5 July 2016

Imagination Technologies Group plc

Year-end results

Imagination Technologies Group plc (LSE: IMG, "Imagination", "the Group"), a leading multimedia, processor and communications technology company, today announces results for the year ended 30 April 2016.

FY16 financial performance

- Results in line with trading update published 26 May 2016
- Group revenue from continuing operations £120.0m (2015: £156.8m)
  - Licensing revenue from continuing operations £17.1m (2015: £37.8m) - includes one-off £5.7m revenue reversal for SoC Design contract
  - Royalty revenue from continuing operations £102.7m (2015: £118.4m)
- Adjusted operating loss* for continuing operations £16.5m (2015: profit £29.8m)
- Reported operating loss from continuing operations £61.5m (2015: profit £5.7m)
- Adjusted loss per share was 9.2p (2015: earnings 6.3p); reported loss per share was 29.8p (2015: loss 4.9p).
- Cash generated by operations was £16.7m (2015: out flow £4.0m)
- Net debt at the year-end was £33.0m (30 April 2015: £27.2m and 31 October 2015: £35.4m)

Restructuring initiative launched in February 2016

- Focus on three core businesses; graphics and multimedia (PowerVR), processing (MIPS) and connectivity (Ensigma)
- Sale of Pure and other non-core cash consuming activities on course - Pure attracting considerable interest
- Substantial reduction in cost base - £27.5m of cost reduction in FY17

Operational review - identified where to focus resources to exploit leading positions

- PowerVR - R&D prioritised on retaining technology leadership and consolidating position in mobile, automotive and DTVs/STBs
  - Good opportunities in emerging markets: AR/VR, vision systems and ray tracing
- MIPS - focused on embedded processor market segments where we have strong positions and can exploit capabilities to build long-term, defendable positions
- Ensigma - longer-term play, significant opportunity is emerging to license its connectivity IP, especially with the growth of IoT
- MIPS and Ensigma - look to improve the prospects through partnerships, aimed at building necessary ecosystems and reaching scale more quickly
- Group continues to see strong demand for licences for its core technologies and expects revenues to improve in FY17

Andrew Heath, Chief Executive, said:

"As previously indicated in our trading update in May, the last year has been particularly challenging for Imagination. The results reflect a combination of difficult trading conditions and a significant restructuring of the business.

"However, we have now taken the necessary action to put Imagination back onto a sound financial footing.

"We have also conducted a comprehensive operational review. Going forwards Imagination will be an IP licencing business. We will increase investment in PowerVR, which reported significant profits, building on our leading position and exploiting new markets. We will focus MIPS and Ensigma where we have, or can build, differentiated, defendable positions. We will also look to improve the prospects for both business units through partnership arrangements aimed at building the necessary ecosystems and reaching scale more quickly.

"Despite recent trading challenges, I see a bright future for Imagination. The market for our IP remains large. We now have a sound financial position and have maintained our strong positions with leading customers.

"Overall we are well positioned to take advantage of a number of attractive end markets and deliver profitable growth."

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

Chief Executive's Review

FY16 has been a notably difficult year for the business which has seen a marked downturn in revenue and a significant restructuring of the business to enable it to grow and trade profitably in the future.

During the first half of the financial year, we saw a significant slowdown in the semiconductor market. This was driven by weaker smartphone sales and the general economic slowdown and build-up of inventory in China.

This resulted in lower license sales for Imagination, and this continued into the second half of the year. Royalty revenues were also down year-on-year, impacted by the ramp down in sales of a legacy chip manufactured by a significant customer. As a result, in February 2016, the Group announced that it expected to make a trading loss for the financial year.

Since my appointment as interim CEO in February I have focused on swiftly and decisively restructuring Imagination to put us back on a sound financial footing.

This will enable the Group to reinforce and build on the current strengths in its core three businesses; graphics and multimedia (PowerVR), processing (MIPS) and connectivity (Ensigma).

The restructuring process has required a number of difficult decisions, including the reduction in headcount and other cost reductions to a level that the Group can sustain, as well as decisions to sell or close parts of the business that are not core to the Group's future. A total of £27.5m of annualised cost reductions have been announced.

To enable the required level of investment in our core businesses, we are divesting non-core and cash-consuming business lines, such as the Pure radio business, and have re-scoped and scaled back our SoC design business to make it profitable. These changes to the business were necessary and over-due and there has been strong recognition of the need for change. The operational review has also identified the SoC Design business (IMG Works) as non-core and the Group will sell the business.

The cost reductions have been largely completed. The main areas impacted by the cost reductions were non-core engineering activities and central overheads including marketing and property. The core IP engineering activities have been protected. In total around 520 employees will leave the Group once all business disposals are completed. A significant proportion of the senior management team will also have been reduced or replaced.

Despite these reductions in headcount, we have committed to increase investment in the PowerVR business by hiring more than 50 more engineers. The cost reductions are enabling us to allocate capital in our core activity to ensure growth and attractive returns.

The sale of Pure and other non-core activities is proceeding well and we hope to have completed this activity before the end of the year. We have not seen any reduction in Pure's trading performance during the sale process.

On my arrival, I also initiated a full operational review covering all continuing activities, which are mainly the development and sale of the core IP families within the PowerVR, MIPS and Ensigma businesses.

The review has been completed and has identified those areas where we can build on our strengths and allocate the right capital to ensure growth and attractive returns.

Going forward Imagination will be focused as follows:

Future R&D spend will be prioritised in PowerVR, particularly on retaining technology leadership and consolidating our position in mobile, automotive and DTVs/STBs. We also see good opportunities in emerging markets, such as AR/VR, vision systems and on monetising our ray tracing technology.

The MIPS business will be focused on the embedded processor market, in particular those market segments where we have strong positions today and where we can exploit our differentiation capabilities to build long-term, defendable positions into the future either alone or with partners.

While we recognise Ensigma is a longer-term play, a significant opportunity is emerging to license our connectivity IP, especially with the growth of IoT. We will continue to invest in MIPS and Ensigma and we will look to improve the prospects for these businesses through partnership arrangements aimed at building the necessary ecosystems and reaching scale more quickly.

Outlook

The restructuring initiated in February has been progressing to plan and the Group will see the full benefits from it in the financial year to 30 April 2017.

The Board is confident that by re-focusing on Imagination's core IP licensing activities with disciplined capital allocation, the Group will deliver profitable growth and shareholder value.

The Group continues to see good demand for licences for its core technologies and expects revenues to improve in FY17. Some of this improvement is already contracted through re-negotiated licensing and services contracts, which are part of the Group's SoC design services activities.

Royalty unit shipments are expected to be in line with FY16 with growth from recent design wins offset by weakness in smart phone sales at the Group's biggest customer.

