital contribution from parent (restated*)	-	711	-	-	711
At 31 December 2020	14,161	711	-	(41,174)	(26,302)
Balance at 31 December 2018 as originally presented	14,161	-	-	(41,854)	(27,693)
Correction of error (net of tax)*	-	711	-	680	1,391
Restated total equity as at 31 December 2020	14,161	711	-	(41,174)	(26,302)
At 1 January 2021 (restated*)	14,161	711	-	(41,174)	(26,302)
Profit for the financial year	-	-	-	22,428	22,428
Other comprehensive loss	-	-	(528)	-	(528)
Total comprehensive income/(loss) for the year	-	-	(528)	22,428	21,900
Transactions with owners in their capacity as owners:					
Capital contribution from Parent	-	1,116	-	-	1,116
At 31 December 2021	14,161	1,827	(528)	(18,746)	(3,286)

* See note 23 for details regarding the restatement as a result of an error.

The notes on pages 28 to 51 form an integral part of these financial statements.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2021

1. Accounting Policies

Basis of preparation

Imagination Technologies Limited ("Imagination" or "the Company") is a company incorporated in the UK under the Companies Act 2006. The address of the registered office is given in note 24. The nature of the company's operations and its principal activities are set out in the strategic report on pages 3 to 15.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The company, via its direct parent company Imagination Technologies Group Limited, is a subsidiary undertaking of CBFI Investment Limited, which is the parent company whose 31 December 2021 financial statements the results of Imagination Technologies Limited are consolidated. CBFI Investment Limited is controlled by Canyon Bridge Fund 1 LP (collectively referred to as the Parent)". The ultimate parent company is China Venture Capital Fund Corporation Limited.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes
- Certain disclosures regarding revenue
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- The effects of new but not yet effective IFRSs
- Disclosures in respect of the compensation of Key Management Personnel
- IAS 36 Impairments and
- IFRS 16 Leases

As the consolidated financial statements of CBFI Investment Limited include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations.
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

Measurement convention

The financial statements are prepared on the historical cost basis, except for investments designated at fair value through OCI, which have been stated at fair value in accordance with IFRS 9.

Going concern

In preparing the financial statements on a going concern basis, the directors have considered whether the Company can continue in operational existence for a period of at least 12 months from the date of the authorisation of the financial statements. This has involved considering and evaluating all conditions and events both positive and negative, that are relevant to the Company's ability to continue as a going concern. Whilst formally assessing a period of 12 months for the purpose of these financial statements, the directors have considered detailed financial forecasts covering a period to 2025 and a number of different forecast scenarios.

The Covid pandemic and the recent unrest between Russia and Ukraine (including associated economic impacts on inflation) continue to be assessed in terms of the continued uncertainty it presents. During the pandemic, the business productivity was not and continues not to be negatively impacted. Also, the 'new normal' and ways of working has enabled the business to significantly reduce its property footprint and associated costs prospectively. Although the pandemic has not significantly affected the business ability to sell and deliver new licenses; management continue to monitor the impact of the pandemic on royalties.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2021 (continued)

1. Accounting Policies (continued)

Going concern (continued)

Imagination does not have offices, staff or any significant customers in Ukraine or Russia. Management continues to monitor the situation as it continues to develop, being aware of the potential global impacts which may arise with respect to energy costs and the knock-on consequences of these. As an example, during 2022 the company has supported those identified staff with cost-of-living additional support.

At 30th September 2022, the Company had cash reserves of £21,830,000 and a undrawn working capital facility of £3,000,000. These facilities are contractually repayable on demand however the Directors of the Company have obtained from Canyon Bridge a letter of support, which commits that Canyon Bridge will seek no repayment of the facilities for a period of at least 15 months from the date these financial statements are signed. The only exception to this is quarterly repayments to make against a working capital facility, which are only required to be made where affordable for the Company. Canyon Bridge has also provided a commitment to provide further funding, or support, to the Company should it be required during this 15-month period.

In light of the expected trading performance of the Company and the aforementioned commitment of financial support from the parent, beyond the formal period of assessment, the directors are satisfied as to Imagination's ability to continue as a going concern for the foreseeable future and that no material uncertainties have been identified in connection with the Company's ability to continue as a going concern.

Revenue

Revenue comprises the value of consideration received for sales of licenses to our IP, royalties arising from the resulting sale of customers' products incorporating our IP and support and maintenance services. Substantially all of our revenue is derived or denominated in U.S. dollars, regardless of where the customer is located.

Contracts the Company enters into often promise various goods or services, and therefore at inception these promises are assessed to determine whether they are distinct, whereby the customer can benefit from the good or service either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, where the transfer of the good or service is separately identifiable from other promises in the contract, and should be accounted for as separate performance obligations.

Licensing Revenue

Where an agreement involves several performance obligations, the total fee is allocated to individual performance obligations based on their relative standalone selling price. The standalone selling price is assessed by reference to prices regularly charged for the performance obligation when it is sold separately, or if this cannot be used, then other factors may be considered, such as the value relationship to the license fee as specified within the underlying contract, or the excess of the total transaction price over the sum of the observable stand-alone selling prices of other goods or services promised in the agreement. Where, in effect, two or more performance obligations of an agreement are highly interrelated and the transaction price cannot be allocated to the individual obligations, the revenue recognition criteria are applied as if they were a single performance obligation.

Revenue from standard licenses, which delivers 'off the shelf' IP that requires very little customisation, is recognised at 'Point-in-Time' on delivery to the customer.

Revenue associated with rights in license agreements to access unspecified current and future Intellectual property is recognised 'Over-Time' on a straight-line basis over the contract period upon meeting the following criteria:

- the contract requires, or the customer reasonably expects, that the Company will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the licence directly expose the customer to any positive or negative effects of the Company's activities identified; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2021 (continued)

1. Accounting Policies (continued)

Revenue (continued)

Licensing Revenue (continued)

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 Company evaluates whether it has obtained, through its performance to date, the right to the un-invoiced consideration and therefore whether revenue should be recognised. 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 Company's contractual obligations have been, or will be, fulfilled and that only those costs budgeted to be incurred will be incurred. Where the Company considers that there is insufficient evidence that it is probable that the economic benefits associated with the transaction will flow into the Company, taking into account these criteria, revenue is not recognised until there is sufficient evidence that it is probable that the economic benefits associated with the transaction will flow into the Company.

