Changing the way the world connects

FOCUSING ON CONNECTIVITY

CSR plc
ANNUAL REPORT
AND FINANCIAL
STATEMENTS 2008

PIONEERING CONNECTIVITY

OUR BUSINESS IS CHANGING THE WAY THE WORLD CONNECTS.

WE'VE LONG BEEN WORLD LEADERS IN BLUETOOTH; BUT WE'VE NOW MOVED WELL BEYOND BLUETOOTH ALONE.

WE'RE BUILDING THE CONNECTIVITY CENTRE, PROGRESSIVELY BRINGING TOGETHER A DIVERSITY OF SHORT RANGE WIRELESS CONNECTIVITY PRODUCTS TO WORK TOGETHER, WITH OPTIMUM PERFORMANCE. BLUETOOTH, FM RADIO, WI-FI, ULTRA WIDEBAND, HIGH QUALITY AUDIO FOR MUSIC, GPS AND NEAR FIELD COMMUNICATIONS...

FOR THE WORLD, IT CHANGES THE WAY WE WILL CONNECT.

FOR US, IT CREATES A STRATEGIC ROADMAP FOR LONG-TERM GROWTH.

DIRECTORS' REPORT

FINANCIAL STATEMENTS

FINANCIAL HIGHLIGHTS

REVENUE -18% TO $695 MILLION

GROSS MARGIN 44.6%

UNDERLYING OPERATING PROFIT* -62% TO $65 MILLION

UNDERLYING OPERATING MARGIN* 9.4%

OPERATING LOSS $9 MILLION

UNDERLYING DILUTED EPS* -54% TO $0.43 PER SHARE

DILUTED LOSS PER SHARE $0.05

*Underlying figures excluding the impact of amortisation of acquired intangible assets, restructuring charges, asset impairment charges and adjustments to goodwill as a result of the recognition of pre acquisition tax losses.

Statutory income statement information is given on page 64 of the Financial Statements.

WHO WE ARE

CONNECTING WITH QUALITY
CSR IS A LEADING PROVIDER OF WIRELESS CONNECTIVITY.

WE HAVE A GLOBAL REPUTATION FOR COMMERCIAL AND OPERATIONAL EXCELLENCE.

CONNECTING WITH PERFORMANCE
DURING THE YEAR WE SHIPPED OUR ONE BILLIONTH CHIP. NEARLY 40% OF THE WORLD'S BLUETOOTH CHIPS USE CSR TECHNOLOGY.

IN 2008, CSR WERE DESIGNED-IN AROUND 50% OF ALL BLUETOOTH-QUALIFIED PRODUCTS.

OUR TECHNOLOGY IS USED BY THE WORLD'S LEADING BRANDS INCLUDING AUDI, FORD, LG, MOTOROLA, NEC, NOKIA, PANASONIC, RIM, SAMSUNG, SHARP, SONY, TOMTOM AND TOSHIBA.

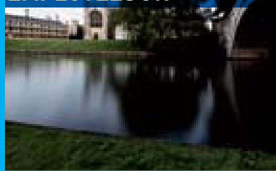
CONNECTING WITH OPPORTUNITY
PEOPLE WILL CONTINUE TO WANT TO COMMUNICATE, SHARE INFORMATION, ENJOY MUSIC AND WATCH VIDEOS USING FASTER AND MORE CONVENIENT WIRE FREE DEVICES.

CSR IS DEVELOPING THE WIRELESS CONNECTIVITY SOLUTIONS FOR THE FUTURE INCLUDING BLUETOOTH, WI-FI, GPS, NEAR FIELD COMMUNICATION AND ULTRA WIDEBAND TO MEET THOSE NEEDS.

WHAT WE DO

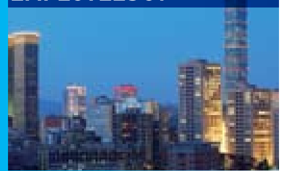
A LEADING PROVIDER OF WIRELESS CONNECTIVITY TECHNOLOGY, WE HAVE 975 SKILLED PROFESSIONALS OPERATING OUT OF TEN COUNTRIES.

CAMBRIDGE & EDINBURGH, UK
EMPLOYEES 617



AALBORG, DENMARK
EMPLOYEES 51

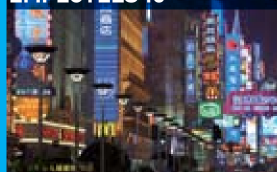
TAIPEI & CHUNGLI, TAIWAN
EMPLOYEES 31



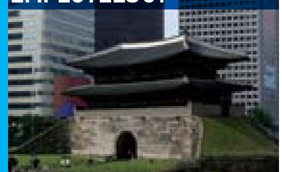
DALLAS, USA
EMPLOYEES 32

SOPHIA ANTIPOLIS, FRANCE
EMPLOYEES 20

SHANGHAI & SHENZHEN, CHINA
EMPLOYEES 16



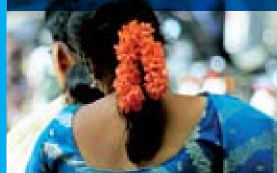
SEOUL & GUMI, SOUTH KOREA
EMPLOYEES 31



STOCKHOLM, SWEDEN
EMPLOYEES 52

DETROIT, USA
EMPLOYEES 30

BANGALORE, INDIA
EMPLOYEES 73



TOKYO, JAPAN
EMPLOYEES 22

CHAIRMAN'S STATEMENT

No one needs telling that 2008 has seen the rapid emergence of the worst global economic down-turn any of us can remember. Nor do we see any current signs of the economic trends returning to growth.

No sector has been immune from these pressures, and CSRs' is no exception. We have inevitably seen significant decline in demand, and the scale of this decline increased post the September financial crisis as a result of customers de-stocking their supply chains. For the first time, CSR did not achieve growth. Our revenues fell by 18%. After taking account of non-cash items and exceptional charges, we also recorded an operating loss of $8.5 million. Nevertheless, we generated positive cash, maintained our strong balance sheet and increased our net cash.

2008 was also a year of transition for CSR. In the first quarter of the year, the Board completed a detailed operational review led by the new CEO, Joep van Beurden. This review both confirmed the potential for the markets in which CSR already operates and has led to the development of a clear strategy on how CSR can succeed in these markets. Our new strategy is therefore to focus solely on the Connectivity Centre where we see significant future growth opportunities, and have an advanced portfolio of suitable products.

Notwithstanding the current wider economic challenges, the Board believes that the strategy developed in 2008 combined with our recognised capabilities in wireless connectivity provides a solid foundation that will enable us to deliver long term growth for CSR and for our shareholders.

Even allowing for the current fall in demand, wireless connectivity will continue to grow and our strategy is to position CSR to take advantage of this. Consumers want to communicate quickly and efficiently using devices that connect with one another easily and reliably.

Wireless connectivity is becoming an increasingly core feature of our everyday lives. Our strategy is to position CSR to take advantage of this and to strengthen our ability to do so.

Decisive Action

CSR does not under-estimate the task ahead in 2009. Already we have taken decisive action to reduce costs for the very different business conditions. We believe these necessary actions were essential to safeguard the core strategy which is our focus for 2009 and beyond. Joep addresses this in more detail in his statement.

Quickly adapting to the changing circumstances of the current economic conditions as they prevail will be important for us in the near term to ensure that CSR is in a strong position to benefit from any future economic recovery.

Management Team

2008 saw the emergence of a new management team led by Joep, who has himself been in position for only a little over a year. Joep has impressed me with his expertise as a team builder, skills as a business strategist and attention to detail.

We welcomed Will Gardiner, Chief Financial Officer, to CSR during the year. Will took over from Paul Goodridge, who played an important role for us over many years. Prior to joining CSR, Will was Director of Finance Technology and Enterprise at BSkyB plc, responsible for a 100 strong team which supported the technology platforms across BSkyB and its enterprise division. He has also been CFO of Easynet Group plc, a pan-European broadband telecoms company, and held a number of senior roles within J P Morgan's investment banking division.

Chris Ladas was appointed to the Board at the start of 2008, following almost eight years as our Senior Vice President of Operations. Chris has extensive experience of electronics, particularly the semiconductor sector, and his wealth of knowledge has made valuable contributions to Boardroom discussions.

WIRELESS CONNECTIVITY IS BECOMING AN INCREASINGLY CORE FEATURE OF OUR EVERYDAY LIVES. OUR STRATEGY IS TO POSITION CSR TO TAKE ADVANTAGE OF THIS AND TO STRENGTHEN OUR ABILITY TO DO SO

Ron Mackintosh, Chairman

Revenue $'000

2008	694,865
2007	848,622
2006	704,695
2005	486,531

Underlying R&D Expenditure $'000

2008	152,749
2007	140,932
2006	107,252
2005	59,425

Further appointments have also strengthened our executive team. As our new Global Head of Sales, Charlie Lesko has added valuable sales and marketing experience and a healthy amount of assertiveness to our sales organisation. Our new HR Director, Elaine Rowe, has similarly wide-ranging experience. Her appointment underpins the enormous value we place on our workforce.

We now have an accomplished and truly international team at CSR. I would like to extend my thanks on behalf of the Board for the continuing efforts which all our staff have made during 2008.

In October, we appointed Andrew Allner as a non-executive director. Andrew is a chartered accountant with extensive experience in senior executive and non-executive positions. Between 2004 and 2007 he was Group Finance Director at RHM plc, and has also served in senior executive positions with other global and well respected listed companies. Andrew's experience and qualities have been well received by his new Board colleagues.

David Tucker, who has served as a non-executive director since 2004, will retire at the AGM. I would like to thank David for his skills, insight and good humour over the last five years. David's role as chair of the audit committee will be taken by Andrew Allner.

Outlook

Looking ahead, 2009 will undoubtedly be a difficult year. Consumer confidence is low, economic uncertainty high and determined global action by governments will be required in order to minimise the further impact of the downturn, while CSR fights to maintain market share and seek out opportunities for growth.

CSR will continue to work to safeguard and build upon the existing strengths and market leading positions which we have established. As Joep explains in more detail in his Chief Executive Officer's statement, the strategic review we carried out in 2008 has set out a path for growth in exciting, high-potential markets.

We have excellent people who are executing a powerful strategy in a long term growth industry. I thank them for their continued support and commitment. Together, we face the long-term future with confidence in our potential.

Ron Mackintosh
Chairman

CHIEF EXECUTIVE'S REVIEW

2008 was my first full year at CSR, having joined the company in November 2007. In common with most, if not all businesses in our sector and beyond, our plans for 2008 were affected by the global financial and economic crisis that developed during the year.

The liquidity constraints brought about initially by the banking crisis have had a significant impact on all aspects of the global economy. Falling confidence in the economic outlook and a squeeze on disposable income have changed consumer spending decisions and this has translated directly into lower sales for our customers.