The Brexit vote has lead to a further degree of uncertainty over global economic conditions and forecasts and until the position is clearer we will not know how the business will be affected, if at all. However, the Group has few customers or employees in the European Economic Area outside the UK, even less when Pure is sold, so the exposure is small.

The Board remains confident that the Group is on track to deliver progress following a year of substantial transition.

Strategy for the future

As announced in February 2016, we initiated a comprehensive operational review, including a full analysis of all R&D expenditure.

The objectives of our revised strategy are to build IP solutions of real scale with customers, across a wide range of markets, where we can provide differentiated offerings and build defendable positions; delivering long-term value to shareholders in the process. We will do this by focusing investment on our core IP businesses, providing outstanding service to customers, as well as rewarding careers to our employees.

PowerVR

PowerVR's technology takes data from sensors or CPUs to a screen, delivering stunning images for entertainment, user interfaces and much more. It consists of a comprehensive range of multimedia IP, from graphics processing units (GPUs) for graphics and GPU compute, to video, imaging and vision processing.

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

The strategy for PowerVR will focus on consolidating Imagination's position and retaining leadership in high-end mobile, whilst striving to regain market share in the mid-range mobile market.

We also see opportunities to grow the Group's position in infotainment, maintain our strong position in digital TV/set top boxes and continue to identify opportunities in Advanced Driver Assisted Systems (ADAS) in the automotive sector.

We have identified strong opportunities in emerging and growth sectors related to ray tracing and vision and will be investing to leverage our technologies in these areas. In particular, we see clear opportunities for our ray tracing capabilities across a range of applications in augmented reality and virtual reality (AR/VR) and in vision for context-aware applications such as facial and gesture recognition.

MIPS

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

Our strategy for MIPS will focus on embedded processor markets where we can differentiate and maintain/build defendable positions, seeking partnerships to strengthen our offer further.

As part of this strategy we aim to maintain our stronghold in networking, home gateways and the DTV/STB markets, whilst leveraging opportunities in certain Internet of Things (IoT) growth segments.

Ensigma

Today's consumers all expect to be connected wherever they go and to whatever device they use. Ensigma blends programmable and fixed function blocks to deliver a family of highly scalable multi-standard connectivity platforms that offer exceptional performance as well as outstanding silicon efficiency.

IP licencing in connectivity is an early-stage market today and as such is less certain. However, a significant opportunity, supported by a strong license pipeline, is emerging, particularly in the growth of the IoT market. We will seek partnerships to enhance the offering and expand routes to market, with a clear focus on ROI.

IMG Systems

The majority of the activities that were previously included in IMGSystems are in the process of being sold or closed down. These include Hellosoft (the voice over internet protocol business) and other activities associated with consumer products that previously supported Pure.

IMG Works

IMGWorks provides a system on chip (SoC) design service for customers, integrating Imagination's IP from across its core families (PowerVR, MIPS, and Ensigma). These customised SoCs provide customers with chips optimised for their end use application. IMGWorks has been re-scoped and is in the process of being cut back to make it commercially viable. The operational review has identified the SoC Design business (IMG Works) as non-core and the Group will sell the business.

Financial Review

Following the change in management of the business in the second half of the year, an in-depth review of the Group's operations was carried out. A number of decisions have been made as a result of this review, including to reduce the Group's cost base and close or sell parts of the business. The financial impact of these decisions and of actions taken to improve the Group's financial position and ensure its viability going forward are reflected in the figures presented here.

The decision to sell or close Pure and other business lines has resulted in these parts of the Group being classified as discontinued operations at 30 April 2016. We have also changed the segmental analysis of the business this year to increase the visibility of the Group's performance – the Technology segment is now split into PowerVR, MIPS, Ensigma, IMG Works and IMG Systems.

The format of the income statement has been changed this year as, following the decision to sell Pure and IMG Systems, gross profit is no longer a useful measure of the Group's continuing operations. In addition, the Group has included a separate column on the face of the income statement to disclose significant items that have impacted the operating results (termed separately disclosable items or SDI).

Revenue

Group revenue from continuing operations for the period ending 30 April 2016 decreased by 23% to £120.0m (2015: £156.8m).

Within this, licensing revenue decreased 55% to £17.1m (2015: £37.8m); this is after a one-off adjustment being made to reverse £5.7m of revenue related to two contracts where decisive action has been taken to improve the commercial outcome for the Group. In this context, one contract has been extended in scope, with materially higher revenues expected; however, this has resulted in a change in the IP being delivered and the reversal of previously recognized revenues. In the second instance, the Group has agreed to cancel a contract; as a consequence, revenue recognized in FY15 has been reversed and exit costs associated with the cancellation have been recognized in full this year. The revenue reduction was spread across the segments it impacted.

Royalty revenue from continuing operations decreased by 13% to £102.7m (2015: £118.4m). Partners' chip shipments (excluding MIPS) were down at 464m (2015: 530m) units, primarily because of a reduction in shipments of one specific legacy chip. MIPS' partner shipments decreased by 4% to 764m units (2015: 797m), although in the second half of the year shipments returned to year-on-year growth of 2%. These reductions resulted in lower royalty revenues in both PowerVR and MIPS. Royalty revenues in Ensigma were up year-on-year because of increasing digital radio sales – the majority of Ensigma royalties come from RPU sales to chip providers for digital radios. The average royalty rate, excluding MIPS, was in line with the prior year. Total Partner chip unit shipments fell to 1,228m units (2015: 1,327m).

Revenue from discontinued operations increased by 6% during the year primarily due to concerted efforts to reduce Pure's stock holdings. These sales were at very low margins, sometimes below cost, as the business attempted to secure some value for obsolete and slow moving items.

The average sterling / dollar rate during the year improved by 7%, resulting in a similar gain in revenue. Total revenues were down 20% to £141.4m (2015: £177.0m).

Operating expenses

Group operating expenses included in adjusted operating loss, associated with continuing operations, increased year-on-year to £136.5m (2015: £127.0m) as R&D investment continued to grow. We have taken action to reduce costs and £27.5m have been taken out of the cost base for FY17. The cost savings are made up of a combination of headcount reductions, as well as savings in overheads including marketing, property, third party software and hardware rental, travel and contractors. The cost savings were completed early in FY17, and we expect the full value of these savings to be realised in the current year.

As noted above, we have specifically highlighted the impact of the restructuring by showing certain specific costs as SDI. We have, however, included some significant items in continuing operating expenses that are not expected to recur in future periods; this includes £2.5m of bad debt provision and write-offs and a £0.9m charge in respect of employee holiday liabilities that had not previously been accounted for (c.£0.6m of this should have been recognised at 30 April 2015).