Where contracts contain variable consideration, there is judgement involved in determining the total transaction price the Company expects to receive for delivery of its services. Variability in consideration can arise from contractual or other factors and, for relevant contracts, the Company has estimated the total revenues it expects to realise under the expected value method to ensure it is highly probable there is no significant reversal of cumulative revenue in a future period. Where such contracts are spread across multiple periods the Company revisits the judgements made at each reporting date and adjusts the total transaction price accordingly. These estimates involve the Company assessing the status of the contracted arrangements, services delivered to the customer, any history of price concessions made to the customer or on similar contracts, and any other relevant factors.

Revenue for services and maintenance is recognised 'Over-Time' on a straight-line basis over the period for which the Services and maintenance are contractually agreed with the licensee. This is because the customer simultaneously receives and consumes the benefits as the Company performs them.

Royalty revenues are earned on the sale by licensees of products containing the Company's technology. Revenues are recognised as they are earned to the extent that the Company has sufficient evidence of sales of products containing the Company'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 recognised upon delivery. Revenue is accounted for net of VAT. The Company does not incur any material direct costs when securing new contracts.

Royalty Revenues

Royalty revenues are earned on the sale by licensees of products containing the Company's technology. Revenues are recognised at a 'Point-in-Time' as they are earned to the extent that the Company has sufficient evidence of sales of products containing the Company's technology by licensees. Royalties are calculated on a per unit basis by applying the number of units shipped by the licensees to the royalty rates, as specified in the agreements with the licensees. The Company receives the actual unit shipment data from its customers after the end of each quarter. Prior to receiving the quarterly shipment statements from the licensee, royalty revenues are recognized based on the Company's estimation of the customer's units shipped during the quarter.

Contract Assets and Liabilities

Contract assets relate to the Company's estimate of accrued royalty revenue, and an amount of accrued licence revenue. Regarding royalties, this revenue is invoiced (and transferred to receivables) once the quarterly royalty return is formally received from the customer. Regarding licence revenue, this revenue is invoiced (and transferred to receivables) when the customer is invoiced according to the invoicing timetable in the contract. The Company assesses loss allowance for contract assets in accordance with IFRS 9.

Contract liabilities primarily relate to the advance consideration invoiced to customers relating to subscriptions, support and maintenance or licencing revenue – most of which are recognised over the next 12-36 months.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2021 (continued)

1. Accounting Policies (continued)

Research and development costs

Costs of basic and applied research are expensed in the period in which they are incurred by the Company. Where an Intellectual property product is technically feasible, production and sale are intended, an end market for the Intellectual property product exists and a draft contract with customers is in place or pending completion, costs can be measured reliably, and sufficient resources are available to complete the project, then research and development costs are capitalised and amortised on a straight-line basis over the estimated useful life of the Intellectual property product. In the year ended 31 December 2020 the Company assessed there were insufficient grounds to satisfy these requirements in their entirety and therefore no internally generated development assets were recognised. In the year ended 31 December 2021, following a review and enhanced policies and procedures to enable reliable measuring of costs associated with projects, Development costs of £7,083,000 have been capitalised (2020: £Nil).

Directly attributable costs that are capitalised include employee costs including on-costs. No other costs or overheads have been capitalised in the year ended 31 December 2021. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. The cost of obtaining patents for the Company's technology in individual jurisdictions is capitalised. The costs predominantly relate to legal expense associated with completing the patent application process, amortised over approximately ten years.

Employee benefits

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

In 2020, Canyon Bridge International Holding Investment Limited ("CBIHIL"), of which the Company is a wholly owned subsidiary and which is a subsidiary of Canyon Bridge, granted equity incentive shares, designated as A and B Class Growth Shares of CBIHIL ("Growth Shares"), to provide additional discretionary incentives for certain of the Company's executive officers and other personnel of the Company. Participation in the scheme is at the board of directors' and the Company's controlling shareholder's discretion, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Under the arrangement for the issuance of Growth Shares, CBIHIL is settling the transaction by the issue of its shares and services being received by the Company. Moreover, the arrangement does not include a cross charge for the expenses between the Company and CBIHIL, i.e., it is understood that CBIHIL is not recovering the cost to be incurred for issuing Growth Shares to the Company; and the Company does not have any obligation to settle the share-based payment transaction where the obligation primarily sits with CBIHIL. Therefore, the share-based payment transaction is expected to be classified as equity-settled based on the provisions of IFRS 2, thereby recognizing a corresponding increase in equity as a contribution from the parent.

The fair value is measured at grant date and is determined using an appropriate valuation model, further details of which are given in Note 17.

The total amount to be expensed is determined by reference to the fair value and considers the following:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. As the end of each period, the Company revises its estimates of the entitlements that are expected to vest based on the non-market vesting and service conditions. It recognises the impact on the revision to original estimates, if any, in profit and loss, with a corresponding adjustment to equity.

The total expense recognised in the year ended 31 December 2021 was £1,116,000, which has been included within remuneration expense, with a corresponding increase in equity within Capital contribution from Parent.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2021 (continued)

1. Accounting Policies (continued)

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	25 years
Leasehold improvements	Equally over the period of the lease
Plant and equipment	3 to 10 years

Equity investments

At initial recognition, the Company measures investments at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Gains and losses on these financial assets resulting from subsequent remeasurement are never recycled to profit or loss. 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.

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Equity investments are classified at fair value through other comprehensive income (FVTOCI) and are stated on the Statement of financial position at the fair value at the Statement of financial position date, with any gain or loss being recognised directly in the statement of comprehensive income.

Equity instruments designated at fair value through OCI are not subject to impairment assessment. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is reclassified to retained earnings.

The Company elected to classify irrevocably its non-listed equity investment in HeXinDa (note 12) under this category.

