Company Registration No. 02920061

Imagination Technologies Group Limited

Directors Report and Financial Statements

For the year ended 31 December 2018

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Imagination Technologies Group Limited
Company Information

Directors

Ray Bingham
Peter Kuo
John Kao
Guy Millward - Resigned 3 January 2018
Jonathan Lewis – Appointed 3 January 2018, Resigned 18 July 2018
Dr Liyou Leo Li – Appointed 18 July 2018, Resigned 31 December 2018
Ronald Black – Appointed 1 January 2019

Registered Office

Imagination House
Home Park Estate
Kinds Langley
Hertfordshire
WD4 8LZ

Registered Number

02920061 (England and Wales)

Imagination Technologies Group Limited

Directors' Report

The directors present their report on the affairs of the company, together with the Financial Statements for the year ended 31 December 2018.

Principal Activity and Business Review

The purpose of the company is to act as the holding company for the Imagination Technolgies Group. Prior to 2 November 2017 this entity was the public limited company whose shares were traded on the main London Stock Exchange. Following delisting on 2 November 2017, this entity remains as above, but the shares are no longer publicly traded. The entity is non-trading and it is anticipated that the company will remain non-trading for the foreseeable future. Key performance indicators are not considered necessary for an understanding of the development, performance or position of the business of the company. There are no risks or uncertainties facing the company including those within the context of the use of financial instruments.

Strategic Report

The directors have not produced a Strategic report as the company is eligible for exemption from preparing one under Companies Act 2006 section 414B relating to small companies.

Directors

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

Ray Bingham
Peter Kuo
John Kao
Dr Liyou Leo Li
Jonathan Lewis
Guy Millward

Dividends

The directors do not recommend payment of a dividend (2017: £nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the period.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each 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 ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

Approved by the Board and signed on its behalf by:

Ronald Black
Director

1 August 2019

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing 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.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMAGINATION TECHNOLOGY GROUP LIMITED

Opinion

We have audited the financial statements of Imagination Technologies Group Limited ("the company") for the year ended 31 December 2018 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements concerning the uncertainty of future cash flows from Apple, the sensitivity of the cash flow forecasts to the planned revenue receipts, and the availability of additional facilities from Canyon Bridge as may be needed if these revenues do not materialize. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

John Bennett (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
5 August 2019

Profit and loss account

	Notes	Year to 31 Dec 2018 £'000	Year to 31 Dec 2017 £'000
Turnover		-	1,158
Operating expenses		**(1,072)**	(70,334)
Operating Loss		**(1,072)**	(69,176)
Net interest payable	3	**37**	(477)
Loss before taxation		**(1,035)**	(69,653)
Taxation (charge) / credit	4	**(-)**	(-)
Loss for the financial year		**(1,035)**	(69,653)

During the period all operations arose from continuing operations. The notes on pages 12 to 18 form part of these financial statements.

There are no other gains or losses in the period and accordingly no statement of other comprehensive income has been prepared.

Balance sheet

	Notes	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Fixed assets			
Investment in subsidiary undertakings	5	**111,775**	111,775
Current assets			
Debtors (including £nil (2017: £nil) due after more than one year)	6	**56,239**	48,880
Cash		**70**	500
		56,309	49,380
Current liabilities			
Creditors: amounts falling due within one year	7	**(8,577)**	(613)
Net current assets		**47,732**	48,767
Total assets less current liabilities		**159,507**	160,542
Non-current liabilities			
Creditors: amounts falling due after one year	7	**-**	-
Net assets		**159,507**	160,542
Capital and reserves			
Called up share capital	10	**30,159**	30,159
Share premium account		**105,459**	105,459
Other capital reserve		**1,423**	1,423
Share based payment reserve		**93,461**	93,461
Retained earnings		**(70,995)**	(69,960)
Equity shareholders' funds	11	**159,507**	160,542

These financial statements were approved by the Board of Directors on 1 August 2019 and were signed on its behalf by:

Ronald Black
Director

Statement of changes in equity

	Share capital £'000	Share premium £'000	Other capital reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 May 2017	28,394	105,027	1,423	80,423	(3,402)	211,865
Loss for the financial period	–	–	–	–	(69,653)	(69,653)
Issue of new shares	28	432	–	–	–	460
Shares issued at nil cost	1,737	–	–	–	(1,737)	–
Share-based remuneration	–	–	–	17,870	–	17,870
Reclassification between reserves *	–	–	–	(4,832)	4,832	–
At 31 December 2017	30,159	105,459	1,423	93,461	(69,960)	160,542
At 1 January 2018	**30,159**	**105,459**	**1,423**	**93,461**	**(69,960)**	**160,542**
Loss for the financial period	–	–	–	–	(1,035)	(1,035)
At 31 December 2018	**30,159**	**105,459**	**1,423**	**93,461**	**(70,995)**	**159,507**

* The reclassification in the period is to transfer the element of share based payment reserve that relates to the Hellosoft Inc group to retained earnings on the basis that it the corresponding investment has been realised for qualifying consideration (see note 5).