We have set out a more detailed segmental analysis than previously reported in note 2 to the accounts, showing revenues and operating costs for the six operating businesses that the Group reports internally and uses to manage the business. PowerVR and MIPS make profits after taking into account direct engineering costs, PowerVR makes profits after allocating central overheads, MIPS did not. The other 4 units (Ensigma, IMG Works, Pure and IMG Systems) make substantial losses before any central costs are allocated. IMG Works is being re-scoped and re-scaled to address its losses and will be divested in FY17. Activities associated with Pure and IMG Systems are being sold or shut down.

Adjusted operating profit

On a statutory basis, the Group made an overall operating loss before tax of £87m (2015: loss of £12m).

Consistent with prior periods, adjusted profit is used by the business to measure its performance year on year by excluding non-recurring items (items which typically do not occur every year), items relating to acquisitions and investments, non-cash based share incentive charges, and amortisation of intangible assets acquired from acquisitions. This year, adjusted operating loss* for continuing operations was £16.5m (2015: profit of £29.8m). A reconciliation of this to the statutory operating loss is given in note 2. The key adjustments made to operating losses from both continuing and discontinued operations were to add back:

- non-cash share-based incentives charge of £7.8m (2015: £12.0m);
- amortisation of intangibles from acquisitions of £8.7m (2015: £9.1m), £1.8m of which relates to discontinued operations;
- loss on disposal and impairment of investments of £11.4m (2015: £5.1m) – we have sold almost all of the Group's holdings of publically traded investments and have written down the value of all others, except Atomos, which is currently a profitable growing business, and Netspeed, which are likely to have value should a buyer become available;
- acquisition related costs of £1.1m (2015: £1.4m) arose in both FY16 and FY15 from on-going payments relating to the Posedge acquisition, these costs will end in FY17;
- onerous contract provision of £6.7m (2015: £2.5m) – this reflects the losses that will be made on various SoC design contracts;
- onerous property lease provision of £1.9m (2015: nil) for the offices closed as part of the cost reductions;
- goodwill impairment from the decision to sell IMG Systems businesses of £11.1m (2015: nil), all included in discontinued operations;
- Group restructuring costs of £6.6m (2015: £0.7m) – mainly redundancy costs of over 200 staff;
- fixed asset write-downs of £6.9m (2015: nil), this relates to one of the three office buildings at Kings Langley that the Group owns. The building is likely to become empty and surplus to requirements once the business disposals are completed. The property is therefore reclassified as an investment property and written down to the market value of this building which is well below cost;
- a credit relating to releases of contingent acquisition consideration of £1.7m (2015: £0.4m).

Adjusted operating loss* for discontinued operations was £8.9m (2015: £8.7m), most of which related to Pure, where on top of on-going trading losses, a large stock provision was required for obsolete or slow-moving stock.

The Group's adjusted loss per share was 9.2p (2015: earnings of 6.3p). The Group's reported loss per share is 29.8p (2015: loss of 4.9p).

Taxation

Net tax was a credit of £6.6m (2015: charge £1.1m) reflecting the losses made in the year, particularly in the UK, and the deferred tax impact of using these losses in future years. The credit is net of overseas withholding tax the Group is required to pay on customer remittances from various jurisdictions. It is also net of taxes payable in various jurisdictions outside the UK and US where Imagination's offices provide R&D, customer support and sales and marketing services for the Group.

There are significant losses available in both the UK and the US to offset future year's taxable income. During the year the IRS in the US audited the tax returns of the MIPS legal entity for periods prior to and including the acquisition by Imagination. A significant multi-million dollar assessment has been raised and may lead to significant tax payments being required in future. A provision has been recognised to account for the anticipated settlement.

Balance sheet and cash flow

The balance sheet at 30 April 2016 shows the impact of poor trading in FY16 and of the actions taken to improve the position going forward.

Goodwill at 30 April 2016 was £48.8m (2015: £59.8m) reflecting the impairment in a previous acquisition (Hellosoft, part of IMG Systems, a discontinued operation).

The Group's trade investments was £4.6m (2014: £19.9m); the significant reduction reflects the sale of stakes in Toumaz and Onkyo, the partial sale of the stake in 7Digital and the movement in share price of the remaining holding in 7Digital, which will be sold as soon as the shares are removed from escrow. The balance also reflects the impairment of the stakes in privately held businesses, some of which are in financial difficulty.

Property, plant and equipment was £69.7m (2015: £69.0m) reflecting capital expenditure during the year of £20.0m (2015: £12.2m) less the value of the building we are likely to sell in Kings Langley that is now surplus to the Group's requirements. This has been re-classified as an investment property and held at cost less impairment. The primary element of the capital expenditure is the redevelopment of the Group's property facilities in Kings Langley which has now concluded but also includes spending on computer hardware required for the Group's operations. Previously some of this equipment was paid for by renting it under an operating lease; this equipment is now paid for under a finance lease whereby the Group will own the hardware at the end of the lease. The change in type of lease used requires the hardware to be shown as a fixed asset addition even though the hardware was in use previously in the Group's data centre and was not shown as a fixed asset.

Trade and other receivables and accrued income were reduced to £54.1m (2015: £81.8m), because of lower revenues and the bad debt provision and write-offs.

Cash generated by operations improved to £16.7m (2015: out flow of £4.0m) because of tight management of all receipts and payments. Receipts from sales of publically traded investments were £4.4m.

Net debt at the year-end was £33.0m (2015: £27.2m) and reflects close attention paid to conserving cash despite the losses made in the year, net debt at the half-year (31 October 2015) was £35.4m, worse than the year end position.

The Group's banking facilities with HSBC were re-negotiated during the year to increase the facility available by £15.0m. As is usual with such facilities, certain covenants (conditions) were attached to the facility and security of a charge over the Group's assets including the property owned was given. At 30 April 2016, the Group breached the requirement to keep net debt at or less than 3 times EBITDA (Earnings before interest, tax, depreciation and amortization). The breach has been waived by HSBC and a fee has been paid by the group for this waiver. The debt facility remains in place and HSBC remains supportive of the Group – practically, the bank has good security for the debts outstanding. However, due to the breach, the loans are classified as current liabilities at year end.