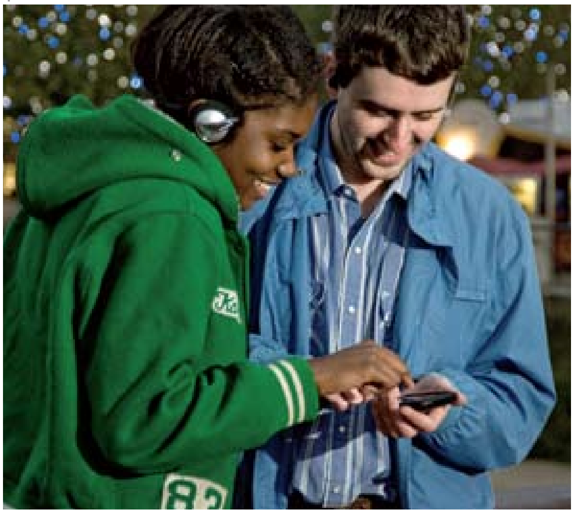
Throughout the year, we took steps to secure the longer term strategic and commercial success of the Company. As the economic events became more acute during the autumn of 2008, we acted decisively and implemented significant cost reduction measures in order to position the business appropriately for the economic recession.

Regrettably, this has necessitated a reduction in headcount. It was not a decision we took lightly. At the same time, it shows our commitment to taking the decisions which are necessary to keep the Company on the right financial footing and we believe will see the Company through these difficult times. The cost savings programme was fully implemented by the end of 2008 so we will benefit fully from this action in 2009. Overall we have reduced our cost base by approximately $25 million on an annualised basis.

Strong fundamentals

CSR is a sound business with world-leading skills in a dynamic market. The markets we supply are also fundamentally sound. Wireless connectivity is an integral part of how people want to communicate, whether at work or in their leisure time and CSR is supplying the products and delivering the solutions to meet the demands for ease of wireless connectivity, whether for voice, music, video or data. In 2008 we shipped nearly 40% of the world's Bluetooth chips and were designed-in around 50% of all Bluetooth-qualified products.

1



1 CSR IS SUPPLYING THE PRODUCTS AND DELIVERING THE SOLUTIONS TO MEET THE DEMANDS FOR EASE OF WIRELESS CONNECTIVITY

2

2 WIRELESS CONNECTIVITY IS AN INTEGRAL PART OF HOW PEOPLE WANT TO COMMUNICATE

OUR PRIORITIES ARE TO CONTINUE TO STRENGTHEN OUR LEADING MARKET POSITION, MAINTAIN OUR STRONG BALANCE SHEET AND MANAGE OUR COSTS AND WORKING CAPITAL IN LINE WITH THE REALITIES OF THE MARKETPLACE

Joep van Beurden, Chief Executive Officer

Perhaps more importantly still, we have been developing a number of exciting products during the year:

- BlueCore7000 range, our next-generation Bluetooth chip, combines Bluetooth with FM Transmit, FM Receive, Bluetooth low energy and GPS capability. We believe that BlueCore7000 is a world leading product. We anticipate shipping BC7000 to our lead customer in the third quarter this year.
- MusiCore is a high performance product aimed at improved audio quality for music phones. MusiCore adds audio to Bluetooth, allowing people to enjoy up to 100 hours of high quality playback via their mobile phone handset. It also provides our customers with a significant bill of materials saving. Once again, CSR has created a world first with this product.
- UF6000 is our third generation embedded Wi-Fi product family which offers the smallest chip size of any comparable product together with an ultra low cost.

BlueCore7000 and MusiCore have been demonstrated to customers at various international trade shows early in 2009 and each of these three products is sampling at Tier 1 customers.

Operational assessment

Undoubtedly, a key highlight of the year was the development and implementation of our new strategy, following a comprehensive review which I initiated soon after I joined CSR.

During the assessment, we looked at our market in great detail and consulted widely to critique our existing views on the opportunities for winning in the global market for wireless solutions. Crucially, we undertook in-depth discussions with our customers on all continents, and asked the leading players where they anticipated the most growth. We also carried out a ruthless analysis of our own capabilities, identifying strengths and weaknesses to determine our most advantageous positioning.

The review was a major investment in resources and commitment and it revealed a significant opportunity. CSR has the products, the customer relationships and the capabilities to lead what we have called the 'Connectivity Centre'. As a result of the review, we were also able to make better informed choices about where we wanted to focus our capabilities, which resulted in discontinuing certain operations associated with the acquisition we made in 2005 of UbiNetics. These resources were largely redeployed onto projects consistent with executing on the Connectivity Centre strategy.

CSR enters 2009 with a very clear strategy and roadmap for our long term growth which is to focus on the Connectivity Centre.

The Connectivity Centre

The Connectivity Centre brings together many aspects of short range wireless connectivity products with excellent co-existence, capable of operating concurrently without degradation in optimum performance. Bluetooth, FM radio, Wi-Fi, UWB, high quality audio for music, Bluetooth low energy, GPS location-finding technology and Near Field Communications can all ultimately co-exist alongside each other.

Our research shows that the market for Connectivity Centre products in the medium term will be driven by the exciting developments in smart and feature phones. With our help, customers can put world-class connectivity in their products at competitive prices and are able to choose, within reason, exactly what capabilities they need for any particular product to meet end-customer demand. This provides our customers with an important differentiator. Despite the economic slowdown, we expect the Connectivity Centre market has the potential to grow from around $3.5 billion in 2007 to between $5 billion and $7 billion in 2012.

> THE CONNECTIVITY CENTRE INFORMS EVERY KEY DECISION FROM WHERE WE INVEST THE BULK OF OUR R&D DOLLARS, TO HOW WE LAY OUT OUR ROADMAP
>
> **Joep van Beurden, Chief Executive Officer**

THE CONNECTIVITY CENTRE

The Connectivity Centre brings together many aspects of short range wireless connectivity products with excellent co-existence, capable of operating concurrently without degradation in optimum performance. Bluetooth, FM radio, Wi-Fi, Ultra Wideband, high quality audio for music, Bluetooth low energy, GPS location-finding technology and Near Field Communications can all ultimately co-exist alongside each other.

Bluetooth

FM radio

GPS location-finding technology

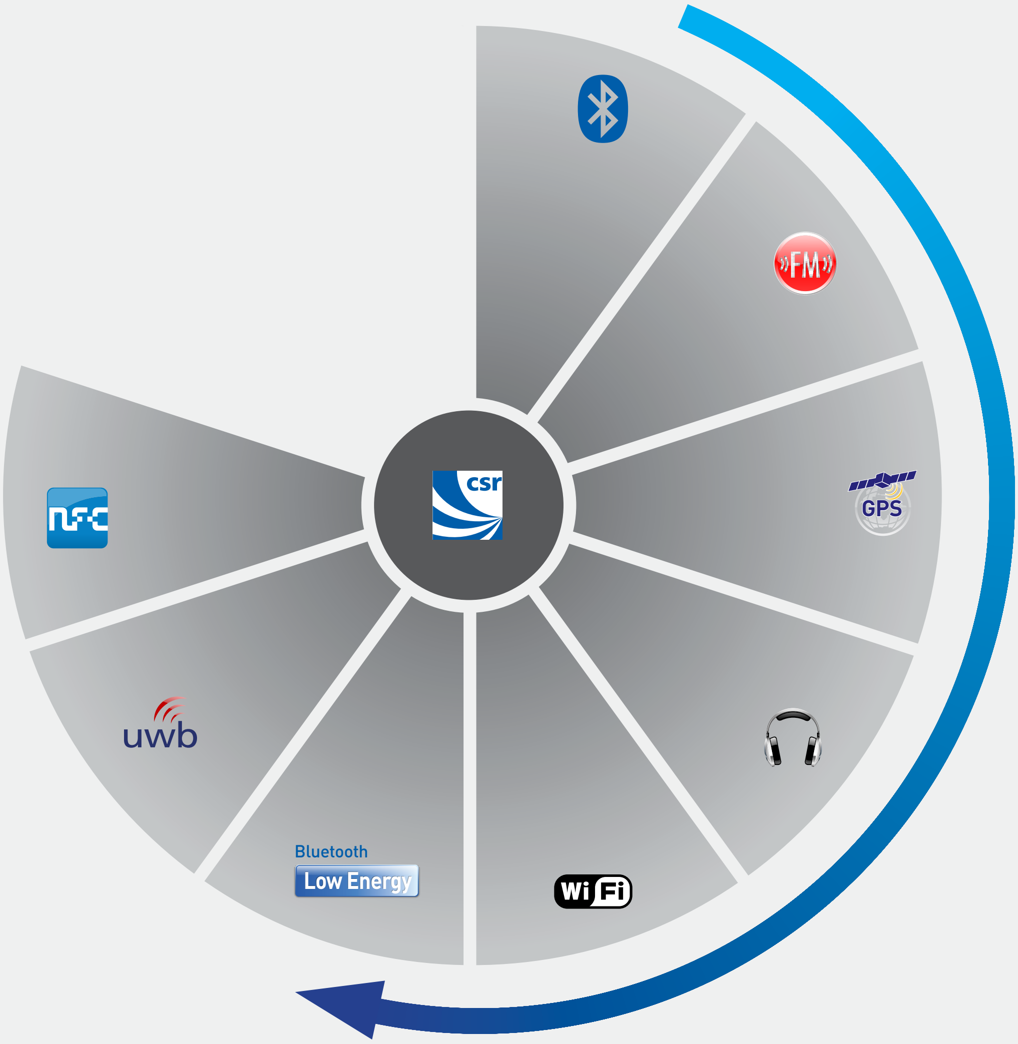
High quality audio for music

Wi-Fi

A new low power wireless technology

Ultra Wideband

Near Feld Communications



The Connectivity Centre focus informs every key decision, from where we should invest the bulk of our R&D dollars to how we lay out our roadmap and which potential strategic partnerships merit further investigation. The first question in any discussion is always the same: how will this action help us build strength in the Connectivity Centre?

Further progress

During 2008 we implemented more effective project management that plans, monitors and supports the execution of our projects. This allows us to have greater confidence in the delivery of our product roadmap and ultimately meeting our strategic goals. It also ensures that we have a clear understanding of how our critical financial and people resources are being applied, enabling us to respond quickly where necessary to meet changing circumstances, as demonstrated by the events of the final quarter of 2008. We have institutionalised programme management within the organisation and have improved the way in which we track programmes through monthly reviews. Our approach to projects has also been revitalised, with an emphasis on multi-disciplinary teamwork, with a single owner of each project, from conception through to delivery.

The results of this focus is demonstrated by the recent launch of three new products that we expect will have a positive impact on our revenues starting later this year and building through the next. Based on the encouraging level of customer engagement, we believe that our products will be in demand in the future as they are becoming increasingly core to the wireless and 'connected' world in which we now live.

We have also upgraded and improved our commercial organisation. A new team has been established and their commercial acumen, combined with a suitable amount of assertiveness, is already showing effect.

In the following sections of this Annual Report, we outline in more detail our expectations for the Connectivity Centre and how we intend to implement a winning strategy for the future.

2009 and beyond

2009 will be equally if not more challenging than 2008. However, looking beyond the short-term macro-economic difficulties, we have great cause for optimism.

2008 has seen CSR change in ways which better position us for the future. Our company is a strong business with huge opportunities brought alive by our focus on the Connectivity Centre and delivered by the most talented and committed people in our industry. BlueCore7, MusiCore and UF6026 will all come to market during the next 12 months. We anticipate revenue from the second half of the year onwards and, together, we expect these three products will help lay the foundations for growth in 2010 and beyond.

We recognise the importance of our business activities being supported by a sound financial footing. CSR remains strongly cash generative, with an operating cash inflow for the final quarter of 2008 of $34 million and a closing net cash balance for the year of $262 million. This, combined with our tight management of costs and inventory, will allow CSR to support its existing business through our own cash resources.