The Company is exposed to equity securities price risk on strategic equity investments 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 Company'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 Company. 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 Company's financial results.

Impairment

a) Non-financial assets

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

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, estimated future cashflows are discounted to their present value using a discount rate appropriate to the specific asset or cash generating unit. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying value of the asset or cash generating unit is reduced to its recoverable amount. Impairment losses are recognised immediately in the income statement.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements
for the year 31 December 2021 (continued)

1. Accounting Policies (continued)

Impairment (continued)

a) Non-financial assets (continued)

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. 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 amortised 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 a strategic equity investments 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 recognised in the income statement. Any cumulative gain or loss in respect of a strategic equity investments financial asset recognised 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 recognised. For financial assets measured at amortised cost and strategic equity investments financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Cash and equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of less than or equal to three months.

Inventories – consumables

Inventories are measured at the lower of cost and net realisable value. Cost comprises all cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of inventory on actual cost basis. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Provisions

A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation arising from past events, it is probable cash will be paid to settle it and the amount can be estimated reliably. Provisions are determined by discounting the expected future cash flows by a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a financing cost in the income statement. The value of the provision is determined based on assumptions and estimates in relation to the amount and timing of actual cash flows which are dependent on future events.

Leased assets

The Company as a lessee

The Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2021 (continued)

1. Accounting Policies (continued)

Leased assets (continued)

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

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.

Derivative financial instruments

Currency exchange contracts are utilised to manage the exchange risk on actual transactions related to accounts receivable, denominated in a currency other than the functional currency of the business. These currency exchange contracts do not subject the Company 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 year end, with gains or losses recognised in profit or loss. The fair value of forward exchange contracts is determined using quoted forward exchange rates at the statement of financial position date. The fair value of foreign currency options is based upon valuations performed by management and the respective banks holding the currency instruments. The Company does not enter into currency exchange contracts for the purpose of hedging anticipated transactions.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2021 (continued)

1. Accounting Policies (continued)

Significant accounting judgements and estimates

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

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which are the most significant effect on the amounts recognized in the Financial Statements:

Revenue recognition

Judgment is involved in determining how many performance obligations are in a license agreement and how to allocate fair value to these obligations. This is because contracts often contain options, and therefore there is judgment in determining whether these create material rights resulting in additional performance obligations. Management determines performance obligations which are capable of being distinct and distinct in the context of each contract.

For certain contracts there is judgment involved in determining the total transaction price the Company expects to receive for delivery of its services. Variability in consideration can arise from contractual or other factors and, for relevant contracts, the Company has estimated the total revenues it expects to realize to ensure it is highly probably there is no significant reversal of cumulative revenue in a future period. Where such contracts are spread across multiple periods the Company revisits the judgments made at each reporting date and adjusts the total transaction price accordingly. These estimates involve the Company assessing the status of the contracted arrangements, services delivered to the customer, the relationship with the customer and any other relevant factors.

Judgement is also involved in determining the transaction price of a license agreement that contains variable consideration and how to allocate the transaction price to the identified performance obligations based on the stand-alone selling price of each performance obligation.

Where contracts contain variable consideration, there is judgement involved in determining the total transaction price the Group expects to receive for delivery of its services. The Group has estimated the total revenues it expects to realise under the expected value method to ensure it is highly probable there is no significant reversal of cumulative revenue in a future period. Where such contracts are spread across multiple periods, the Group revisits the judgements made at each reporting date and adjusts the total transaction price accordingly. These estimates involve the Group assessing the status of the contracted arrangements, services delivered to the customer, and any history of price concessions made to the customer or on similar contracts and any other relevant factors.

Once the transaction price has been determined, there is judgement involved in the allocation of the transaction price based on the stand-alone selling price of each performance obligation in the assessment of whether a stand along selling price is observable based on prices regularly charged for the performance obligation when it is sold separately or whether a residual method should be applied by allocating the excess of the total transaction price over the sum of the observable stand-alone selling prices of the other goods or services promised in the agreement.

Capitalisation of development costs

The Company invests on a continual basis in the development of new and enhanced features in products.

There is a continual process of enhancements to and expansion of the overall product. Judgement is required in assessing whether the development costs meet the criteria for capitalisation. Management judgement evaluates, amongst other factors, whether there are future economic benefits beyond the current period, the stage at which technical feasibility has been achieved, management's intention to complete and use or sell the product, the likelihood of success, availability of technical and financial resources to complete the development phase and management's ability to measure reliably the expenditure attributable to the project.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2021 (continued)

1. Accounting Policies (continued)

Significant accounting judgements and estimates (continued)

Capitalisation of development costs (continued)

During 2021 and related to the improved trading performance of the business, management's judgement was to capitalise development expenditure directly attributable to Research and Development remuneration costs and associated costs of employment. In the year ended 31 December 2021, development costs of £7,083,000 were capitalised which represented approximately 12% of total research and development remuneration costs. Further information discussing the accounting policy for research and development is detailed in note 1.

Determination of functional currency

The Company's functional currency is the currency of the primary economic environment in which it operates. The primary factors that IAS 21 requires the Company to consider in determining its functional currency are as follows:

(a) The currency:

- (i) That mainly influences sales prices for goods and services; and
 - (ii) Of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services.
- (b) The currency that mainly influences labour, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled).

Management has determined that the most relevant factor in determining the functional currency is the currency that mainly influences its costs of providing goods and services, considering that the majority of its resources are located in the United Kingdom and given the type of business that the entity is running (licensing high value semiconductor IP), which is mainly run from United Kingdom and does not necessarily require a physical presence in the countries where the Company generates revenue. Therefore, Management concludes that Pound Sterling is the Company's functional currency, being the currency of the majority of the costs incurred in its operations.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on the parameters available at the time of preparation of the Financial Statements. Existing circumstances and assumptions about future developments, however, may, change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Leases

There are a number of uncertainties and judgements in determining the application of the requirements of IFRS16. These include the following judgements:

- calculating the appropriate discount rate to use;
- estimating the lease term; and
- estimating variable lease payments dependant on an index or rate.