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

Consolidated income statement

	Notes	Year to 30 April 2016 Continuing £'000	Year to 30 April 2016 Separately Disclosable Items (see Note 2) £'000	Year to 30 April 2016 Total Continuing £'000	Year to 30 April 2015 £'000
Revenue	1, 2	**125,730**	**(5,727)**	**120,003**	156,774
Operating expenses	2	**(168,446)**	**(13,049)**	**(181,495)**	(151,080)
Operating (loss) / profit from continuing operations	2	**(42,716)**	**(18,776)**	**(61,492)**	5,694
Financial income		**37**	**–**	**37**	137
Financial expenses		**(1,754)**	**–**	**(1,754)**	(3,587)
Net financing expense		**(1,717)**	**–**	**(1,717)**	(3,450)
(Loss) / profit before tax	2	**(44,433)**	**(18,776)**	**(63,209)**	2,244
Taxation credit / (charge)	3	**3,995**	**–**	**3,995**	(1,070)
(Loss) / profit from continuing operations	2	**(40,438)**	**(18,776)**	**(59,214)**	1,174
Loss from discontinued operations (net of tax)	2			**(21,645)**	(14,198)
Loss for the financial year attributable to equity holders of the parent				**(80,859)**	(13,024)
Loss per share Basic	4			**(29.8)p**	(4.9)p
Diluted				**(29.8)p**	(4.9)p

Consolidated statement of comprehensive income

	Notes	**Year to 30 April 2016 £'000**	Year to 30 April 2015 £'000
Loss for the financial year attributable to equity holders of the parent		**(80,859)**	(13,024)
Other comprehensive income:			
Items that are or maybe reclassified subsequently to profit or loss:			
Exchange differences on translation of the balance sheets of foreign operations		**(1,630)**	(3,201)
Exchange differences on translation of part of the net investment in foreign operations		**1,711**	2,781
Change in fair value of assets classified as available for sale	5	**(499)**	(576)
Tax on items that are or may be reclassified subsequently to profit or loss		–	–
Total other comprehensive expense for the financial year, net of income tax		**(418)**	(996)
Total comprehensive expense for the financial year attributable to equity holders of the parent		**(81,277)**	(14,020)

Consolidated statement of financial position

	Notes	At 30 April 2016 £'000	At 30 April 2015 £'000
Non-current assets			
Other intangible assets		**42,679**	49,385
Goodwill		**48,773**	59,834
Property, plant and equipment		**69,752**	69,001
Investment property		**5,475**	-
Investments	5	**4,626**	19,947
Deferred tax	3	**12,923**	4,865
Corporation tax	3	**889**	932
Other debtors		**3,238**	2,302
		188,355	206,266
Current assets			
Inventories		**220**	7,901
Trade and other receivables		**24,421**	37,010
Accrued Income		**29,695**	44,840
Corporation tax	3	**952**	600
Assets held for resale	6	**5,255**	-
Cash and cash equivalents		**5,820**	2,651
		66,363	93,002
Total assets		**254, 718**	299,268
Current liabilities			
Trade and other payables		**(39,814)**	(39,898)
Provisions		**(8,936)**	(160)
Liabilities held for resale	6	**(6,312)**	-
Interest bearing loans and borrowings		**(38,789)**	(8,251)
Corporation tax payable	3	**(1,480)**	(525)
		(95,331)	(48,834)
Non-current liabilities			
Other payables		**(7,158)**	(4,132)
Provisions		**(1,893)**	(500)
Interest bearing loans and borrowings		**–**	(21,650)
Deferred tax liability	3	**(12,912)**	(14,988)
Corporation tax	3	**(4,583)**	(3,690)
		(26,546)	(44,960)
Total liabilities		**(121,877)**	(93,794)
Net assets		**132,841**	205,474
Equity			
Called up share capital		**27,663**	27,162
Share premium account		**103,277**	101,976
Other capital reserve		**1,423**	1,423
Merger reserve		**2,402**	2,402
Revaluation reserve		**508**	1,007
Translation reserve		**1,076**	995
Retained earnings		**(3,508)**	70,509
Total equity attributable to equity holders of the parent		**132,841**	205,474

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Other capital reserve £'000	Merger reserve £'000	Revaluation reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 May 2014	26,769	99,648	1,423	2,402	1,583	1,415	71,761	205,001
Profit for the year	–	–	–	–	–	–	(13,024)	(13,024)
Other comprehensive income for the year:								
Exchange differences on translation of the balance sheets of foreign operations	–	–	–	–	–	(3,201)	–	(3,201)
Exchange differences on translation of part of the net investment in foreign operations	–	–	–	–	–	2,781	–	2,781
Change in fair value of assets classified as available for sale	–	–	–	–	(576)	–	–	(576)
Total other comprehensive income for the year	–	–	–	–	(576)	(420)	–	(996)
Transactions with owners:								
Share based remuneration	–	–	–	–	–	–	11,963	11,963
Tax credit in respect of share-based incentives	–	–	–	–	–	–	430	430
Purchase of shares for LTIP							(394)	(394)
Issue of shares for SIP	73	–	–	–	–	–	(73)	–
Issue of shares at nil cost	154	–	–	–	–	–	(154)	–
Issue of new shares	166	2,328	–	–	–	–	–	2,494
At 30 April 2015	27,162	101,976	1,423	2,402	1,007	995	70,509	205,474
At 1 May 2015	**27,162**	**101,976**	**1,423**	**2,402**	**1,007**	**995**	**70,509**	**205,474**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(80,859)**	**(80,859)**
Other comprehensive income for the year:								**–**
Exchange differences on translation of the balance sheets of foreign operations	**–**	**–**	**–**	**–**	**–**	**(1,630)**	**–**	**(1,630)**
Exchange differences on translation of part of the net investment in foreign operations	**–**	**–**	**–**	**–**	**–**	**1,711**	**–**	**1,711**
Change in fair value of assets classified as available for sale	**–**	**–**	**–**	**–**	**(499)**	**–**	**–**	**(499)**
Total other comprehensive income for the year	**–**	**–**	**–**	**–**	**(499)**	**81**	**–**	**(418)**
Transactions with owners:								
Share based remuneration	**–**	**–**	**–**	**–**	**–**	**–**	**7,750**	**7,750**
Tax credit in respect of share-based incentives	**–**	**–**	**–**	**–**	**–**	**–**	**(487)**	**(487)**
Issue of shares for SIP	**101**	**–**	**–**	**–**	**–**	**–**	**(101)**	**–**
Issue of shares at nil cost	**320**	**–**	**–**	**–**	**–**	**–**	**(320)**	**–**
Issue of new shares	**80**	**1,301**	**–**	**–**	**–**	**–**	**–**	**1,381**
At 30 April 2016	**27,663**	**103,277**	**1,423**	**2,402**	**508**	**1,076**	**(3,508)**	**132,841**

The notes to the accounts form an integral part of these financial statements.