Notwithstanding the more immediate challenges facing many businesses, we are confident in the long-term potential of the Connectivity Centre and in our ability to take advantage of our position as a leading player in its development.

Today, our focus is sharper than ever before. As a leading player in wireless connectivity, we are faced with many opportunities – each of which represents a significant commercial market. It was important to make an informed, clear choice about where our expertise should be directed in order to generate maximum returns for shareholders. We have made that choice and now have a clearly defined set of priorities for the business.

2009 will be tough for all businesses. We are budgeting on the basis of a continued slowdown in economic activity as well as a continuation in the entire supply chain de-stocking. Our priorities are to continue to strengthen our leading market position, maintain our strong balance sheet and manage our costs and working capital in line with the realities of the marketplace.

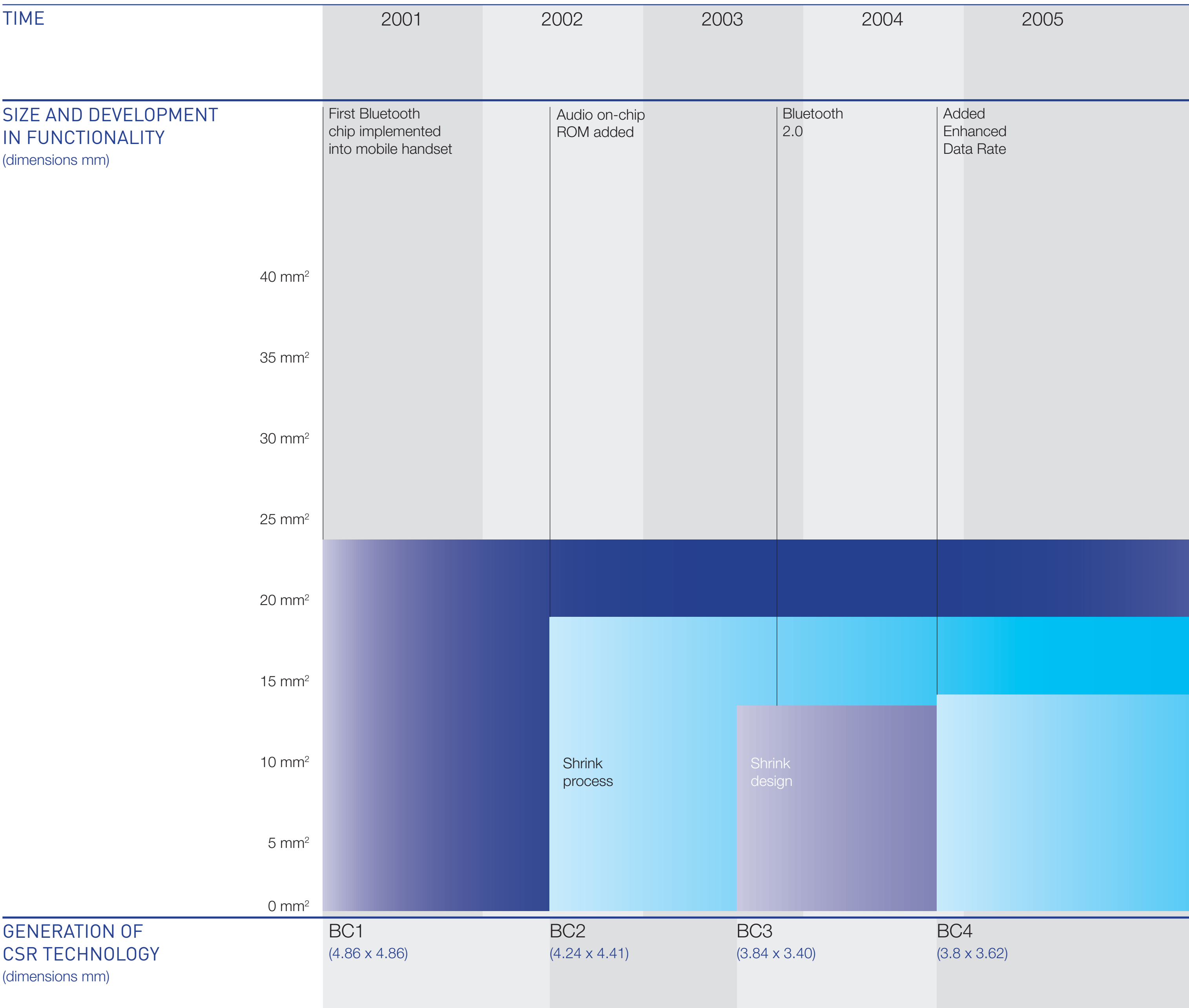
Commercially, we enter 2009 with a product development pipeline in excellent shape, as demonstrated by the recent launch of three new products BC7000, UF6000 and CSR Synergy as well as the soon to be launched CSR9000, our leading edge Bluetooth/GPS/Wi-Fi/FM combination chip. We expect all these products will have a positive impact on our revenues starting later this year and building through the next. Each of these is superior in performance and cost-effectiveness to competitors' offers.

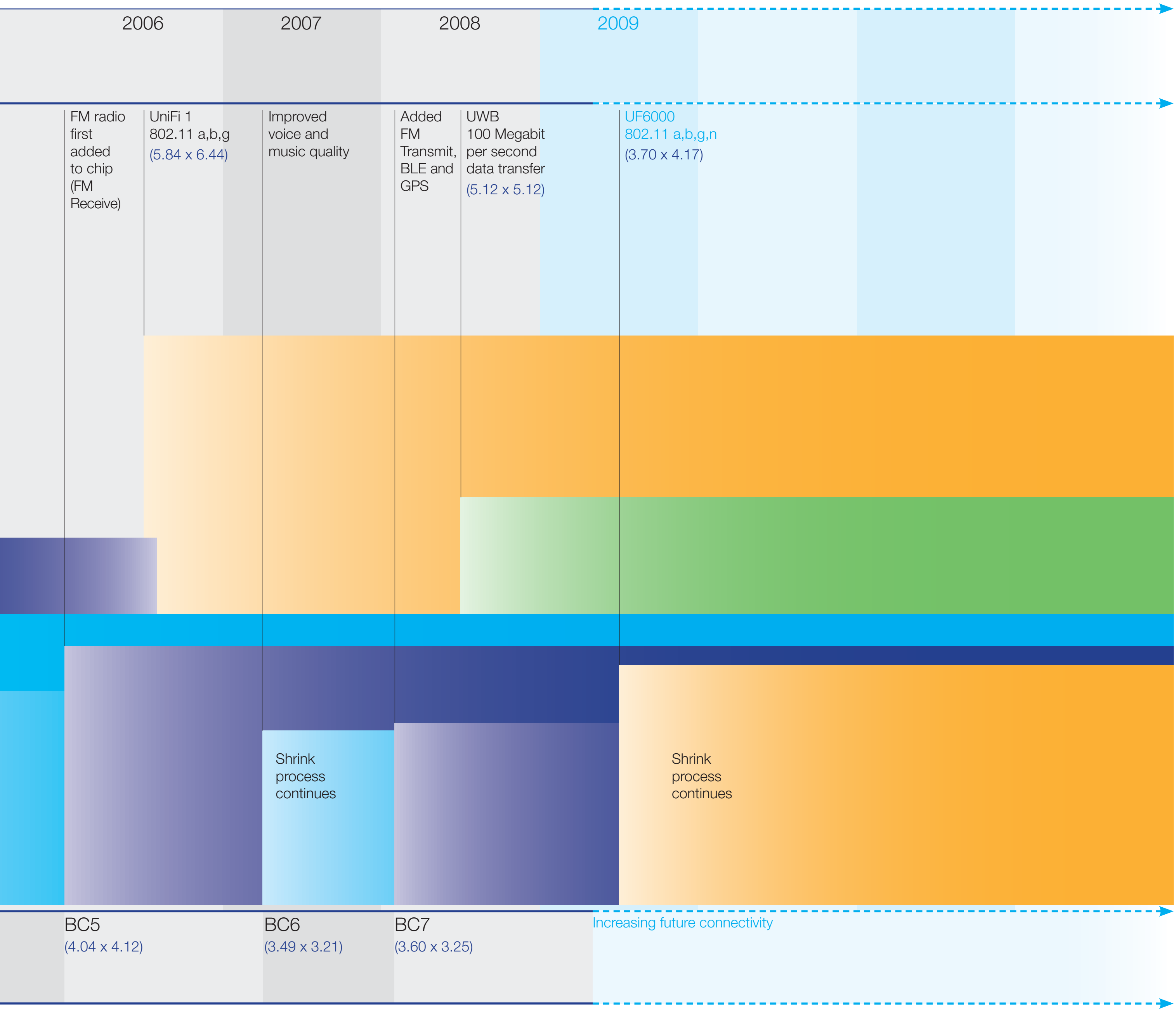
Financially, we have ensured we are strong. Operationally, our execution has noticeably sharpened and we have the ability, should it become necessary, to respond to further deterioration in markets.

Joep van Beurden
Chief Executive Officer

CONNECTIVITY TECHNOLOGY ROADMAP

- Constant evolution since 1999.
- A progressive increase in functionality coupled with a steady reduction in size.
- BlueCore7000 Bluetooth, FM Transmit, FM Receive, Bluetooth low energy and GPS functionality on one chip.
- The 'shrink the chip but expand the functionality' trend will continue.





2006
2007
2008
2009
FM radio first added to chip (FM Receive)
UniFi 1 802.11 a,b,g (5.84 x 6.44)
Improved voice and music quality
Added FM Transmit, BLE and GPS
UWB 100 Megabit per second data transfer (5.12 x 5.12)
UF6000 802.11 a,b,g,n (3.70 x 4.17)
Shrink process continues
Shrink process continues
BC5 (4.04 x 4.12)
BC6 (3.49 x 3.21)
BC7 (3.60 x 3.25)
Increasing future connectivity

CONNECTING WITH QUALITY

- BLUECORE7000 IS OUR NEXT-GENERATION BLUETOOTH CHIP AND CONTINUES OUR RELENTLESS DRIVE TOWARDS PUTTING GREATER PERFORMANCE ON AN EVER – SMALLER CHIP
- MUSICORE IS OUR HIGH PERFORMANCE COMBINED AUDIO AND BLUETOOTH PRODUCT FOR MUSIC PHONES ALLOWING 100 HOURS OF HIGH QUALITY AUDIO PLAYBACK
- UF6000 IS OUR EMBEDDED WI-FI CHIP THAT OFFERS HIGH PERFORMANCE, HIGH SPEED DOWNLOADS OF LARGE FILES SUCH AS VIDEO CLIPS
- OUR CUSTOMERS INCLUDE MANY OF THE WORLD'S TOP NAMES IN ELECTRONICS

CSR is changing the way the world connects. We have developed products that help people interact, navigate, play music and connect to the internet. CSR technology inspires, enlivens and offers an ever-improving user experience for people worldwide.

Our customers – the leading manufacturers who incorporate our technology in their products – include many of the world's top names in electronics. Bose, Nokia, Samsung, Sanyo, Sony Ericsson and many more rely on our expertise to add value to their products and give them global commercial appeal.