Management have worked with a specialist regarding each of the above judgements to determine the best estimate, based on facts and circumstances that have been identified. For example, where there are lease extensions included within agreements that are not conditional on both parties' agreement, management have assumed that these will be exercised if they fall within 3 years of the Statement of financial position date. Lease options after this date are sufficiently far enough into the future that alternative arrangements could be made.

Determination of appropriate discount rate to use has considered market data (corporate bonds rate), inflation and other country-risk factors applicable to IMG.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2021 (continued)

1. Accounting Policies (continued)

Significant accounting judgements and estimates (continued)

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Company uses a Black-Scholes valuation model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 17.

Taxation

A deferred tax asset (note 8) is recognized only to the extent that it is probable that sufficient taxable profit will be available to utilize the temporary difference. The Company has made estimates on the likelihood that future taxable profit will utilize these tax losses. Therefore, the ultimate realizability of deferred tax assets for the Company is contingent upon the estimates regarding the future profitability of the Company, which is judgmental given the Company's recent history of being loss making while taking into consideration profit recorded in the current year.

The use of losses is restricted to 50% of taxable profits over £5m resulting in a spreading of losses across periods where brought forward losses are over £5m. The value of the deferred tax asset recognised as of 31 December, 2021 was £4,681,000 (2020:£nil). In order to support the recognition of the deferred tax asset on losses, modelling was undertaken to review the recovery period of the deferred tax asset. The modelling was based on management forecasts and showed that the deferred tax asset recognised on losses is expected to be recovered by 2023.

The estimates take account of the inherent uncertainties constraining the expected level of profit as appropriate. Changes in these estimates will affect future profits and therefore the recoverability of the deferred tax assets. The following sensitivities have been modelled to demonstrate the impact of changes in assumptions on the recoverability of deferred tax assets:

A +/-10% change in projected taxable profit for the years 2022 and 2023, resulting in an increase/decrease in the deferred tax asset recognised as at 31 December 2021 of around £518,000.

The value of the unrecognised UK deferred tax asset at 31 December 2021 was £23,626,000 (2020: £24,118,000).

2. Revenue from contracts with customers

(i) Disaggregation of revenue

In the following table, revenue is disaggregated by major product/service lines, primary geographical market, and timing of revenue recognition.

	Year ended	Year ended
	31/12/2021	31/12/2020
	£'000	£'000
Major product/service lines		
Licencing	87,997	74,824
Royalties	23,319	21,078
Other	-	14
Total	111,316	95,916

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements
for the year 31 December 2021 (continued)

2. Revenue from contracts with customers (continued)

Primary geographical markets by customers

	Year ended 31/12/2021	Year ended 31/12/2020
	£'000	£'000
United States of America	44,309	56,042
Asia-Pacific (ex-China)	16,539	21,151
China	38,527	16,620
Europe, the Middle East and Africa	11,941	2,103
Total	111,316	95,916

Timing of transfer of goods or services

Products and services transferred at a point in time	70,212	58,365
Products and services transferred over time	41,104	37,551
Total	111,316	95,916

The Company's two largest customers accounted for 30% and 10.1%, respectively, of its revenue for the year ended December 31, 2021 (2020: one customer contributing 39%).

(ii) Contract balances

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers.

	Note	31-Dec-21 £'000	31-Dec-20 £'000
Receivables	13	2,907	13,771
Contract assets (accrued income)		17,372	12,539
Contract liabilities (deferred income – to be recognised over time)		(14,978)	(9,919)

A reconciliation of contract asset and contract liabilities is below:

	Contract Assets 2021 £'000	Contract Assets 2020 £'000	Contract Liabilities 2021 £'000	Contract Liabilities 2020 £'000
At 1 January	12,539	5,719	(9,919)	(10,095)
Transfers in the year from contract assets to trade receivables	(12,539)	(5,719)	-	-
Amounts included in contract liabilities that was recognised as revenue during the year	-	-	9,919	10,095
Excess of revenue recognised over cash (or rights to cash) being recognised during the year	17,372	12,539	(14,978)	(17,493)
Net off contract liabilities with trade receivables	-	-	-	7,574
At 31 December	17,372	12,539	(14,978)	(9,919)

The contract assets relate to the Company's estimate of accrued royalty revenue, and an amount of accrued licence revenue. Regarding royalties, this revenue is invoiced (and transferred to receivables) once the quarterly royalty return is formally received from the customer. Regarding licence revenue, this revenue is invoiced (and transferred to receivables) when the customer is invoiced according to the invoicing timetable in the contract.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2021 (continued)

2. Revenue from contracts with customers (continued)

The contract liabilities primarily relate to the advance consideration invoiced to customers relating to subscriptions, support and maintenance or licencing revenue – most of which are recognised over the next 12-36 months.

The amount of revenue recognised in the current year which relates to performance obligations satisfied in previous periods was £23.4m (2020: £21.1m) – royalty revenue.

(iii) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

IFRS 15 requires disclosure based on the time bands that would be most appropriate for the duration of the remaining performance obligations. The company uses a one-year time band.

Year ended	1 year £'000	2 years £'000	3 years £'000	4 years+ £'000
2021	71,238	47,055	5,946	3,723
2020	56,931	48,035	38,291	2,248

The company applies the practical expedient in IFRS 15.121 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

There are certain customer contracts which require greater judgement than compared to other contracts the Company entered in to. These have required a best estimate from management of the total transaction price receivable, currently resulting in a constraining of revenues. If these constraints were removed, licencing revenue in 2021 would have been approximately £18.6m higher (2020: ~~£19.321.0m~~) than the recognised licencing revenue in the income statement. Of these contracts at the balance sheet date, in the statement of financial position there is associated accrued income of £5.1m (2020: £6.7m) and £nil associated deferred income (2020: £nil).

During the period royalty revenue of £1.5m was released relating to advance royalties paid (and recognised as deferred revenue) in prior periods but which have been recognised in this accounting period.

(iv) Contract costs

The Company does not incur any material direct costs when securing new contracts.