Consolidated statement of cash flows

	Notes	**Year to 30 April 2016 £'000**	Year to 30 April 2015 £'000
Cash flows from operating activities			
Loss after tax		**(80,859)**	(13,024)
Tax (credit) / charge		**(6,641)**	1,070
Loss before tax		**(87,500)**	(11,954)
Adjustments for:			
Depreciation and amortization and impairment	2	**34,603**	17,313
Loss on disposal of fixed assets		**293**	36
Net financing charge		**1,717**	3,450
Share-based remuneration		**7,750**	11,963
Release from contract obligation		**-**	(812)
Impairment of investments	5	**11,387**	5,093
Contingent acquisition consideration release		**(1,726)**	(361)
Exchange difference		**2,030**	(43)
Operating cash flows before movements in working capital		**(31,446)**	24,685
Change in working capital			
Decrease in inventories		**5,148**	453
Decrease / (Increase) in receivables		**23,706**	(33,637)
Increase in payables		**19,297**	4,450
Cash generated / (utilised) by operations		**16,705**	(4,049)
Interest paid		**(835)**	(477)
Taxes paid		**(3,025)**	(1,240)
Net cash flows from operating activities		**12,845**	(5,766)
Cash flows from investing activities			
Investments made in the year	5	**(523)**	(1,530)
Disposal of investments in the year	5	**4,410**	-
Acquisition of intangible assets		**(3,727)**	(1,516)
Acquisition of property, plant and equipment		**(17,270)**	(12,137)
Interest received		**37**	137
Net cash used in investing activities		**(17,073)**	(15,046)
Cash flows from financing activities			
Proceeds from the issue of share capital		**184**	325
Draw down of facilities		**30,000**	5,000
Purchase of own shares for LTIP		**-**	(394)
Repayment of borrowings		**(22,298)**	(1,598)
Net cash from financing activities		**7,886**	3,333
Net increase / (decrease) in cash and cash equivalents		**3,658**	(17,479)
Effect of exchange rate fluctuation		**(489)**	882
Cash and cash equivalents at the start of the period		**2,651**	19,248
Cash and cash equivalents at the end of the period		**5,820**	2,651

During the year, discontinued operations absorbed £28.6m of the Group's net operating cash flows, paid £0.0m in respect of investing activities and paid £0.0m in respect of financing activities.

Notes to the condensed consolidated financial statements

1. The financial information set out above does not constitute the company's statutory accounts for the years ended 30 April 2016 or 2015 but is derived from those accounts. Statutory accounts for 2015 have been del ivered to the registrar of companies, and those for 2016 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. Segment reporting and separately disclosable items

The Group determines and presents operating segments based on the way that financial information is presented to the Board of Directors, which is the Group's chief operating decision maker. During the year, the Group sub divided the Technology segment into five smaller segments or business units ('BU's) – PowerVR, MIPS, Ensgima, IMG Works and IMG Systems. Whilst these BU's are similar in that they all develop technologies for licensing to semi-conductor companies for incorporation into silicon devices, they offer different technologies and in the case of IMG Works a design service and are managed separately. The Pure business unit remains a separate business unit, the same as it was in previous years. The costs of the corporate functions of the Group are not allocated to each business unit and are presented separately here. There is no inter-segment trading and no significant seasonality in the Group's operations although there is typically an increase in revenues in the period leading up to Christmas.

Information regarding the operations of each reportable segment is included below. Performance is measured based on adjusted operating profit as shown in the table at the end of this note.

Note that during the Group decided to offer for sale, the business and assets of the Pure and IMG Systems BU's – therefore the performance of these two BU's are included below as Discontinued operations.

		CONTINUING						DISCONTINUED		
	TOTAL 2016 £'000	PVR 2016 £'000	MIPS 2016 £'000	ENS 2016 £'000	IMGWKS 2016 £'000	CORP 2016 £'000	TOTAL CONT 2016 £'000	PURE 2016 £'000	IMGSYST 2016 £'000	TOTAL DISC 2016 £'000
Revenue										
Pure	18,819							18,819		18,819
Licensing	18,573	10,156	6,439	2,024	(1,549)	0	17,070		1,503	1,503
Royalties	103,626	77,708	23,473	1,499		0	102,680		946	946
Other	356		213			40	253		103	103
Total Revenue	141,374	87,864	30,125	3,523	(1,549)	40	120,003	18,819	2,552	21,371
Operating expenses *										
Cost of sales	(18,936)	30	(742)	42	(109)		(779)	(17,968)	(189)	(18,157)
R&D	(82,712)	(29,730)	(21,532)	(8,968)	(13,341)	(4,737)	(78,308)		(4,404)	(4,404)
Sales & Marketing	(24,626)					(17,452)	(17,452)	(7,174)		(7,174)
Admin **incl** in adj operating profit/(loss)	(40,494)					(39,991)	(39,991)	(503)		(503)
Admin **excl** in adj operating profit/(loss) - below	(60,389)	(3,429)	(6,693)	(2,297)	(7,679)	(24,867)	(44,965)	(1,113)	(14,311)	(15,424)
Total operating expenses	(227,157)	(33,129)	(28,967)	(11,223)	(21,129)	(87,047)	(181,495)	(26,758)	(18,904)	(45,662)
Operating profit / (loss)	(85,783)	54,735	1,158	(7,700)	(22,678)	(87,007)	(61,492)	(7,939)	(16,352)	(24,291)
Net financing expense	(1,717)					(1,717)	(1,717)			-
Profit / (loss) before tax	(87,500)	54,735	1,158	(7,700)	(22,678)	(88,724)	(63,209)	(7,939)	(16,352)	(24,291)
Taxation (charge) / credit	6,641					3,995	3,995	1,588	1,058	2,646
Profit / (loss) for the year	(80,859)	54,735	1,158	(7,700)	(22,678)	(84,729)	(59,214)	(6,351)	(15,294)	(21,645)

Adjusted profit is used by management to measure the performance of the business year on year by excluding non-recurring items (items which typically do not occur every year), items relating to acquisitions and investments, non-cash based share incentive charges, and amortization of intangible assets acquired from acquisitions.

		CONTINUING						DISCONTINUED		
	TOTAL 2016 £'000	PVR 2016 £'000	MIPS 2016 £'000	ENS 2016 £'000	IMGWKS 2016 £'000	CORP 2016 £'000	TOTAL CONT 2016 £'000	PURE 2016 £'000	IMGSYST 2016 £'000	TOTAL DISC 2016 £'000
Reported operating profit / (loss) - (from above)	(85,783)	54,735	1,158	(7,700)	(22,678)	(87,007)	(61,492)	(7,939)	(16,352)	(24,291)
Share based payments	7,750	2,667	980	802	975	1,312	6,736	370	644	1,014
Amortisation and impairment of intangibles from acquisitions	8,711	622	4,863	1,419			6,904		1,807	1,807
Acquisition related costs	1,124					1,124	1,124			-
Loss on investments	11,387					11,387	11,387			-
Corporate restructuring costs	6,591	140	594	75	522	3,717	5,048	743	800	1,543
Provision for onerous contracts	6,734		255		6,182	297	6,734			-
Provision for onerous leases	1,907					1,907	1,907			-
Impairment of goodwill	11,061						-		11,061	11,061
Impairment of tangible fixed assets	6,851					6,851	6,851			-
Contingent acquisition consideration release	(1,726)					(1,726)	(1,726)			-
Adjusted operating profit / (loss)	**(25,393)**	**58,164**	**7,850**	**(5,404)**	**(14,999)**	**(62,138)**	**(16,527)**	**(6,825)**	**(2,041)**	**(8,866)**
Net financing expense	(1,717)					(1,717)	(1,717)			-
Adjusted profit before tax	**(27,110)**	**58,164**	**7,850**	**(5,404)**	**(14,999)**	**(63,855)**	**(18,244)**	**(6,825)**	**(2,041)**	**(8,866)**

Acquisition related costs in 2016 and 2015 relate largely to the historic acquisitions of Posedge and Kisel and include elements of deferred acquisition consideration which are required to be accounted for as compensation.