World class products

We are a world leader in connectivity. During 2008 we shipped our one billionth chip since the first shipment was made in 2001 and continued with strong positions in each of our two key market sectors: cellular handsets and headsets; and Non-cellular applications.

1

1 WE LEAD THE HEADSET MARKET WITH A SHARE OF AROUND 80%

2 CSR TECHNOLOGY INSPIRES, ENLIVENS AND OFFERS AN EVER IMPROVING USER EXPERIENCE

2

Cellular

In handsets, over half of all products sold now incorporate Bluetooth technology. Over the last four years, we have seen this figure (known as the attach rate) rise from just 14% and expect this upward trend to continue over the long term. Our products benefit from a loyal, established and diverse customer base, and we are key suppliers to many of them.

We anticipate that the Bluetooth attach rate for handsets will continue to increase over the next few years, albeit that the total number of handsets sold is expected to drop in 2009 as a result of the current economic environment.

The Bluetooth standard has evolved year-on-year as more technology has been added. Not only has the performance of our Bluetooth continued to improve, but we have also been able to combine that enhanced performance with the addition of new functionality. For example, the integration of FM radio onto our chips provides improved sound quality that enables the user to enjoy listening to music tracks as well as experience improved voice reception.

We recognise that a potential challenge to our strength in Bluetooth could be mounted by a competitor choosing to integrate the Bluetooth-only function into the baseband chip in the phone. However, based on our own research, we believe that there are several key reasons why such a challenge is not likely to be successful. Firstly, the evolution of baseband technology is significantly slower than the changes being made to the wireless connectivity technology. Secondly, the continuing growth in attach rates in a number of applications, as mentioned in this section of the report; and thirdly, we believe that Bluetooth will continue to be used as an 'anchor point' around which other technology is integrated. This latter point is reflected in both our existing product roadmap and the development of the Connectivity Centre (see the diagram on page 8).

In headsets, we again lead the market with a share of around 80%. Our products are particularly strong at the top end of the market where customers demand the greatest capability and performance and here we have almost 100% market share. Demand for headsets is driven in part by legislation and in June 2008 we benefited when laws concerning the mandatory use of a hands-free device for making phone calls while driving were introduced in California and Washington state in the US.

In addition, we are seeing an increasing number of new headset applications leading to opportunities in areas such as the market for games consoles (or 'gaming') where several leading headset manufacturers are now active. Stereo headsets are also expected to be a market opportunity of the future. Our solutions provide long battery life and high quality audio comparable with that offered by wired headphones.

CONNECTING WITH QUALITY continued

Non-cellular

Non-cellular applications are served by our PC, Automotive and Consumer division. Wireless connectivity continues to provide growth potential across many consumer devices in the medium term, with both the total available market and the attach rate showing growth. Gaming is an exciting market as is the automotive segment, where we lead the market for Bluetooth solutions. Although sales of cars are likely to fall during 2009, we believe that a greater percentage of new models will feature Bluetooth functionality. The inclusion of Bluetooth is relatively inexpensive for manufacturers while being extremely attractive to their customers.

Personal Navigation Devices (PNDs) are also an important sector for us and our RoadTunes product is now installed in the high volume devices of a leading US manufacturer. RoadTunes combines in a single device the capability to make and receive phone calls simply through a voice instruction from the driver. It features state-of-the-art noise and echo cancellation for a better user experience and also allows the driver to access in-car information and entertainment systems (termed 'infotainment') by voice activation alone.

Other notable CSR design wins in the Non-cellular sector include digital photo frames, and TVs.

Indeed, we are seeing an increasing number of new applications for Bluetooth technology as it becomes a more mainstream and cost-effective connectivity solution. We are therefore encouraged by the enormous opportunities for our technology that have still to be exploited.

World class innovation

We made significant progress with three important new products during 2008.

BlueCore7000 is our next-generation Bluetooth chip and continues our relentless drive towards putting greater performance on an ever-smaller chip. Size is a key factor for our customers – and as we demonstrate on pages 10 and 11, we have a proven track record of increasing functionality while also reducing the size of our chips. This is important to our customers, since it reduces the space required by our chip when incorporated into their products. BlueCore7000 combines Bluetooth with FM Transmit, FM Receive, Bluetooth low energy and GPS capability. It therefore delivers good radio performance for the user, while consuming less power than even conventional Bluetooth and at the same time providing personal navigation via a mobile phone or other hand held device – all on a single chip. We expect to enter mass production towards the end of the second quarter of 2009 and anticipate sales revenue in the second half of the year.

1


2


1 OUR ROADTUNES PRODUCT IS NOW INSTALLED IN THE HIGH VOLUME DEVICES OF A U.S. MANUFACTURER

2 BLUECORE7000, OUR NEXT GENERATION CHIP COMBINES BLUETOOTH WITH FM TRANSMIT, FM RECEIVE, BLUETOOTH LOW ENERGY AND GPS CAPABILITY

WE WORK WITH THE WORLD'S LEADING SEMICONDUCTOR MANUFACTURERS PROVIDING LEADING EDGE TECHNOLOGY SUPPORTED BY PROVEN QUALITY

Joep van Beurden, Chief Executive Officer

MusiCore adds audio to Bluetooth and is perfectly matched to the increasing consumer demand for music phones which have traditionally received poor uptake due to limited battery life and poor audio quality. Here again the size and power consumption of CSR's chips enable our customers to create breakthroughs in the quality of their products. Our chip offers market-leading performance, including 100 hours of high quality playback time with audio quality comparable to leading-edge MP3 players and a bill of materials that is significantly lower than the competition. We expect to see revenue streams from leading manufacturers in the second half of 2009.

UF6000 is our embedded Wi-Fi chip. With UF6000, manufacturers are able to create handsets that offer high performance, high speed downloads of large files, such as video clips or large music files that the user can send or receive via their mobile device. Our Wi-Fi chip co-exists effectively alongside Bluetooth in the same device. This means that the user can make a phone call using Bluetooth while also carrying out a Wi-Fi activity such as uploading a video clip at the same time – without the performance of either function being compromised.

World class manufacturing

We work with the world's leading semiconductor manufacturers in order to maintain and enhance our reputation among customers for leading-edge technology supported by reliable supply, proven quality and excellent cost advantages.

CSR is a 'fabless' semiconductor company. All wafer fabrication, assembly, testing and shipping is subcontracted to Taiwan Semiconductor Manufacturing Company (TSMC) and Advanced Semiconductor Engineering (ASE). TSMC is the largest wafer manufacturer in the world offering the leading technologies in wafer fabrication. ASE is the largest packaging and testing company in the world with significantly greater capability and capacity than any other supplier.

In 2008, we developed a range of new products utilising both 90nm and 65nm technology and also completed development of advanced new packaging technology to complement our world-leading Wafer Level Chip Scale Package (WLCSP) capability. WLCSP enables us to prepare and package a chip at the wafer level instead of the more traditional method which involves assembling the package after the wafer has been diced into individual chips.

We expanded our assembly manufacturing base by qualifying ASE's facility in Shanghai, China for manufacturing low cost packages. Furthermore, we extended our WLCSP capability by transitioning new products from 8" wafers to ASE's new 12" wafer manufacturing line. This provides efficiencies in testing and packaging and therefore saves on costs. The year also saw us work closely with TSMC on the development of 40nm technology for advanced RF/wireless product applications.

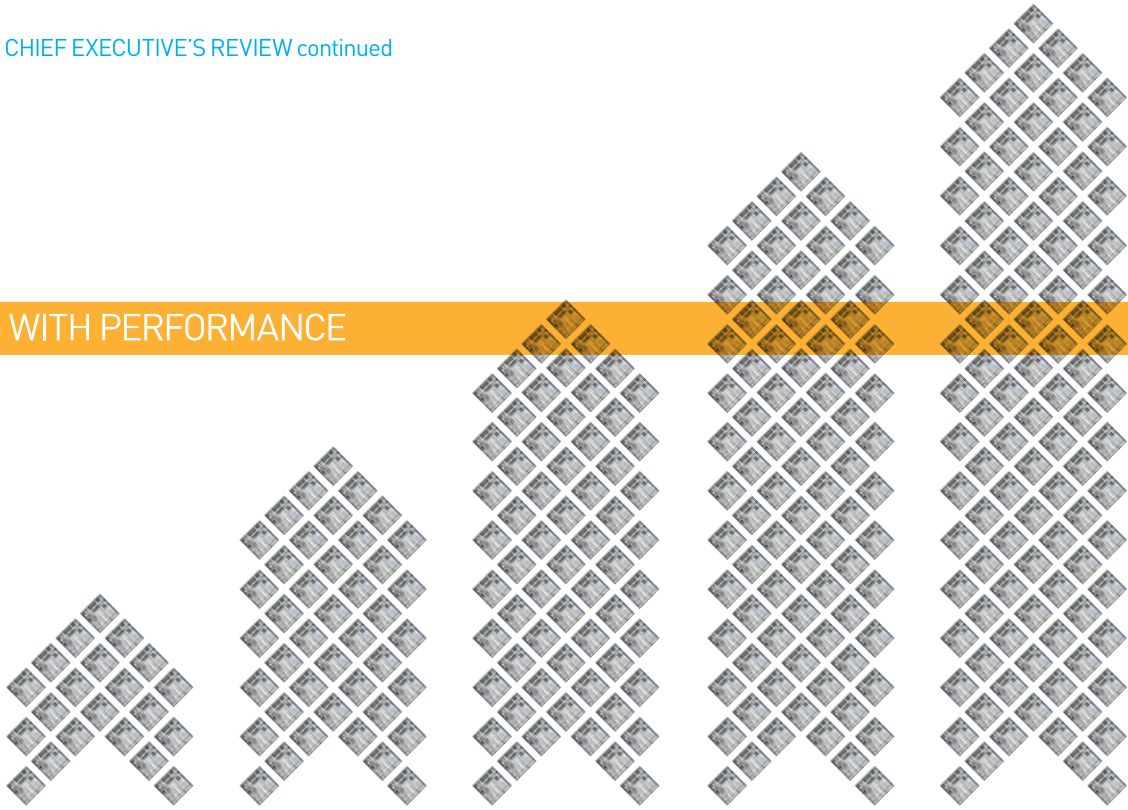
In 2009, we intend to ramp volume production for both 90nm and 65nm products. As demonstrated by the graphic on pages 10 and 11, over the period since 2001, we have progressively transitioned to smaller 'geometries' as part of our drive to reduce cost, thereby remaining price competitive. We work closely with our key partners when implementing these new products, as the process of adopting leading-edge technologies brings significant challenges. In conjunction with TSMC and ASE, we work to ensure that the introduction of these changes does not impact on either delivery schedules or product quality. We will continue to build on the strong relationships with both TSMC and ASE, ensuring that our customers benefit from an operational capability focused on world-leading quality, delivery and performance.

World class talent

We employ around 975 people at 18 sites in 10 countries worldwide. Over 75% of our people are engineers, reflecting our emphasis on leading-edge science and our commitment to innovation.

We carried out a restructuring of our teams during 2008. Business units have been merged and reorganised and this action has hugely simplified the way in which we allocate our R&D resource. There is now significantly better alignment between R&D projects and the business units, which has resulted in greater commercial agility and more rapid decision-making, allowing us to exploit new opportunities as well as respond at speed to our customers' requirements.