Revenue from individual customers that represent more than 10% of the Company's total revenue for the year have values of approximately £33.2m (2020: £37.1m). The customer's country of domicile is USA.

3. Expenses and auditor's remuneration

	2021 £'000	2020 £'000 (restated)
Included in the Profit & loss account are the following items:		
Depreciation, amortisation and impairment of owned tangible and intangible assets	6,166	8,839
Loss on disposal of fixed assets	556	-
Net foreign exchange (loss) / gain	(942)	689
Research and development	61,665	69,874
Auditor's remuneration:		
Audit of these financial statements	200	122
Other assurance services	-	-
	<u>200</u>	<u>122</u>

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2021 (continued)

4. Other operating income and expenses

	2021	2020
Other operating income	£'000	£'000
		(restated)
Research and Development Expenditure Credits	9,018	6,548
Change in fair value on foreign currency forward exchange contracts	-	1,217
Total other operating income	9,018	7,765
Other operating expenses		
Change in fair value on foreign currency forward exchange contracts	(1,619)	-
Total other operating expenses	(1,619)	-
Total operating income and expenses	7,399	7,765

5. Directors' Emoluments

	Total	Highest paid director	Total	Highest paid director
	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
Directors' remuneration	1,701	631	644	208
Pension contributions	36	22	10	2
	1,737	653	654	210

Number of directors
2021 2020

Retirement benefits are accruing to the following number of directors under:

Money purchase schemes - -

The number of directors who exercised share options was - -

The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was - -

6. Staff numbers and costs

Number of employees
2021 2020

Research and development	436	460
Administration	70	57
Marketing	18	21
	524	538

The aggregate payroll costs of these persons were:

	2021	2020
	£'000	£'000
		(restated)
Remuneration	47,974	46,178
Social security costs	5,460	5,079
Pension costs	2,655	2,386
Share-based payments	1,116	711
Other staff benefits	2,024	2,066
	59,229	56,420

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements
for the year 31 December 2021 (continued)

7. Financial expense	2021 £'000	2020 £'000 (restated)
Finance charge on unwind of leases	(353)	(413)
	(353)	(413)

No interest was payable to company undertakings.

8. Taxation	2021 £'000	2020 £'000 (Restated)
Analysis of tax (benefit) / charge in the year		
Current tax charge		
UK corporation tax	233	-
(Recognition) / reversal of UK tax assets	(1,206)	1,244
Foreign tax	3,406	2,586
Total current tax charge	2,433	3,830
Deferred tax		
Total deferred tax benefit	(4,681)	-
Total income tax (benefit) / charge	(2,248)	3,830

The total tax benefit for the year of £2,248,000 (2020: Tax charge of £3,830,000) is lower (2020: higher) than the standard rate of corporation tax in the UK of 19.00% (2020:19.00%). The difference is explained below:

	2021 £'000	2020 £'000 (Restated)
Profit before taxation	20,180	833
Notional tax charge at UK standard rate of 19.00% (2020: 19.00%)	3,834	158
Tax effect of:		
Income not taxable	(760)	(1,946)
Expenses not deductible for tax purposes	990	1,618
Fixed asset differences	(364)	-
Permanent differences	(647)	(491)
Movement in Deferred tax not recognised	(5,875)	2,940
Group relief	-	181
Effect of changes in tax rates (on deferred tax balances)	-	(2,460)
(Recognition) / reversal of UK tax assets	(1,649)	1,244
Withholding tax	3,406	2,586
Utilisation of tax losses	(1,183)	-
Total income tax (benefit) / charge	(2,248)	3,830

Current tax

The company receives significant government tax incentives including Research and Development Expenditure credits ("RDEC") which is shown as an 'above the line' relief. This has the impact of a 'credit' being recorded in other operating income of £6,690,000 (2020: £6,548,000) which is then taxed at the prevailing UK corporation tax rate. In 2021, there was an additional income of £2,327,000 in connection with further refunds from HMRC following resubmitted R&D tax credit claims from prior years. If the company makes a taxable loss for the year, losses generated by the RDEC claim can be reclaimed in cash from HMRC.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2021 (continued)

8. Taxation (continued)

Deferred taxation

The movement on the deferred tax account is as follows:

	31-Dec-20	Recognised in Statement of profit and loss	31-Dec-21
	£'000	£'000	£'000
Tax losses	-	5,181	5,181
Fixed asset taxable temporary differences	-	(1,363)	(1,363)
Fixed asset deductible temporary differences	-	863	863
	-	4,681	4,681

Taking into account expected future profit generation, and the factors discussed in note 1, management have decided to recognize gross deferred tax assets of £6,101 thousand offset by £920 thousand of recognized deferred tax liabilities at 31 December 2021. There are £23,658 thousand of unrecognized deferred tax asset as at 31 December 2021, which consists of £605 thousand of fixed asset timing differences, £206 thousand of short term timing differences and £22,847 of losses and other deductions.

The Finance Bill 2021 amended the main rate of UK corporation tax to 25%. This main rate of corporation tax and marginal relief will be relevant for any asset sales or timing differences expected to reverse on or after 1 April 2023. The new law was considered substantively enacted on 24 May 2021.

9. Intangible assets

	Developed Technology		Software, Patents & Trademarks		Development costs		Total	
	Dec-21 £'000	Dec-20 £'000	Dec-21 £'000	Dec-20 £'000	Dec-21 £'000	Dec-20 £'000	Dec-21 £'000	Dec-20 £'000
Cost								
At beginning of year	17,875	17,875	19,944	17,078	-	-	37,819	34,953
Additions	-	-	4,029	4,436	7,083	-	11,112	4,436
Disposals	-	-	-	(1,570)	-	-	-	(1,570)
At 31 Dec	17,875	17,875	23,973	19,944	7,083	-	48,931	37,819
Amortisation								
At beginning of year	17,875	17,875	8,293	7,189	-	-	26,168	25,064
Charged in year	-	-	1,863	1,601	20	-	1,883	1,601
Disposals	-	-	-	(497)	-	-	-	(497)
At 31 Dec	17,875	17,875	10,156	8,293	20	-	28,051	26,168
Net Book Value								
At 31 Dec	-	-	13,817	11,651	7,063	-	20,880	11,651