Corporate restructuring costs in 2016 relate to the plans announced in February and March 2016 to achieve an annual operating expense saving of £27,500,000, largely through the discontinuing of the Pure and IMG Systems BU's and a reduction in global headcount. In 2015, they related to the closure or reduction in size of departments within BU's.

The onerous contracts provision in 2016 largely relates to three legacy IMG Works contracts being performed for customers. An onerous contract is one where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In 2015 the provision largely related to the cost of providing Pure's music services offering.

Onerous leases relate to property related contracts where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The impairment of goodwill relates to the acquisition of Hellosoft Inc. in December 2010, much of whose IP is utilized in the discontinued IMG Systems BU.

The impairment of tangible fixed assets largely relates to the £6,458,000 impairment of Concept House, which was reclassified as an investment property during the year.

The contingent acquisition consideration release in 2016 relates to contingent consideration that has not crystallized relating to the acquisition of Posedge Inc. in 2015 it related to the acquisitions of Kisel. Microelectronics (£272,000) and Nethra Imaging Inc. (£89,000).

The release of contract obligations in 2015 related to a development agreement with GreenPlug Inc. The development fees were paid to Imagination Technologies Ltd in advance. Imagination Technologies Ltd was released from all obligations under this agreement and therefore the deferred revenue was recognized as a credit to the income statement.

		CONTINUING						DISCONTINUED		
	TOTAL 2015 £'000	PVR 2015 £'000	MIPS 2015 £'000	ENS 2015 £'000	IMGWKS 2015 £'000	CORP 2015 £'000	TOTAL CONT 2015 £'000	PURE 2015 £'000	IMGSYST 2015 £'000	TOTAL DISC 2015 £'000
Revenue										
Pure	18,376							18,376		18,376
Licensing	39,035	18,751	9,163	4,623	5,314		37,851		1,184	1,184
Royalties	118,924	92,267	24,885	1,202			118,354		570	570
Other	686	25	361			183	569	6	111	117
Total Revenue	177,021	111,043	34,409	5,825	5,314	183	156,774	18,382	1,865	20,247
Operating expenses										
Cost of sales	(17,716)	(191)	(1,192)	(180)	(148)		(1,711)	(15,938)	(67)	(16,005)
R&D	(76,702)	(28,851)	(19,394)	(8,673)	(12,418)	(2,934)	(72,270)		(4,432)	(4,432)
Sales & Marketing	(26,039)					(17,985)	(17,985)	(8,054)		(8,054)
Admin **incl** in adj operating profit/(loss)	(35,447)					(35,021)	(35,021)	(426)		(426)
Admin **excl** in adj operating profit/(loss) - below	(29,621)	(5,098)	(5,832)	(2,811)	(1,531)	(8,821)	(24,093)	(701)	(4,827)	(5,528)
Total operating expenses	(185,525)	(34,140)	(26,418)	(11,664)	(14,097)	(64,761)	(151,080)	(25,119)	(9,326)	(34,445)
Operating profit / (loss)	(8,504)	76,903	7,991	(5,839)	(8,783)	(64,578)	5,694	(6,737)	(7,461)	(14,198)
Net financing expense	(3,450)					(3,450)	(3,450)			-
Profit / (loss) before tax	(11,954)	76,903	7,991	(5,839)	(8,783)	(68,028)	2,244	(6,737)	(7,461)	(14,198)
Taxation (charge) / credit	(1,070)					(1,070)	(1,070)			-
Profit / (loss) for the year	(13,024)	76,903	7,991	(5,839)	(8,783)	(69,098)	1,174	(6,737)	(7,461)	(14,198)

		CONTINUING						DISCONTINUED		
Adjusted profit	TOTAL 2015 £'000	PVR 2015 £'000	MIPS 2015 £'000	ENS 2015 £'000	IMGWKS 2015 £'000	CORP 2015 £'000	TOTAL CONT 2015 £'000	PURE 2015 £'000	IMGSYST 2015 £'000	TOTAL DISC 2015 £'000
Reported operating profit / (loss) - (from above)	(8,504)	76,903	7,991	(5,839)	(8,783)	(64,578)	5,694	(6,737)	(7,461)	(14,198)
Share based payments	11,963	3,750	1,604	1,269	1,476	2,167	10,266	692	1,005	1,697
Amortisation of intangibles from acquisitions	9,119	932	4,863	1,542			7,337		1,782	1,782
Acquisition related costs	1,426					1,426	1,426			-
Loss on investments	5,093					5,093	5,093			-
Corporate restructuring costs	690	415	178		55	23	671	10	9	19
Provision for onerous contracts	2,503					472	472		2,031	2,031
Contingent acquisition consideration release	(361)					(361)	(361)			-
Release of contract obligations	(812)		(812)				(812)			-
Adjusted operating profit / (loss)	**21,117**	**82,000**	**13,824**	**(3,028)**	**(7,252)**	**(55,758)**	**29,786**	**(6,035)**	**(2,634)**	**(8,669)**
Net financing expense	(3,450)					(3,450)	(3,450)			-
Adjusted profit before tax	**17,667**	**82,001**	**13,823**	**(3,028)**	**(7,252)**	**(59,208)**	**26,336**	**(6,035)**	**(2,634)**	**(8,669)**

Revenue is reported by geographical area of sales as follows:

	2016 £'000	2015 £'000
USA	**92,465**	106,778
Asia	**30,012**	33,598
United Kingdom	**14,186**	16,196
Rest of Europe	**3,722**	13,510
Rest of North America	**2,164**	2,368
Rest of the world	**(1,175)**	4,571
	141,374	177,021

The basis for attributing external customers to individual countries is the customer's country of domicile.

Revenue from individual customers that represent more than 10% of the Group's total revenue for the period have values of approximately £60,664,000. The customer's country of domicile is USA, and these revenues are included in the PowerVR division business unit.

All revenue is from external customers, and originates materially from the United Kingdom.