CONNECTING WITH PERFORMANCE



- WE ARE COMBINING DIFFERENT WIRELESS STANDARDS TO ENHANCE THE CAPABILITIES OF CONSUMERS' MOBILE DEVICES TO COMMUNICATE WITH EACH OTHER
- CSR HAS THE EXPERIENCE AND THE KNOW-HOW TO BUILD AND CONTINUALLY INNOVATE CONNECTIVITY SOLUTIONS
- BLUECORE7000, MUSICORE AND UF6000 ARE EXAMPLES OF NEW PRODUCTS COMING TO MARKET, HERALDING THE START OF A NEW PHASE IN CSR'S DEVELOPMENT

CSR is pioneering connectivity, changing the way the world connects. The trend towards a wire-free world is set to continue in the coming years. This is the future that consumers demand and which CSR, through its ground-breaking technology, enables leading manufacturers to exploit.

Personal devices featuring CSR technology can direct you to the nearest coffee bar, petrol station or supermarket. On your journey, you can listen to FM radio stations, broadcast from the handset to a set of stereo headphones. Or you can choose to listen to any of around 500 of your own music tracks, using only a fraction of the battery power usually associated with a music capability. While you're waiting for your coffee to cool, you can check your Facebook wall, catch up on the news or download music or podcasts through your Wi-Fi or Ultra Wideband connection.

Tightening our focus

Following the operational review, we have been focussed on the Connectivity Centre.

Although the term 'Connectivity Centre' was originally coined by CSR and first used when we announced the results of our operational review in the spring of 2008, such is the compelling case of the concept that it is already used by competitors and customers alike. However, we believe that the Connectivity Centre is far more than a neat phrase for describing the bringing together of different wireless technologies. The Connectivity Centre is not only the future of wireless communication: it is already happening. We are combining different wireless standards to enhance the capabilities of consumers' mobile devices to communicate with each other. Significantly, we believe also that only CSR offers a true Connectivity Centre, with all technologies fully-integrated and capable of operating together while sustaining optimum high level performance for the user.

Market opportunity

The Connectivity Centre offers a significant growth opportunity.

Smartphones and feature phones, which have additional functionality and provide the user with greater flexibility of applications in their mobile phone, will become increasingly important at the expense of more basic and ultra low cost models. According to industry sources such as ABI and IMS, the number of smartphones and feature phones – the core market for the Connectivity Centre – will surpass 1.1 billion units worldwide by 2012. By the same year, the total addressable market for the Connectivity Centre has the potential to grow to be between $5 billion and $7 billion compared to around $3.5 billion in 2007.

CSR has the experience and the know-how to build and continually innovate connectivity solutions in order to meet end-user demand for increasingly sophisticated and multi-functional wireless interface between devices.

The Connectivity Centre

Today, Bluetooth represents over 95% of our revenues. We recognise that the continuing success of CSR lies in developing additional technologies that operate seamlessly with Bluetooth as one part of a connectivity capability.

At the end of 2008, our Connectivity Centre was offering proven performance in a number of key technologies:

Bluetooth

Our teams continue to push back the boundaries of Bluetooth. During 2008, we shipped nearly 40% of the world's Bluetooth chips and our technology featured in around 50% of all new product designs that incorporated Bluetooth.

FM

Music and audio are increasingly important to consumers and, therefore, to our customers. Our FM capability allows people to listen to radio stations on the move, via a Bluetooth mono or stereo headset.

GPS

Interest in and use of GPS grew rapidly in 2008 and is expected to continue to increase during 2009. Our GPS solution, which features significant technical advantages, is a fraction of the cost of alternative solutions while also being capable of acquiring a location signal more quickly, even inside buildings. This means we can offer greater reliability and therefore an enhanced user experience.

Bluetooth low energy

This new low-power wireless technology can be used to transfer simple data sets between compact devices, and can run for up to an astonishing ten years on one button-like cell battery. This opens up whole new opportunities for Bluetooth, addressing compact applications such as watches, TV remote controls and medical sensors. In fact low-power wireless technology can transfer data from one location to another at a fraction of the cost of existing products. For example, training shoes can incorporate monitors to record fitness and sports data which can then be downloaded wirelessly onto a home computer. Similarly, pulse rate data recorded by a medical device can be downloaded wirelessly at home or at a local surgery, giving physicians valuable information about the patient's day.

Wi-Fi

With UF6026, our Wi-Fi solution, people can transfer data at high speed, downloading music or films and browsing the web. UF6026 co-exists alongside Bluetooth in the same device so that, for example, consumers can make wireless phone calls while uploading files at the same time.

We believe that these products, which will support revenue opportunities in 2009 and beyond, demonstrate our firm commitment to extending our technology capabilities. BlueCore7000, MusiCore and UF6000 are examples of new products coming to market, heralding the start of a new phase in CSR's development.

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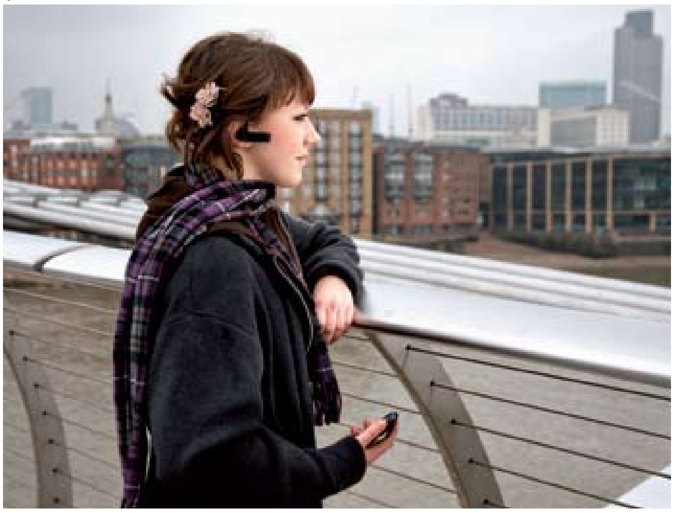


1 OUR FM CAPABILITY ALLOWS PEOPLE TO LISTEN TO RADIO STATIONS ON THE MOVE, VIA BLUETOOTH MONO OR STEREO HEADSET

CONNECTING WITH OPPORTUNITY

Product development

In 2008, we invested some $150 million in R&D on an underlying basis. This represents around 21.6% of our total revenue, a proportion normal within an R&D intensive industry. This investment has been focussed on the technologies relevant to the Connectivity Centre and associated eco-systems such as handsets and headsets: Bluetooth, Bluetooth low energy, FM, Wi-Fi, GPS and eGPS, UWB and audio signal processing: which focus we believe is unique in our sector.

The functionality of the Connectivity Centre is immediately apparent to any end customer, and thereby brings product differentiation and therefore competitive advantage to our customers. In contrast, cellular baseband, although undoubtedly essential actually brings little, if any, end product differentiation. CSR first identified and defined this concept and through our 'intelligent integration' strategy now have many of the required technologies both as stand-alone chips and in combinations tailored for various market segments.

Evolution of the Connectivity Centre

Bluetooth, FM, Bluetooth low energy and Wi-Fi are already key components of products already fully developed, with Bluetooth at the heart of and an essential component on which successful deployment of all other technologies depend. These have been developed on 90nm and 65nm CMOS processes.

We are developing the Connectivity Centre further in a number of ways:

1

1 BLUETOOTH, FM, BLUETOOTH LOW ENERGY AND WI-FI ARE ALREADY KEY COMPONENTS OF PRODUCTS ALREADY FULLY DEVELOPED

OUR R&D INVESTMENT HAS BEEN FOCUSSED ON THE TECHNOLOGIES RELEVANT TO THE CONNECTIVITY CENTRE AND ASSOCIATED ECO-SYSTEMS

James Collier, Chief Technical Officer

– We expect to see GPS increase penetration rapidly over the next few years, with the potential to become ubiquitous, whereas it has hitherto been largely confined to driver navigation devices. To date, most GPS optimisations have been for vehicles and it is only recently that most manufacturers have begun thinking about the practicalities of adding useable GPS functionality to 2G and 3G phones. The recently announced BlueCore 7830 BT/FM/GPS combination chip is specifically targeted to cellular phones. Several more, with significantly enhanced performance, are in development and we expect to be taping-out during 2009.

In performance terms, our GPS delivers competitive advantage by reducing the board area and cost of adding GPS to cellular phones. Following the benefits derived from our acquisition of the technologies and skills of Cambridge Positioning Systems by integrating with measurements made on the cellular network infrastructure of mobile phone communication masts, we are able to provide fast fixes and extend coverage even inside buildings. This we believe to be essential before cellular operators deploy location based software in any meaningful manner.

Music playback has already grown to be a standard feature of phones, but has usually been added as an afterthought to the applications processors or cellular baseband chips, resulting in current consumption and therefore battery life which is becoming unacceptable. Since the Bluetooth and FM devices from CSR already contain an audio router and DSP capability it has been straightforward for us to add music decode, including DRM and HiFi quality audio to our chips. This not only has size and cost advantages, it has reduced power consumption up to ten fold. Additionally we have included the advanced noise cancellation DSP which we have used successfully in headsets and car-kits for some years, further improving audio quality during normal voice calls. Many enhancements have been made during 2008, and we anticipate developing further chips with advanced music and speech processing during 2009.

– High speed wireless data transfers. The MusiCore products can connect directly to the bulk (NAND Flash cards) memory of the phone or PMP, and we can take advantage of this to transfer or synchronise files in an efficient manner without the bottle-necks or power penalties of transfer via the applications processor. We have already demonstrated transfer speeds of ten times the normal Bluetooth speed using our Wi-Fi with the developing Bluetooth AMP protocol, and one hundred times using our UWB with the same AMP protocol. Our UWB method is ten times faster than that of competitor's Wi-Fi versions, while using only one tenth of the energy per bit transferred. Nonetheless we support and make chips for both Wi-Fi and UWB high speed enhancements, and can use the most appropriate in each use-case.

– Advanced Technology. During 2008 we analysed thoroughly the cost of the various functions described above for a variety of silicon geometries. It is clear that all our devices are currently on the optimum process. Furthermore we have decided that 65nm is inappropriate for many products, being more costly for single standard devices and sub-optimal for larger combination devices. This is a different conclusion to that made by competitors and stems from our designs being in general smaller than theirs on the same process node. We have therefore decided to concentrate future process development on 40nm. We have already taped-out test silicon on 40nm and have several projects and circuits under development during 2009.

James Collier
Chief Technical Officer

DIRECTORS' REPORT – BUSINESS REVIEW

R&D IS AT THE HEART OF OUR STRENGTH IN THE PRODUCTS AND SOLUTIONS WE ARE ABLE TO OFFER OUR CUSTOMERS. IN 2008 R&D SPEND WAS $152.8 MILLION A 7% INCREASE OVER 2007

Will Gardiner, Chief Financial Officer

Overview

CSR plc is the holding company of an international group of companies with its headquarters in Cambridge, UK. CSR plc listed on the London Stock Exchange in March 2004 and is a constituent of the FTSE 250 Index.