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements
for the year 31 December 2021 (continued)

10a. Tangible fixed assets

Property Plant and Equipment

	Freehold land and buildings £'000	Leasehold improvements £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 January 2021	11,694	1,172	25,918	38,784
Additions	-	1,177	1,236	2,413
Reclass between assets class	-	240	(337)	(97)
Disposals	-	-	(1,229)	(1,229)
At 31 December 2021	11,694	2,589	25,588	39,871
Depreciation				
At 1 January 2021	2,050	1,047	21,234	24,331
Charge for the year	391	131	1,684	2,206
Reclass between assets class	-	221	(221)	-
Disposals	-	-	(674)	(674)
At 31 December 2021	2,441	1,399	22,023	25,863
Net book value at 31 December 2020	9,644	125	4,684	14,453
Net book value at 31 December 2021	9,253	1,190	3,565	14,008

	2021 £'000	2020 £'000
The net book value of freehold land and buildings comprises:		
Land	1,101	1,101
Buildings	8,152	8,543
	9,253	9,644

On 12th March 2018, HSBC Bank PLC registered a fixed and floating charge that covers all property or undertaking of the company. The charge is against a £3m revolving facility that the company has in place with HSBC Bank PLC. Whilst the facility is not utilised at present, the charge remains active at the date of signing the financial statements.

10b. Right-of-Use-Assets

	Leasehold building improvements £'000	Plant and equipment £'000	Total £'000
At 1 January 2020	19,210	819	20,029
Additions	-	-	-
Amortisation	(2,592)	(857)	(3,449)
Foreign exchange movements	-	38	38
At 31 December 2020	16,618	-	16,618

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements
for the year 31 December 2021 (continued)

10b. Right-of-Use-Assets (continued)

	Leasehold building improvements £'000	Plant and equipment £'000	Total £'000
At 1 January 2021	16,618	-	16,618
Additions	523	1,073	1,596
Amortisation	(1,729)	(348)	(2,077)
Disposals	(1,796)	-	(1,796)
Foreign exchange movements	-	-	-
At 31 December 2021	13,616	725	14,341

11. Investments in subsidiary undertakings

	2021 £'000	2020 £'000
Shares in subsidiary undertakings		
Net book value at beginning of year	549	2,884
Disposals	-	(2,335)
Net book value of subsidiary undertakings at end of year	549	549

On 31 December 2020 the Enigma Wi-Fi development operations and Wi-Fi IP tech assets within the Imagination Group were sold to Nordic Semiconductor (OSX: NOD), who specialise in low-power wireless communications technology.

Details of the company'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	Address of registered office	Class of shares	Ownership 2021	Ownership 2020
Imagination Technologies GmbH	Hansenweg 54, 60599 Frankfurt am Main, Germany	Ordinary	100%	100%
Imagination Technologies India Private Limited	1st, 2nd and 3rd floor, Bhalerao Towers, Plot No. 36, CTS No.1669-1670, Shivajinagar, Pune 411005 India	Ordinary	99%	99%
Imagination Technologies Pty Limited	9 Help Street, Level 4, Chatswood, NSW 2067, Australia	Ordinary	100%	100%
Imagination Technologies KK	AIOS Gotanda Annex Bldg 3F, Tokyo 141-0022, Japan	Ordinary	100%	100%
Imagination Technologies B.V. (Netherlands)	Kabelweg57, Unit 1, 06.05 A, 1014 BA Amsterdam, Netherlands	Ordinary	100%	100%
Imagination Technologies (Shanghai) Co. Ltd	Room 1711-1712 Shui on Plaza, 333 Huai Hai Zhong Road, Huangpu District, Shanghai 200021, China	Ordinary	100%	100%
Imagination Technologies LLC (US)	8 The Green, Suite A, Dover, Delaware 19901, USA	Ordinary	100%	100%
Imagination Technologies Romania S.R.L.	First Floor, No2 Strada Martin Luther, Timisoara 300054, Romania	Ordinary	100%	100%

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2021 (continued)

12. Investments	2021	2020
	£'000	£'000
Investments designated at fair value through other comprehensive Income (FVTOCI)	573	543

Movement in the carrying value of each of the Company's equity holdings during the year is analysed below.

	% of shares held as at 31 December 2021	Carrying value at 31 Dec 2020	Increased holding in investments	Change in Fair Value (OCI)	Carrying value at 31 December 2021
		£'000	£'000	£'000	£'000
HeXinDa	11.88%	543	558	(528)	573
Total		543	558	(528)	573

Beijing HeXinDa Science and Technology Co. Ltd. (HeXinDa) – In 2020, Imagination Technologies Limited entered into an equity joint venture contract with a number of third parties to establish HeXinDa. In 2020 Imagination made an investment of ¥4.975m (£0.5m) in cash by way of a capital contribution representing 19.9% of the company's registered capital at 31 December 2020. In 2021, made a further investment of ¥4.975m (£0.6m). Subsequent calls for new capital which occurred during the year ended 31 December 2021 were declined, and at 31 December 2021 Imagination's holding reduced to 11.88% of the Company's registered capital.

As of December 31, 2021, the Company performed a review of its investment in HeXinDa to assess the recoverability of the investment. Based on the Company's assessment, it was determined that there was a diminution in value of £528k for the year, which was booked in the Fair value reserve of financial assets at FVOCI.

The valuation of HeXinDa is based upon a discounted cash flow calculation which has been assessed as an appropriate methodology to estimate the fair value. The Company used certain key assumptions in the estimation of the fair value of their investment as of December 31, 2021, which represent significant unobservable inputs that are set out below:

- Growth rate in perpetuity: 3.6%
- Forecasted annual revenue growth rate: 42.9% to 210.9%
- Forecasted margin: (1,309%) to 38%
- Risk adjusted discount rate: 19.4%

For the fair values of the investments at fair value through other comprehensive income, reasonably possible changes of 1% at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects on the fair value of the investment:

- Growth rate in perpetuity: Increase or decrease of approximately £300,000
- Forecasted annual revenue growth rate: Increase or decrease of approximately £200,000
- Forecasted margin: Increase or decrease of approximately £6,000
- Risk adjusted discount rate: Increase or decrease of approximately £400,000

Imagination Technologies Limited also has investments in Ineda Systems, Inc. and Orca Systems, Inc., representing shareholding of approximately 8% (2020: 8%) and 5% (2020: 6%) respectively. At 31 December 2021 these both have a carrying value of £Nil (2020: £Nil).