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

Separately Disclosable Items

		2016 £'000	2015 £'000
Revenue	**(1)**	**(5,727)**	–
Operating expenses	**(2)**	**(13,049)**	–
Operating loss from continuing operations		**(18,776)**	–

This year, the group has included a separate column on the face of the income statement to disclose significant items that have impacted the operating results. Separately disclosable items ("SDI") is not a defined term under IFRS, so may not be comparable to similar terminology used in other financial statements. The Board believes that reporting results in this way provides additional useful information to the users of the Annual Report.

In making their assessment of SDI, the Board has only included costs directly related to the restructuring of the business; this includes the impairment of an investment property following the decision to sell Pure and IMG Systems and costs associated with reducing headcount (primarily redundancy). The Board also considers that, following the renegotiation of two revenue contracts, resulting in the increase of scope in one case and the termination of the second contract, it is appropriate to highlight the impacts on current year revenue.

(1) Revenue - during the year, three multi-IP licencing and development projects were terminated prior to completion. This resulted in a reversal of revenue recognised in prior years of £5,727,000

(2) Operating expenses - as announced in early 2016, the Group has initiated a significant restructuring programme which has resulted in £13,049,000 of operating expenses that otherwise would not have been incurred.

These include £6,591,000 of one off / exceptional costs relating to the implementation and execution of the programme (of which £4,475,000 relate to redundancy costs), and the reclassification of one of the Group's properties at its Kings Langley headquarters from Freehold Land & Buildings to Investment Properties. This investment property was subsequently impaired by £6,458,000.

3 Taxation

	2016 **£'000**	2015 £'000
Analysis of tax charge in the year		
Current tax charge		
UK corporation tax	**202**	142
Foreign tax	**3,979**	2,650
Total current tax charge	**4,181**	2,792
Deferred tax		
Origination and reversal of temporary differences	**(12,180)**	(1,052)
Effect of changes in tax rates on deferred tax balances	**1,200**	(877)
Adjustments in respect of prior periods	**158**	207
Total deferred tax credit	**(10,822)**	(1,722)
Total income tax (credit) / charge	**(6,641)**	1,070

The total tax credit for the year of £6,641,000 (2015: £1,070,000 tax charge) is lower (2015: higher) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.92%). The difference is explained below:

	2016 **£'000**	2015 £'000
Loss before taxation	**(87,500)**	(11,954)
Notional tax charge at UK standard rate of 20.00% (2015: 20.92%)	**(17,500)**	(2,501)
Tax effect of non-deductible impairment of goodwill	**2,212**	–
Tax effect of expenses that are not deductible for tax purposes (primarily impairment of investment property and loss on investments)	**2,763**	2,282
Utilization of previously unrecognized tax assets	**239**	(1,285)
Tax assets not recognized (primarily relates to US tax losses)	**3,655**	2,421
Effect of tax rate change	**(489)**	(876)
Adjustments in respect of prior periods	**(1,852)**	236
Withholding tax	**901**	1,247
Increase in uncertain tax positions	**3,430**	–
Different tax rates on overseas earnings	**–**	(454)
Total income tax (credit) / charge	**(6,641)**	1,070

Tax on items charged / (credited) to equity:

Deferred tax	**687**	(289)
Current tax	**(202)**	(142)

Current tax

The Group receives significant government tax incentives including, in the UK, 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 operating expenditure of £4,751,000 (2015: £5,919,000) which is then taxed at the prevailing UK corporation tax rate. If the Group makes a taxable loss for the year, losses generated by the RDEC claim can be reclaimed in cash from HMRC.

The principal element of the deferred tax charge recorded against equity relates to the reversal of previously recognized deferred tax assets which were credited to equity. The reversal of the asset occurs predominantly as a result of the fall in potential future tax deductions due to the reduction in the Company's share price during the year.

Current tax assets

At 30 April 2016, there are current tax assets receivable in more than one year of £889,000 (2015: £932,000) and receivable in less than one year of £952,000 (2015: £600,000). The assets relate to prepayments of tax by overseas subsidiaries.

Current tax liabilities

At 30 April 2016, there is a current tax liability due in less than one year of £1,480,000 relating to some of the Group's subsidiaries – predominantly Imagination Technology LLC in the US (2015: £525,000).

At 30 April 2016 there is a current tax liability due in more than one year of £4,583,000 (2015: £3,690,000). The balance in both years largely relates to a provision in the US.

Deferred tax

The movement on the deferred tax account is as follows:

	As at 30 April 2015 £'000	Recognized in income statement £'000	Recognized in equity £'000	As at 30 April 2016 £'000
Tax losses	5,300	9,286	–	**14,586**
Share based payments (note 24)	3,428	(534)	(688)	**2,206**
Other timing differences	127	157	–	**284**
Capital allowances	(7,033)	350	–	**(6,683)**
Gain on foreign exchange contract	36	11	–	**47**
Acquisition of intangible assets	(11,981)	1,552	–	**(10,429)**
	(10,123)	10,822	(688)	**11**

	2016 £'000	2015 £'000
Deferred taxation has been presented on the balance sheet as follows:		
Deferred tax asset	**12,923**	4,865
Deferred tax liability	**(12,912)**	(14,988)
At end of the period	**11**	(10,123)

Management consider the utilization of the £12,923,000 (2015: £4,865,000) deferred tax asset to be probable based on assessment of forecasts of future taxable profits.

The deferred tax asset increased by £8,058,000 during the year, largely as a result of the recognition of an additional asset relating to the UK tax losses incurred in this financial year. The Group has revalued its tax assets, applying the substantively enacted tax rate that will be used when the Group expects the deferred tax asset is likely to reverse.

The deferred tax liability reduced during the year to £12,912,000 (2015: £14,988,000). This movement was a result of the amortization of intangible assets relating to previous acquisitions. None of the recognized tax assets or liabilities expire.

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

Unrecognized deferred tax assets
The Group has Federal US tax losses of $53,482,000 (2015: $43,845,000), tax credits of $10,211,000 (2015: $6,212,000) and other temporary differences of $28,651,000 (2015: $23,383,000). The Federal tax losses and tax credits expire progressively from 2020.

In addition the Group has State US tax losses of $44,199,000 (2015: $52,309,000), tax credits of $8,819,000 (2015: $7,947,000) and other temporary differences of $59,915,000 (2015: $48,384,000). The State tax losses expire progressively from 2015.

State tax credits and all remaining temporary differences do not expire.

Deferred tax assets have not been recognized due to the uncertainty of the availability of the above tax losses to be utilised against future taxable profits arising in the US.

If the Group were able to recognise all unrecognized deferred tax assets, an asset of £32,734,000 ($47,831,000) (2015: of £25,056,000 ($38,538,000)) reported at the applicable tax rates, would be recognized.