Our core business is the design and supply of integrated circuits, or silicon chips, for use in wireless devices. Through our BlueCore range of products, we are a market leader in the supply of single chip solutions for Bluetooth wireless voice and data communications, providing low cost, high performance integrated circuits (ICs or silicon chips) to manufacturers of a wide range of electronic devices. These include items such as mobile phones, headsets, laptop PCs, PC peripherals, games consoles, stereo headphones, MP3 players and automotive based systems. We supply over 450 end customers including BMW, Bose, Dell, LG, Motorola, Nokia, NEC, Panasonic, RIM, Samsung, Sharp, Sony, TomTom and Toshiba. We are also extending our technologies beyond Bluetooth to bring a broader range of short-range wireless technologies to market, namely Wi-Fi, GPS, FM radio, UWB (Ultra Wideband), NFC (Near Field Communications) and Bluetooth low energy.

Our objective is to be the supplier of choice of solutions for wireless voice and data communications focussing on the Connectivity Centre. The Connectivity Centre brings together many aspects of short range wireless connectivity products with excellent co-existence, capable of operating concurrently without degradation in optimum performance. We believe that Bluetooth, FM radio, Wi-Fi, UWB, high quality audio for music, GPS location-finding technology and Near Field Communications can all ultimately co-exist alongside each other, with significant benefits for the end user. Our strategy is built around the Connectivity Centre and this guides all decisions we make. The Connectivity market has grown very quickly over the last few years and is forecast to continue to grow substantially over the long term.

We have a very strong research and development team of 630 staff as at 2 January 2009 (down from 714 a year earlier). The majority of these are based in Cambridge, UK, with teams in Aalborg in Denmark; Stockholm in Sweden; Dallas and Detroit in the US; Sophia Antipolis in France and Bangalore in India. Our sales and marketing function is centred in Cambridge in the UK with sales liaison offices in Dallas and Detroit in the US; Taipei in Taiwan; Seoul and Gumi in South Korea; Tokyo in Japan and Shanghai and Shenzhen in China.

We market to Original Equipment Manufacturers (often called OEMs) and Original Design Manufacturers (or ODMs), principally through our own direct sales force and, in North America, through sales representatives. We also market our chips through a network of distributors.

Our marketing efforts are supported by a team of applications engineers who provide technical support and assistance to existing and potential customers in designing, testing and qualifying systems that incorporate our products.

This support is generally provided without charge to customers who have the potential to purchase large volumes of products. An important part of our marketing effort involves providing technical support to product developers to encourage them to design products using our chips. For this purpose, we provide a range of development kits and tools.

Business segments

For the period to 2 January 2009 we were organised into two business segments; Cellular; which includes mobile phones and headsets, and Non-cellular; which includes applications beyond the mobile phone including PC, Automotive and Consumer applications.

We identified business segments based on internal reporting and have chosen to aggregate those business segments which meet the aggregation criteria specified in International Financial Reporting Standard 8 for disclosure as reportable segments.

Cellular segment

During 2008, we achieved good progress designing in our next-generation Bluetooth chip, BlueCore7000, which combines Bluetooth with FM Transmit, FM Receive, Bluetooth low energy and GPS RF. BlueCore7000 is expected to enter mass production during the second half of 2009.

There continues to be significant interest in our combination Bluetooth and Audio Codec chip, MusiCore, among Tier 1 phone manufacturers and we believe this could lead to end products in the market in the second half of 2009.

UniFi6000, our third generation embedded Wi-Fi product family was developed during 2008. The UniFi6000 range is the world's smallest embedded Wi-Fi chip available. UF6000 has a die size of less than 16mm^2 of silicon, whilst providing customers with low power consumption. It supports IEEE 802.11a/b/g and n.

Non-Cellular segment

We are the wireless connectivity provider of choice in the Non-cellular segment and the number of applications for Bluetooth continues to grow. We are working with our customers to integrate Bluetooth in a range of new consumer electronic devices. These include products such as Hi-Fi units, a wider range of games consoles and televisions where wider adoption is expected to occur.

We have a significant presence in the gaming segment where low-latency is a key requirement from customers. Our Fast Stream™ software ensures that the audio and video are synchronised to enhance the realism of the computer game and therefore the user enjoyment. We are seeing a trend in having multiple simultaneous uses for Bluetooth in gaming and we expect consumers to see this in the market in 2009.

The automotive market continues to provide growth opportunities as Bluetooth connectivity is being incorporated into a growing range of newly built cars and attach rates continue to increase. While we expect global demand for cars to be impacted by the general economic slowdown, we believe a greater proportion of those cars built will include Bluetooth functionality as manufacturers offer higher specification levels in order to make their products more attractive to consumers.

Personal Navigation Devices (PNDs) are an important market and our RoadTunes product benefits from having an easy to integrate reference design.

2008 was a challenging year in the PC sector, and we suffered market share loss. However we continue to develop products aimed at this market. Our partnership with Intel has provided PC customers and OEMs with the ability to offer their customers a saving of battery life of 30 minutes. To ensure ease of integration, CSR has launched a new PC 'Slim module' design with a new read only memory (ROM) device that incorporates the CSR/ Intel advanced power management functionality. We expect to ship devices with this functionality in 2009.

Market overview

CSR remains a world leader in the Bluetooth market, a position it has held since 2004. The operational assessment during the first quarter of 2008 validated CSR's fundamental strength in wireless technologies whilst also confirming that the wireless connectivity market represented a significant long term growth opportunity. Even allowing for the current economic uncertainties, the Company estimates that the market for short range wireless connectivity solutions may grow from around \$3.5 billion in 2007 to between \$5 billion and \$7 billion in 2012.

At the heart of this growth are several connectivity technologies that the Company believes will progressively converge onto a single piece of silicon in mobile phones and other portable consumer electronics products, forming what we call a Connectivity Centre. This trend is already being reflected by requests from our customers for product designs that combine multiple short range wireless communication technologies. All the technologies which we believe will be potential elements of the Connectivity Centre are either in production by us or are in our current R&D pipeline.

Bluetooth is at the core of the Connectivity Centre due to its high adoption rate and Connectivity Centre chips will normally include a combination of Bluetooth with other technologies and functionality.

The markets in which we operate are highly competitive and are characterised by rapid technological change, evolving industry standards and declining prices and costs. Our primary competition includes Broadcom, Texas Instruments and ST Microelectronics.

We believe that the rate of adoption into mobile devices (the 'attach rate') for Bluetooth in handsets was between 50% and 60% in 2008, which represents an increase of approximately 5% compared to 2007. Based on market reports and discussions with customers, management expects a further overall increase in the Bluetooth attach rate for our target markets during 2009 as more devices are launched that provide wireless connectivity. Offsetting the increase in the adoption of Bluetooth and other wireless technologies, however, is the impact of the global economic downturn, which has particularly affected the consumer oriented markets which our customers sell into. We therefore expect the market for short range wireless connectivity solutions in 2009 to contract compared with 2008.

This is expected to impact the handset and headset markets which are both forecast to experience contraction with a decline in sales forecast for both markets. However, the Company believes that its products provide strong technical and performance differentiation from alternative solutions which will enable it to compete effectively in securing and maintaining market share.

In the Non-cellular segment the Company expects the attach rate for Bluetooth will continue to grow in 2009 in certain applications. In the automotive market, despite the widely reported decline in global car sales, it is expected that the attach rate for Bluetooth will increase due to the relatively low cost for the inclusion of this feature into new build cars.

Financial review

The table opposite includes both GAAP and underlying data for the 53 week period ended 2 January 2009, extracted from the income statement on page 64. The term 'underlying' is not defined under IFRS and therefore may not be comparable to similarly titled measures reported by other companies. Further, these measures are not intended to be a substitute for, and are not considered to be superior to other defined IFRS measures.

We believe that the presentation of the underlying measures provides useful additional information as they represent the measures used internally by management to evaluate the performance of its operations, develop budgets and incentive compensation arrangements for employees. Further, the 'underlying' measures presented below are also used to analyse and understand the key drivers of the business. They exclude significant items which, whilst important to an understanding of the overall business, are less important for the operational decisions made. The items which have been excluded from underlying measures are the amortisation of acquired intangible assets and, in 2008, asset impairment charges, charges for restructuring and the deferred tax adjustment to goodwill, and in 2007, a patent dispute settlement.

We believe that the exclusion of these items provides a useful view of our operating performance as it clearly reflects our internal financial reporting. A statutory format income statement is on page 64 of the Financial Statements.

Financial performance

	53 weeks ended 2 January 2009 $ Million	52 weeks ended 28 December 2007 $ Million	Change
Revenue	694.9	848.6	-18%
Gross Profit	309.8	396.3	-22%
Gross Margin	44.6%	46.7%	-2.1%
R&D	158.2	147.5	+7%
% of revenue	22.8%	17.4%	+5.4%
*Underlying R&D	152.7	140.9	+8%
% of revenue	22.0%	16.6%	+5.4%
SG&A	160.2	98.6	+62%
% of revenue	23.1%	11.6%	+11.5%
*Underlying SG&A	91.8	83.4	+10%
% of revenue	13.2%	9.8%	+3.4%
Operating (loss) profit	(8.5)	150.1	-106%
% of revenue	(1.2%)	17.7%	-18.9%
*Underlying operating profit	65.2	172.0	-62%
% of revenue	9.4%	20.3%	-10.9%
*Underlying earnings per share($) (Diluted)	0.43	0.94	-54%
(Loss) earnings per share ($) (Diluted)	(0.05)	0.83	-106%

*Underlying numbers exclude the amortisation of acquired intangible assets, a $52.9 million asset impairment charge in 2008, $14.4 million of restructuring charges in 2008, a $1.0 million charge in 2008 (2007: $0.3 million) related to the adjustment to goodwill as a result of the recognition of pre-acquisition losses and, in 2007, the payment of $15.0 million in settlement of a patent dispute.

Summary

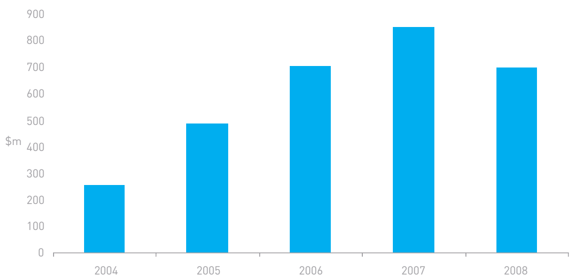
2008 has been a year of significant change for the Company. During the first quarter, the Company completed a detailed operational assessment of its business strategy, which has been successfully implemented and is already yielding benefits in operational efficiency and focus on product execution. The operational impact of these changes are explained on pages 6 to 9 of the Annual Report. The later part of the year saw the impact of the global banking and financial crises, which has resulted in a reduction in financial liquidity and a sharp slowing in demand from business and end-consumers alike.

The Company's primary market is the supply of Bluetooth products, which represented over 95% of CSR's revenues in 2008. The overall growth in demand for Bluetooth products, albeit slower than in prior years, continued in both Cellular and Non-cellular applications. Approximately 98% of the Company's products are supplied to customers which produce products serving the retail consumer markets.

Key performance measures

We use a range of financial and non-financial performance measures, reported on a periodic basis, to measure performance over time. There have been no changes in the period in our financial KPIs; we have added headcount as a non-financial KPI in the current period. No changes have been made to the source of data or calculation methods used in the period. The source of all data is consistent with published financial and non-financial information.