Notes to the accounts

1 Accounting policies

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

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

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

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The following principal accounting policies have been applied consistently throughout the period and preceding year in dealing with items which are considered material in relation to the Company's financial statements. The financial statements are prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. 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;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- The effects of new but not yet effective IFRSs
- IFRS 7 Financial Instruments
- IFRS 13 Fair value measurement
- IAS 36 Impairments

Furthermore, the adoption of IFRS 9 and IFRS 15 during the year have not had a material impact on any of the information presented in this report.

Going concern

The Company was acquired by CBFI Investment Limited, a vehicle controlled by Canyon Bridge Fund I, LP in 2017.

In determining the appropriate basis of preparation for the Company's financial statements, the Directors have considered the position of the its principle trading subsidiary, Imagination Technologies Limted, and the disclosures provided by its immediate parent undertaking, CBFI Investment Limited (herein referred to as 'the Group'), as to whether it can continue as a going concern. The Financial Statements of CBFI Investments Limited for the period ended 31 December 2018 included the following disclosure:

"It is regrettable the commercial dispute with Apple Inc. ("Apple") remains ongoing, and therefore it may be perceived that some uncertainty exists over the expected trading performance of the Company. However, this is alleviated by the financial support offered by Canyon Bridge. Since

the acquisition of the Imagination Technologies Group by Canyon Bridge on 2 November 2017, Canyon Bridge has promised continued financial support to the Group. At the date of this report, Canyon Bridge has advanced the group $42m and has promised more funding as and when required. This will be injected periodically, e.g. quarterly, and would be re-payable on demand to Canyon Bridge. The Company has no reason to doubt the availability of these future funds from Canyon Bridge.

The Directors have recently reviewed the Group's strategy and future business and updated its Annual Operating Plan ("the Plan"). This included cash flow forecasts for a period in excess of 12 months. The Plan covers a variety of scenarios, namely quantifying the impact of the Apple uncertainty and the achievement of the current and future years' sales budget, since the cost base is relatively predictable or fixed. The overall conclusion remains that if Apple do not pay royalties to Imagination, it is more likely than not that the group would requiring additional working capital beyond the group's current standalone facilities. While ongoing support has been provided by Canyon Bridge, and further financial support has been promised, these facilities are not contractually secured at the date of this report."

Accordingly, the Directors have considered the key assumptions underpinning the Plan, including the promised support from Canyon Bridge. Based on this assessment, it is considered that the factors referenced above constitute a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern without Canyon Bridge's on-going support and, therefore, the Directors have concluded there are circumstances under which the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors' believe that the Group, and hence the Company, will continue to have acceptable financial resources to meet obligations as they fall due and accordingly have formed a judgment that it is appropriate to prepare the financial statements on a going concern basis.

Therefore, these financial statements do not include any adjustments that would result if the going concern basis of preparation is inappropriate.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provisions for impairment.

Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

2 Employees

The Company does not employ any staff. During both 2017 and 2018, all remuneration costs were incurred by subsidiary Imagination Technologies Limited :

Remuneration of directors

	2018	2017
	£'000	£'000
Directors' remuneration	**337**	901
Company contributions to money purchase pension plans	**18**	33
Amounts receivable under long term incentive schemes	**-**	1,688
Compensation for loss of office	**33**	1,108
	388	3,730

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £nil (2017: £1,726,000) and Company pension contributions of £nil (2017: £21,000) were made to a money purchase scheme on his behalf. During the period, the highest paid director exercised share options and received shares under a long term incentive scheme.