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements
for the year 31 December 2021 (continued)

13. Debtors	2021	2020
	£'000	£'000
		(restated)
Current		
Trade debtors	2,907	13,771
Prepayments and accrued income	19,370	14,991
Amounts owed by subsidiary undertakings	544	361
Other debtors	3,037	3,110
Research and development credit receivable	6,757	9,744
Assets held for resale	-	450
Foreign currency forward exchange contracts	-	81
	32,615	42,508
Non-Current		
Research and development credit receivable	2,197	-
Other debtors	3	-
	2,200	-

Intercompany receivables are non-interest bearing and repayable on demand.

Research and Development Tax Credit is a scheme introduced by the UK government with the primary goal to reward the companies operating within the UK and concentrating on investing in innovation. The current receivable relates to benefits which will be received as a cash refund within twelve months, whilst the non-current receivable will be recovered as a reduction on income tax liability in future years.

Provision for impairment of trade receivables/other debtors as at 31 December 2021 was £Nil (2020: £10.7m). The 2020 provision was against invoiced and future invoiceable amounts (included in other receivables) for one particular customer contract, with any movement recognized in the income statement during the year.

The Financial instrument asset at 31 December 2020 relates to net receivable on forward exchange contracts. At 31 December 2021, there was a net payable on forward exchange contracts – refer Note 14.

14. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
		(restated)
Trade creditors	910	4,891
Amounts owed to parent undertaking	84,333	91,735
Amounts owed to subsidiary undertakings	8,719	6,609
Taxation and social security	1,260	1,099
Other creditors	1,987	4,449
Lease liability	1,815	2,295
Foreign currency forward exchange contracts	1,461	-
Accruals and deferred income	33,711	26,547
	134,196	137,625

Intercompany balances are non-interest bearing and repayable on demand.

There are no material differences between any carrying values and fair market values.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements
for the year 31 December 2021 (continued)

15. Creditors: amounts falling due after one year

	2021	2020
	£'000	£'000
Lease liability	12,925	14,530
Other creditors	693	-
	<u>13,618</u>	<u>14,530</u>

16. Provisions

	Legal	Dilapidations	Other	Total
	£'000	£'000	£'000	£'000
At 1 January 2021 (restated)	1,399	1,073	200	2,672
Additional provision required	-	74	-	74
Release of provision	(399)	-	(200)	(599)
Net utilisation of provision	-	(686)	-	(686)
At 31 December 2021	<u>1,000</u>	<u>461</u>	<u>-</u>	<u>1,461</u>

The dilapidation provision has been raised in respect to contractual requirement to restore leased premises to their original condition at the end of the respective lease terms. Of the dilapidation provision £399 thousand (2020: £326 thousand) is expected to fall due after more than one year and has been shown as a non-current liability.

The legal provision has been raised in respect to several ongoing cases and the recognised provision reflects the directors' best estimate of the most likely outcome following obtaining legal advice and is expected to be utilised within one year.

The Company does not consider that discounting of these amounts to be material based on the expected maturity profile of the provisions.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2021 (continued)

17. Share-based payments

Canyon Bridge International Holding Investment Limited ("CBIHIL"), of which the Company is a wholly owned subsidiary and which is a subsidiary of Canyon Bridge, granted equity incentive shares, designated as A and B Class Growth Shares to be issued in CBIHIL, to each of the Company's Executive Management Board members ("EMB member" or "participant"), in exchange for the services provided to and for the benefit of the Company. The total allotted A Shares was 825 and the total allotted B Shares was 175, with a subscription price of \$72 per share, which is immediately payable in full.

The awards vest 20% annually over five years. If a participant leaves employment with the Company, and is a "good leaver", the restriction on the vested proportion of its award will be lifted at the leave date and the unvested proportion will be forfeited. Otherwise, the award will be forfeited. Upon an Initial Public Offering ("IPO"), Change in Control or Asset Sale event, where the value of the Company exceeds \$800 million (individually and collectively considered as "Exit Events"), A and B Class Growth Shares will vest in full at that point, and will convert into ordinary shares of the new listed entity (in an IPO scenario).

Share-based payments expense is recorded within the Company's income statement as follows:

	Dec-21	Dec-20
	£'000	£'000
General and administrative expenses	564	470
Research and development expenses	327	66
Sales and marketing expenses	225	175
	1,116	711

The following table summarises unvested A and B Class Growth Shares outstanding:

	Growth A shares	Growth B shares
Outstanding at 1 January 2020	-	-
Granted	825	175
Vested	(165)	-
Outstanding at 31 December 2020	660	175
Vested	(155)	(35)
Forfeited	(40)	-
Outstanding at 31 December 2021	465	140

The grant date fair value for both A and B Growth Shares was \$4,185 per share. The following table lists the inputs to the model used for the A and B Class Growth Shares fair value determination at grant date:

	Growth A/B shares
Fair value at grant date	\$4,185
Risk-free interest rate (%)	0.37
Expected volatility (%)	0.39
Dividend yield (%)	0.00
Model used	Black-Scholes

Volatility was estimated based on the selected volatility of guideline companies and leveraged to account for differences in leverage.

At 31 December 2021, the total unrecognised compensation expense related to the A and B Growth Shares was £1,159 thousand, which the Company expects to recognize over a period of four years.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2021 (continued)

18. Capital and Reserves

Called up share capital	2021 £'000	2020 £'000
<i>Allotted, called up and fully paid</i>		
14,161,291 (2020: 14,161,291) ordinary shares of £1 each	14,161	14,161

Capital contribution from Parent

The Capital contribution from Parent is used to recognise other non-capital equity contributions made by Companies controlled by CBIHIL, associated to the share-based incentives described in Note 17.