To measure growth of the business:
Revenue represents sales of integrated circuits to customers, sales of services to customers and royalty income from products sold under a royalty earning licence net of any estimated provisions for credit notes and returns. Only a negligible percentage of our revenues come from sales of services and royalties.



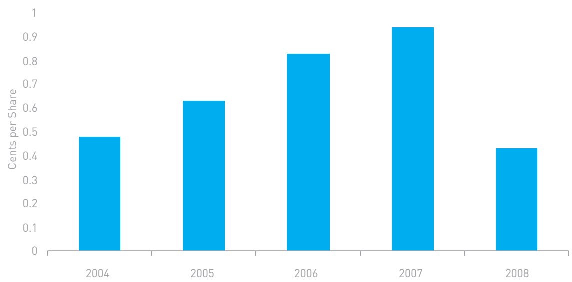
Revenue as reported in the Income Statement on page 64).

Revenue for 2008 amounted to $694.9 million, representing an 18% decrease from revenue in 2007 of $848.6 million. This reflected principally a reduction in the volume weighted average selling price of 13.8%, coupled with lower shipment volume due to the sharp decline in demand from customers at the end of 2008, the previously reported loss during 2006 of a BlueCore5 FM device programme at our largest customer and competitive pressure in the low cost headset and other markets. The loss of this BlueCore5 FM programme has resulted in the revenue we derive from that customer as a proportion of our total revenues declining from 29% in 2006 to 26% in 2007 and to 19% in 2008. We have however, maintained our strong relationship with this customer and based on the development of our next generation Bluetooth device BlueCore7000, we anticipate regaining market share with them during 2009.

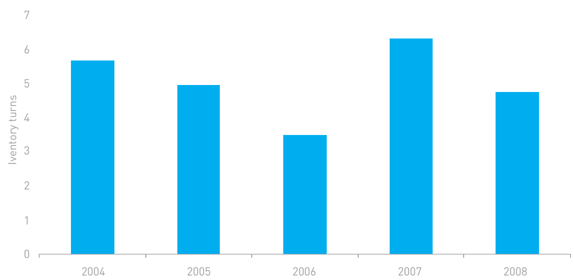
To measure performance of the business:
Underlying earnings per diluted share is used as a measure of the interest each current share and each potentially dilutive share has in the performance of the business. Underlying earnings per diluted share is calculated as underlying earnings divided by the number of current shares and potentially dilutive shares outstanding.

Underlying diluted earnings per share in 2008 was $0.43, a decrease of 54% compared to $0.94 in 2007.

The decrease resulted from the reductions in revenue and gross profit, along with the increases in underlying operating expenses, all of which are described in more detail on page 24.

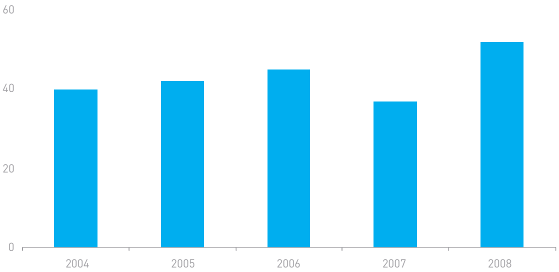


To measure working capital management:
Inventory turns is used as a measure of the management of inventory levels in the business and represents the number of times inventory 'turns over' in an annual period based on the previous three months cost of sales.



Inventory turns decreased in 2008 to 4.8, based on the previous three months cost of sales (2007: 6.3). The decrease resulted from reductions in orders towards the end of the year, which were notified within the lead-time for production from our suppliers and hence led to higher than planned inventory balances. We took decisive actions to reduce inventory balances as far as possible as soon as the effect of these reductions in orders on forecast shipments became known.

Days sales outstanding (DSO) is a measure of the number of days that it takes us to collect revenue after a sale has been made taken at our year end date. We calculate DSO by taking the balance of trade receivables outstanding at the end of the annual period, dividing by the revenue for the most recent monthly periods and then multiplying by the number of days in those monthly periods.

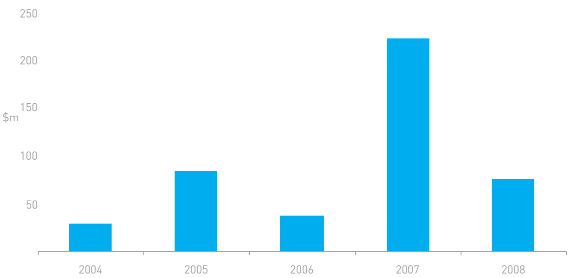


Note: Data is given at year end dates

The increase in DSO was due to the non-payment of invoices on the due date by a distributor. This debt is not provided for and has been collected since 2 January 2009.

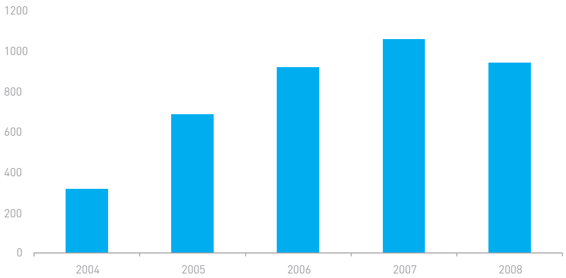
In previous years, DSO was lower as, due to higher levels of demand, customers paid invoices early to remain within their credit limits.

Free cash flow is used to represent the cash that we are able to generate after cash out flows on capital expenditure. We calculate free cash flow as cash generated by operations (as per the cash flow statement on page 66) less expenditure on tangible and intangible assets in the annual period (as shown on the cash flow statement).



Free cash flow declined to $73.7 million (2007: $222.9 million), mainly as a result of our lower gross profit and higher operating expenditures. In 2007, there was a substantial benefit from working capital movements in the year, mainly due to timing of purchases from subcontractors and receipt of cash from customers at the 2007 year end, compared to the 2006 year end.

Headcount as at the end of the annual period is used as a non-financial key performance indicator of the resources available in the business and is monitored closely in relation to productivity and research and development output.



Note: Data is given at year end dates

Headcount has decreased from 1,062 at the end of 2007 to 975 at 2 January 2009; a reduction of 8%. This was primarily due to implementation in the final quarter of 2008 of headcount reductions in response to the global financial and economic downturn experienced in the latter part of the year, and reversed a growth in headcount in the first part of 2008. The headcount reductions were implemented following careful consideration of the long-term strategic objectives and shorter term targets for 2009. This was performed in conjunction with operational management to ensure that core projects remain adequately resourced.

Details of 2008 financial results

Revenue

As noted on page 23, revenue for 2008 amounted to $694.9 million, representing an 18% decrease from 2007 revenue ($848.6 million). This reflected principally a reduction in the volume weighted average selling price of 13.8% coupled with a lower shipment volume due to the sharp decline in demand from customers at the end of 2008, the previously reported loss during 2006 of a BlueCore5 FM programme with our largest customer and competitive pressures in the low cost headset and other markets. The loss of this BlueCore5 FM programme resulted in the revenue we derived from that customer as a proportion of our total revenues declining from 29% in 2006 to 26% in 2007 and to 19% in 2008. We have however maintained our strong relationship with this customer and, based on the development of our next generation Bluetooth device BlueCore7000, we anticipate regaining market share with them during 2009.

Segmental Revenue

	53 weeks ended 2 January 2009 $ Million	52 weeks ended 28 December 2007 $ Million	% change
Cellular	552.8	660.6	(16%)
Non-cellular	142.1	188.0	(24%)
	694.9	848.6	(18%)

Cellular segment revenue, which represented 80% of our total revenue in 2008, decreased 16% compared to 2007. This was due to a combination of the decline in revenue from handsets from our largest customer and competitive pressures in the headset market. Non-cellular segment revenue, which represented 20% of our total revenue in 2008 decreased by 24% compared to 2007. This was in large part due to a decline in revenue from personal computer customers, where we lost market share.

Our BlueCore4 ROM device (the world's best selling Bluetooth device) was again our largest shipping product in the year. BlueCore4 ROM started shipping in volume in 2005 and was our largest selling product in each of 2006, 2007 and 2008. Product lifecycles vary; in some cases they can extend to several years, while in others the rate of technological innovation may compress the lifecycle. Product average selling prices generally decline by around 15-20% per year and individual product costs tend to reduce at a similar rate.

Gross margin

Gross margin for 2008 fell to 44.6% from 46.7% in 2007. This decline resulted in part from increased competition and pressure on margins and also from a change in the mix of end market demand towards handset related sales, which generally have lower margins and feature the basic Bluetooth devices, and away from shipments to the higher margin headset and PC sectors.

The effects of this shift were partially offset by reductions in production costs exceeding selling price reductions, which had a beneficial effect on gross margins. The overall lower level of revenue also impacted gross margins since those elements of largely fixed overheads recorded in cost of sales do not reduce.

We expect continuing competitive pressure on our product average selling prices, particularly given the current economic climate.

Research and Development (R&D)

R&D, is the heart of our strength in the products and solutions we are able to offer to our customers and which underpins and sustains our success. In 2008 R&D costs were $158.2 million, a 7% increase from the $147.5 million of R&D expenditure in 2007. Underlying R&D expenses (excluding the amortisation of acquired intangible assets) were $152.7 million in 2008, an 8% increase from our $140.9 million of R&D expenditure in 2007, representing 22% of revenue. The increase reflected an increase in R&D personnel in the first three quarters of 2008 (4% average increase), and a 6% increase in the exchange rate at which we converted our GBP costs into dollars (2008: $1.98=£1.00, 2007: $1.86=£1.00).

The Company invests a significant proportion of its resources in R&D in order to ensure that it continues to provide innovative wireless connectivity solutions to its customers. This is explained in more detail on pages 18 and 19.

The key projects we have identified all form major parts of the Connectivity Centre: we have concentrated on our latest Bluetooth and FM device (BlueCore7000), MusiCore (Bluetooth plus Audio Codec) product, our next generation Wi-Fi device and development and integration of our leading edge software based GPS solution.

We expect to continue to invest heavily in technological innovation, with our focus on technologies forming key parts of the Connectivity Centre.

As a result of our R&D effort and recent acquisitions, we have nearly 200 granted patents and a significant number of further applications in process.

Selling, General & Administrative (SG&A)

In 2008, selling, general & administrative costs were $160.2 million, representing a 62% increase from $98.6 million in 2007, mainly due to the charges described opposite.

As a result of the operational strategy assessment, in May 2008, the Company decided to cease ongoing investment in the UbiNetics protocol stack. This had been acquired with the software business of UbiNetics in August 2005. The main reason for the acquisition had been to expand our footprint in the handset for which a protocol stack was necessary. As a result of the subsequent evolution of market however, the Company took the view, shared by most of the industry, that the integration of Bluetooth and other technologies into the baseband is unlikely to happen. We therefore focussed the Company's resources on our capabilities in the Connectivity Centre, explained elsewhere in this Annual Report. This resulted in a non-cash impairment charge of $52.9 million, which included the write down of the goodwill relating to the UbiNetics acquisition ($36.9 million) and certain assets which will not be used in future development activities ($16.0 million).

In response to the current economic recession, a cost reduction programme was implemented in the fourth quarter of 2008, with the aim of reducing ongoing annualised operating expenses by $20 million in 2009. This has been successfully completed, and is expected to deliver actual annualised savings of $25 million with the initial benefit of the savings commencing in the first quarter of 2009. This resulted in a charge of $14.4 million.