Number of Directors

Retirement benefits are accruing to the following number of directors under:	**2018**	2017
Money purchase schemes	**0**	2
Defined benefit scheme	**0**	0
	0	2

The number of directors who exercised share options was	**0**	2
The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was	**0**	2

3 Interest

	2018	2017
	£'000	£'000
Interest payable	**-**	(343)
Interest receivable	**37**	1,176
Other financing costs	**-**	(1,310)
	37	(477)

Interest receivable in the year was interest earned on late payment of the accrued income following the sale of a business by the company in 2017 (note 6).

In the prior period, interest was payable on a bank loan held for part of the period to 31 December 2017. The loan was repaid in full in November 2017.

Furthermore in the prior period, there was interest receivable from a tower structure operating within the Imagaination Group between May 2017 and October 2017. The Other financing costs are revaluing of dollar denominated intercompany loans within said tower structure.

4 Taxation

Analysis of tax charge / (credit) for the period

	2018	2017
	£'000	£'000
Total current tax charge / (credit)	**–**	–
Total deferred tax charge / (credit)	**–**	–
Tax on loss on ordinary activities	**–**	–

Reconciliation of tax charge / (credit)

	2018 £'000	2017 £'000
Loss on ordinary activities before tax	**(1,035)**	(69,653)
Tax on loss on ordinary activities at 19.00% (2017: 19.00%)	**(197)**	(13,234)
Expenses not deductible for tax purposes	–	13,238
Group relief (claimed)	–	(4)
Adjustment to closing deferred tax (to 17.00%)	**21**	–
Deferred tax not recognised	**176**	–
Total tax charge / (credit)	–	–

Given the uncertainty of future profit generation, management have decided not to recognise any UK deferred tax assets at 31 December 2018. The value of the unrecognised UK deferred tax asset at 31 December 2018 was £176,000 (2017: £nil).

5 Investments in subsidiary undertakings

	2018 £'000	2017 £'000
Cost and net book value		
At beginning of period	**111,775**	152,259
Addition – share based payment to employees of subsidiaries	-	17,870
Addition – loan to subsidiary converted to equity	-	47,821
Disposals	-	(106,175)
At end of period	**111,775**	111,775

6 Debtors

	2018 £'000	2017 £'000
Amounts owed by subsidiary undertakings	**56,239**	28,270
Accrued Income	-	20,610
	56,239	48,880

7 Creditors: Amounts falling due within one year

	2018	2017
	£'000	£'000
Amount due to parent undertaking	**7,852**	-
Accruals and deferred income	**-**	155
Sundry creditors	**725**	458
	8,577	613

The amount due to parent undertaking of £7,852,000 ($10,000,000) was loaned by Canyon Bridge Fund I, LP to Imagination Technologies Group Limited for working capital purposes. This loan is interest free and repayable on demand, and its fair value is equal to its book value

8 Operating leases

At 31 December 2018, the Company had no operating lease commitments (Dec 2017: £nil).

9 Capital commitments

At 31 December 2018, the Company had no capital commitments (2017: £nil).

10 Capital and Reserves

Called-up share capital

	Allotted, called-up and fully paid	
Ordinary shares of 10p each	No.	£'000
At 1 31 December 2017 & 2018	301,593,600	30,159

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 Group. As at 31 December 2018, there were 301,593,600 ordinary shares in issue and all issued shares are fully paid.

Other capital reserve

The balance on the other capital reserve reflects the value of warrants issued in respect of the acquisition of Ensigma Limited in March 2000.

Merger reserve

The merger reserve arose in the Group reconstruction in 1994 prior to its flotation.

Share based payment reserve

This is a historic reserve which reflected the same share based reserve entries in the main subsidiary entity, Imagination Technologies Limited. The employees who received the share awards we employed by Imagination Technologies Limited hence the IFRS 2 cost of the awards was charged to Imagination Technologies Limited. However, the shares awarded were for the entity ImaginationTechnologies Group PLC (now Imagination Technologies Group Limited). Therefore historically an entry was recorded to increase the Investment in the subsidiary Imagination Technologies Limited with a corresponding equal and opposite entry to share based reserve in Imagination Technologies Group Limited. This reserves balance remains unchanged during 2018 and will remain unchanged going forward following the delisting of the Company on 2 November 2017.

11 Reconciliation of movements in equity shareholders' funds

	2018	2017
	£'000	£'000
Equity shareholders' funds at the start of the period	**160,542**	211,865
Loss for the financial period	**(1,035)**	(69,653)
Share-based remuneration	**-**	17,870
Issue of new shares	**-**	460
Equity shareholders' funds at the end of the period	**159,507**	160,542