Fair value reserve of financial assets at Fair Value through OCI (FVOCI)

The amount presented in this reserve reflects the change in the asset valuation of investments designated at FVOCI (Note 12).

19. Commitments

Capital commitments at the end of the financial year for which no provision has been made are as follows:

	2021 £'000	2020 £'000
Authorised and contracted	203	319

20. Subsequent events

No subsequent events have been identified.

21. Related parties

	2021 £'000	2020 £'000
Income Statement		
Revenue – HeXinDa	1,580	-
Monitoring fee charged by Canyon Bridge**	(246)	(415)
Employment expenses – Close family of key management personnel	-	(121)
	<u>1,334</u>	<u>(536)</u>
Statement of Financial Position		
Debtors – HeXinda	16	-
Accrued income – HeXinDa	555	-
Debtors – loans to Directors*	23	-
Trade Creditors – Canyon Bridge	(14)	(74)
Accruals – Canyon Bridge**	(45)	(20)
Capital contribution from parent (note 17)	(1,827)	(711)
	<u>(1,292)</u>	<u>(805)</u>

* During the year ended 31 December 2021, the Company advanced unsecured loans to the Directors of the Company, the amount of Director loans totalled USD \$32,400 (€23,979) (31 December 2020: €Nil). At 31 December 2021 USD \$31,610 (€23,403) remains outstanding (2020: €Nil). The loans are interest free and repayable at the latest by 31 December 2030. During the year no expense for bad & doubtful debts has been incurred in respect to the loans (2020: €Nil), and no provisions for doubtful debts have been recognised against the loan balances (2020: €Nil).

** Relates to 3rd party costs in respect of services provided to the Company, incurred by Canyon Bridge, and recharged to the Company.

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements for the year 31 December 2021 (continued)

22. Changes in basis of presentation

In the Financial Statements for the year ended 31 December 2020, the Company presented its Income Statement by nature. In 2021, the Company decided to present its Income Statement by function. Additionally, the Company decided to present the Change in fair value on foreign currency forward exchange contracts within other operating income/(expenses) in 2021. In the issued Financial Statements for the year ended 31 December 2020, it was included within Finance (expense)/income line item.

The Directors consider that the new basis of presentation results in the financial statements providing more relevant and appropriate information about the Company's results.

As a result of the changes in the Company's accounting policies, prior year financial statements had to be restated. The changes in accounting policies have been reflected by restating each of the affected financial statement line items as follows:

Income Statement (extract)	2020 £'000	Prior year adjustments (note 23) £'000	Presentation change £'000	2020 (restated) £'000
Operating expenses	(103,115)	680	102,435	-
Research and development expenses	-	-	(48,204)	(48,204)
Sales and marketing expenses	-	-	(4,103)	(4,103)
General and administrative expenses	-	-	(43,424)	(43,424)
Other operating income and expenses	6,548	-	1,217	7,765
Finance income / (expense)	804	-	(1,217)	(413)

23. Correction of prior year errors

In the year ended 31 December 2021, the Company discovered the following errors affecting the information reported in the year ended 31 December 2020:

- Omission of the accounting for the Growth Shares scheme (Note 17), increasing Capital contribution from parent by £711,000, General and administrative expenses by £470,000, Selling and marketing expenses by £175,000, and Research and development expenses by £66,000.
- Accruals for services received after 31 December 2020, decreasing trade and other payables by £1,391,000, general and administrative expenses by £930,000, Selling and marketing expenses by £97,000, and Research and development expenses by £364,000.
- Presentation error on prepayments and accruals (Statement of financial position reclassification), decreasing both trade and other receivables and trade and other payables by £621,000.
- Presentation error on accrued income and deferred income (Statement of financial position reclassification), decreasing both by £1,862,000.
- Presentation error on accruals and provisions (Statement of financial position reclassification), decreasing trade and other payables by £428,000 and current provisions by £572,000, and increasing non-current provisions by £1,000,000.

The errors have been corrected by restating each of the affected financial statement line items for the prior year Financial Statements (2020) as follows:

IMAGINATION TECHNOLOGIES LIMITED

Notes to financial statements
for the year 31 December 2021 (continued)

23. Correction of prior year errors (continued)

	31 December 2020 £'000	Change £'000	31 December 2020 (restated) £'000
Statement of financial position (extract)			
Debtors (current assets)	45,747	(3,239)	42,508
Creditors: amounts falling due within one year	(142,683)	5,058	(137,625)
Provisions: amounts falling due within one year	(1,918)	572	(1,346)
Provisions: amounts falling due after more than one year	(326)	(1,000)	(1,326)
Capital contribution from Parent	-	(711)	(711)
Accumulated deficit	41,854	(680)	41,174

	2020 £'000	Change £'000	2020 (restated) £'000
Income Statement (extract)			
Operating expenses	(103,115)	680	(102,435)
Profit / (Loss) before taxation	153	680	833
Profit / (loss) after tax from continuing operations	(3,677)	680	(2,997)
Profit / (Loss) for the financial year	(6,249)	680	(5,569)

	2020 £'000	Change £'000	2020 (restated) £'000
Statement of comprehensive income (extract)			
Total comprehensive income / (loss) for the year	(6,249)	680	(5,569)

The correction further affected some of the amounts disclosed in notes 3, 4, 5, 6, 7, 8, 13, 14 and 16.

24. Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of Imagination Technologies Group Limited, who in turn are a subsidiary undertaking of CBF Investment Limited, which is the parent company whose 31 December 2021 financial statements the results of Imagination Technologies Limited are consolidated. No other group financial statements include the results of the company. The consolidated financial statements of this Group are available to the public from Imagination House, Home Park Industrial Estate, Station Road, Kings Langley, WD4 8LZ which is also the registered address of this company.

The ultimate parent company at the date of this report is China Venture Capital Fund Corporation Limited, a company incorporated in China.