At 30 April 2016, there was no recognized deferred tax liability (2015: $Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries. The Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

Factors affecting future tax charge
The Finance Act 2016 reduced the rate of Corporation Tax from 1 April 2017 to 19% and by a further 1% to 18% from 1 April 2020. In addition, the Finance Act 2012 introduced the UK patent box regime which provides for an effective tax rate of 10% on certain UK profits from 1 April 2013 (phased in over 5 years). These changes have been substantively enacted at the balance sheet date and consequently are reflected in these financial statements. The Group has not made an election in to the UK Patent Box regime as at 30 April 2016, nor do the Directors consider it will be beneficial to do so in the short term. As such the Directors consider that the temporary differences will reverse at the main rate of UK Corporation Tax of 18% and deferred tax has therefore been provided at this rate.

4. Earnings per share

From continuing and discontinuing operations	2016 £'000	2015 £'000
Loss attributable to equity holders of the parent	**(80,859)**	**(13,024)**

	2016 Shares '000	2015 Shares '000
Weighted average number of shares in issue	**273,562**	269,522
Less: Weighted average number of shares held by Employee Benefit Trust	**(1,868)**	(1,984)
Effect of dilutive shares: Employee incentive schemes	**15,279**	12,790
Weighted average number of shares potentially in issue	**286,973**	280,328

		2016	2015
Loss per share	Basic	**(29.8)p**	(4.9)p
	Diluted	**(29.8)p**	(4.9)p

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potentially dilutive ordinary shares. It should be noted that potentially dilutive shares are not considered when a basic loss per share has been calculated. A loss cannot be diluted.

Adjusted earnings per share

	2016 £'000	2015 £'000
Adjusted (loss) / profit before tax – (see note 2)	**(27,110)**	17,667
Adjusted taxation credit / (charge)	**1,987**	(838)
Adjusted (loss) / profit attributable to equity holders of the parent	**(25,123)**	16,829

	2016 Shares '000	2015 Shares '000
Weighted average number of shares in issue	**273,562**	269,522
Less: Weighted average number of shares held by Employee Benefit Trust	**(1,868)**	(1,984)
Effect of dilutive shares: Employee incentive schemes	**15,279**	12,790
Weighted average number of shares potentially in issue	**286,973**	280,328

		2016	2015
Adjusted (loss) / earnings per share	Basic	**(9.2)p**	6.3p
	Diluted	**(9.2)p**	6.0p

Adjusted earnings per share is calculated using adjusted profit attributable to equity holders of the parent which is derived from the adjusted profit before tax described in note 2.

From continuing operations

	2016 £'000	2015 £'000
Loss attributable to equity holders of the parent	**(59,214)**	**1,174**

	2016 Shares '000	2015 Shares '000
Weighted average number of shares in issue	**273,562**	269,522
Less: Weighted average number of shares held by Employee Benefit Trust	**(1,868)**	(1,984)
Effect of dilutive shares: Employee incentive schemes	**15,279**	12,790
Weighted average number of shares potentially in issue	**286,973**	280,328

		2016	2015
(Loss) / profit per share	Basic	**(21.8)p**	0.4p
	Diluted	**(21.8)p**	0.4p

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

From discontinued operations

		2016	2015
Loss per share	Basic	**(8.0)p**	(5.3)p
	Diluted	**(8.0)p**	(5.3)p

5. Investments

	2016 £'000	2015 £'000
Trade investments classified as available for sale	**4,626**	19,947

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

				Fair value movement during period		
	Carrying value at 1 May 2015 £'000	Increased holding in investments £'000	Disposal £'000	Income statement £'000	Statement of comprehensive income £'000	Carrying value at 30 April 2016 £'000

Toumaz	7,189	–	(3,156)	(4,338)	305	-
Blu-Wireless	309	–	–	(250)	(59)	-
7digital Group plc	3,262	24	(908)	(2,269)	-	109
Ineda	5,027	428	–	(4,475)	(980)	-
Onkyo	389	–	(346)	(55)	12	-
NetSpeed	520	523	–	–	52	1,095
Atomos	3,251	–	–	–	171	3,422
Total	**19,947**	**975**	**(4,410)**	**(11,387)**	**(499)**	**4,626**

Toumaz – During the year, the Group's investment in Toumaz was disposed of for £3,156,000. Mark to market revaluations before the disposal of shares, and the disposal of shares themselves resulted in a recycling of £305,000 credit through the consolidated statement of comprehensive income, with the balancing amount being taken as a loss through the consolidated income statement.

Blu-Wireless – At balance sheet date the carrying value was deemed to be unsupportable, and was written down to nil through the consolidated income statement, with any balance in reserves being recycled through the consolidated statement of comprehensive income.

7digital – The Group received additional shares in exchange for director's fees. The majority of shares in 7digital were disposed of during the year for £908,000, resulting in a loss being recognised in the consolidated income statement. The remaining shares were not able to be sold as they are currently held in trust. The remaining shares were revalued using the quoted share price of 7digital at the reporting date.

Ineda – At balance sheet date the carrying value was deemed to be unsupportable, and was written down to nil through the consolidated income statement, with any balance in reserves being recycled through the consolidated statement of comprehensive income.

Onkyo – During the year, the Group's investment in Onkyo was disposed of for £346,000. As a result of the disposal, any balance in reserves was recycled through the consolidated statement of comprehensive income, with the balancing amount being taken as a loss through the consolidated income statement.

NetSpeed – At the balance sheet date a gain of £52,000 arose due to foreign exchange movements and this has been recognized in the consolidated statement of comprehensive income.

Atomos – At the balance sheet date a gain of £171,000 arose due to foreign exchange movements and this has been recognized in the consolidated statement of comprehensive income.

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

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

The directors have considered the sensitivity of the unobservable inputs used and do not believe that any reasonably foreseeable changes to these inputs would result a material change to fair value of the investments.

6. Assets and liabilities held for sale

During the year the trade and assets of the Pure and IMG Systems BU's were made available for sale. As at 30 April 2016, the relevant assets and liabilities of these BU's have been reclassified as assets and liabilities held for sale

	2016			2015
	Pure £'000	**IMGsystems £'000**	**Total £'000**	**Total £'000**
Assets held for sale				
Intangible assets – software, patents & trademarks	118		118	–
Tangible assets – plant & equipment	249		249	–
Inventories	2,613		2,613	–
Trade debtors	2,202	51	2,253	–
Prepayments	22		22	–
	5,204	**51**	**5,255**	–
Liabilities held for sale				
Trade creditors	846	99	945	–
Accruals	3,922	1,445	5,367	–
	4,768	**1,544**	**6,312**	–

7. The Group's full Report & Financial Statements will be made available to shareholders by 22 July 2016.

8. The Annual General Meeting of Imagination Technologies Group plc will be held at Vintners Place, 68 Upper Thames Street, London EC4V 3BJ at 9.00am on 6 September 2016.