During 2007, the Company reached an agreement with the Washington Research Foundation (WRF) to settle its patent infringement suit issued against twelve of the Company's customers. The Company remained of the view that WRF's infringement suit against its Bluetooth chips was without merit. Notwithstanding this, the Company believed that an early resolution of the claim was both in its own and in customers' best interests and accordingly a settlement payment of $15.0 million was made in April 2007. In connection with this settlement, the Company obtained an undertaking from WRF not to sue the Company, its suppliers, customers or end users for the alleged infringement by CSR products of the patents asserted in the suit.

Underlying selling, general & administrative costs (excluding the deferred tax adjustment to goodwill and in 2008, asset impairment charges and charges for restructuring, and in 2007, a patent dispute settlement – as described on page 25) were $91.8 million representing a 10% increase over 2007 SG&A costs of $83.4 million. The increase resulted from a combination of increased headcount in the first three quarters of 2008 (before the restructuring exercise) (3% average increase), and a 6% increase in the exchange rates we used to record our sterling-denominated costs. There was a further increase in exchange losses of $0.9 million, due to translation differences on un-hedged, non-US dollar denominated assets and liabilities, following the volatility on international foreign currency markets. SG&A costs also reflect expenditures of approximately $2 million on independent consultants retained in connection with our extensive operational assessment described above.

Investment income

Our investment income represents primarily interest earned on our cash and cash equivalents. During 2008 we had an average of $231.1 million in cash, cash equivalents and treasury deposits, an increase of 40% from the average in 2007. Investment income decreased to $6.1 million in the 53 weeks ended 2 January 2009 compared to $7.9 million in 2007, as a result of lower UK and US interest rates.

Net (loss) income

Net loss was $6.9 million in 2008, compared to net income of $112.8 million in 2007. The reduction was mainly due to the lower level of revenue and gross profit described above, along with the impairment charge of $52.9 million and the restructuring charge of $14.4 million; this was offset by the reduction in patent dispute settlement costs of $15.0 million. There was a smaller impact from increases in underlying operating expenses.

Taxation

The tax charge for 2008 was $0.5 million, a sharp decline from 2007 as a result of our operating loss. The major items which affected the tax charge were the non-deductible goodwill impairment of $36.9 million referred to above and the enhanced tax deduction allowed for research and development expenditure. In 2007, when we had net income of $112.8 million, the tax charge was $42.8 million, reflecting a marginal tax rate on corporate earnings of 27.5%.

Earnings per share

Underlying diluted earnings per share was $0.43, a decrease of 54% compared to $0.94 in 2007. Diluted earnings per diluted share was a loss of $0.05 for the 53 weeks ended 2 January 2009, compared to diluted earnings per share of $0.83 for 2007. Basic earnings per share was also a loss of $0.05 compared to earnings per share of $0.86 for 2007. Earnings per share measures were not significantly impacted by changes in the number of basic or dilutive shares.

Financial position

	2 January 2009 $ Million	28 December 2007 $ Million
Non-current assets		
Goodwill	106.3	144.2
Other intangible assets	20.8	45.1
Property, plant and equipment	48.2	52.9
Deferred tax asset	6.5	7.1
	181.8	249.3
Current assets		
Inventory	66.2	77.3
Cash flow hedges	–	0.7
Trade and other receivables	81.8	97.2
Treasury deposits	81.0	52.0
Cash and cash equivalents	180.9	193.3
	410.0	420.5
Total assets	591.7	669.8
Current liabilities	(102.1)	(152.8)
Non-current liabilities	(22.9)	(8.3)
Total liabilities	(125.0)	(161.1)
Net assets	**466.7**	**508.7**

Goodwill

Goodwill arose on the acquisitions of CPS and NordNav in 2007 and Clarity and UbiNetics during 2005. As a result of the decision to terminate development of the UbiNetics protocol stack in 2008, all goodwill of $36.9 million relating to the UbiNetics acquisition was written off. The remaining balance of $106.3 million represents the goodwill from the CPS, NordNav and Clarity acquisitions. The annual impairment review did not indicate any impairment of the remaining balances.

Fixed assets

Fixed assets at 2 January 2009 included the net book value of our software licences of $5.2 million (2007: $15.8 million), which support R&D, along with $14.3 million of in-process R&D purchased as part of the acquisitions in 2007 and 2005 (2006: $29.3 million). The book value of our software licenses at 2 January 2009 declined by $10.6 million from 28 December 2007, mainly due to amortisation of $5.1 million and an impairment of $3.0 million; and the value of our in-process R&D declined by $15 million over the same period, as a result of amortisation of $5.1 million and an impairment of $9.6 million. The majority of the balance of our tangible fixed assets is made up of test equipment and IT equipment, including 18 production testers which we consign to our subcontractors.

Inventory

Inventory at 2 January 2009 stood at $66.2 million, a 14% decline from the level ($77.3 million) at 28 December 2007, which represents 76 inventory days (2007: 58 days). We aim to keep sufficient inventory to meet the often short customer order lead times in this industry.

Trade receivables

Trade receivables decreased to $65.2 million as at 2 January 2009, down from $81.6 million at 28 December 2007. The decrease was due to the lower level of revenue in the fourth quarter 2008, compared to the fourth quarter of 2007. Days' sales outstanding increased to 58 days (2007: 37 days). The increase in days' sales outstanding was due to the non-payment of invoices on the due date by one distributor. This receivable has been collected since 2 January 2009 and has therefore not been provided for.

Liabilities

Our total liabilities decreased to $125.0 million at 2 January 2009 from $161.1 million at 28 December 2007.

Accounts payable fell by $25.2 million, due to lower amounts payable to our subcontracted manufacturers. This was driven by a reduction in production levels towards the end of 2008 compared to 2007 as we took actions to reduce inventory on hand in line with forecast demand.

Tax liabilities fell by $25.1 million as a result of the lower tax charge in 2008. As the forecast profits and hence tax charge fell as we progressed through 2008, almost the full tax liability was paid with our first two payments under the quarterly payment system (in July 2008 and October 2008). Hence there was a very small outstanding balance at the end of 2008.

These falls were offset by the significant increase in the negative fair value of forward foreign exchange contracts in place. The net liability increased by $32.0 million in the year. Further information on our hedging is given on page 28. The liability related to these contracts will unwind as we go through 2009 and the contracts mature. It will fix the exchange rate at which we record sterling denominated operating expenses at 1.93 for 2009. The future liability will depend upon the differential between current exchange rates, and those rates committed as part of our hedging portfolio. We continue to put in place forward contracts for our forecast sterling expenditures 11-15 months in advance.

Liquidity and capital resources

Our primary source of liquidity is our cash flow from operations. At present we do not rely on third party financing for any operational cash requirements.

Cash flow

	53 weeks ended 2 January 2009 $ Million	52 weeks ended 28 December 2007 $ Million
Operating cash flows before movements in working capital	**88.1**	**192.5**
Working capital	8.2	59.9
Taxation	(30.0)	(29.8)
Interest paid	(0.3)	(0.4)
R&D tax credit received	0.3	–
Net cash from operating activities	**66.3**	**222.2**
Treasury management	(22.7)	(14.3)
Acquisitions	(11.7)	(81.9)
Capital expenditure	(22.7)	(29.5)
Financing	1.2	(0.1)
Purchases of own shares	(20.2)	(20.0)
Net cash (outflow) inflow	**(9.8)**	**76.4**

Cash, cash equivalents and treasury deposits increased to $261.9 million at 2 January 2009, from $245.4 million at 28 December 2007, an increase of $16.5 million. The difference compared to the outflow of $9.8 million shown above is due to amounts placed on treasury deposit of $28.9 million (deposits with an initial term of greater than 90 days, which are shown separately from cash and cash equivalents on the balance sheet on page 65), and a foreign exchange loss of $2.6 million from retranslation of non-USD cash balances.

During the 53 weeks ended 2 January 2009 there has been a cash outflow of $9.8 million (2007: inflow $76.4 million). Operating cash flow before movements in working capital contributed $88.1 million (2007: $192.5 million), with movements in working capital resulting in a cash inflow of $8.2 million (2007: inflow $59.9 million). In 2007, there was a substantial benefit from working capital movements in the year, mainly due to timing of purchases from subcontractors and receipt of cash from customers at the 2007 year end, compared to the 2006 year end. This pattern was not repeated in 2008.

Cash outflows on acquisitions of $11.7 million in 2008 related to payments of deferred consideration on the NordNav acquisition and the repayment of the loan notes related to the CPS acquisition.

During 2008, there was a cash outflow of $20.2 million for the purchase of shares in CSR plc by the CSR Employee Benefit Trust (2007: $20.0 million).

Capital expenditure
The table below summarises additions to fixed assets in our last two fiscal years. The amounts differ from the cash outflow on capital expenditure due to movements in payables and accruals.

	53 weeks ended 2 January 2009 $ Million	52 weeks ended 28 December 2007 $ Million	% change
Other intangible assets	3.8	7.1	(46.9)
Property, plant and equipment	19.3	24.6	(21.7)
	23.1	31.7	(27.3)

Our capital expenditures declined by 27.3% from 2007 to 2008.

In order to reduce manufacturing costs, and to secure sufficient testing capacity, we purchase production test equipment and consign it to our subcontractors' sites in Taiwan. We own 18 consigned production testers each costing around $1.5 million when purchased. In 2008, we purchased three additional testers (2007: three testers).

During 2007, capital expenditure was particularly high as we expanded into a new office in Cambridge, incurring significant fit out costs. These costs totalled $2.9 million in the aggregate, and did not recur in 2008.

Due to current economic conditions, capital expenditures are planned to be substantially lower in 2009.

Taxation and financing
Net tax paid in 2008 was $30.0 million (2007: $29.8 million), the majority of which was incurred in prior periods. As described above, we would expect cash outflows from taxation to be lower in 2009. There was a cash inflow from financing of $1.2 million principally due to the proceeds on issues of shares (2007: outflow of $0.1 million).

Hedge accounting
Substantially all sales and costs of sales are denominated in US dollars, our functional currency. Approximately 40% of operating costs are denominated in Sterling.

In order to reduce the volatility of our earnings due to exchange rate fluctuations, we enter into forward foreign exchange contracts to fix an exchange rate for our future Sterling-denominated expenditures. We commit to forward contracts between 11 and 15 months in advance, in accordance with our treasury policy. These contracts are accounted for as cash flow hedges and will not affect profit or loss until the period in which the related transaction is recorded or we conclude that it is no longer probable that the hedged transaction will occur. They also form hedges against exchange gains or losses on the related Sterling liabilities.

As at 2 January 2009, contracts were in place which gave us an average GBP:USD exchange rate for 2009 of 1.93 (2008: 1.98). This means that GBP expenditures will cost around 2.5% less in USD terms in 2009.

The fair value liability of the contracts in place as at 2 January 2009 was $32.1 million, of which $25.3 million of the related expense was deferred in reserves (in the hedging reserve). The difference of $6.8 million has already impacted the income statement ($3.3 million was recorded as part of the restructuring charge, as this related to forward contracts no longer required following the cost reduction exercises). The remaining difference of $3.5 million had been recorded as expense in the income statement as the related transactions had been recorded.

Dividend policy
We do not intend to pay a dividend for the foreseeable future. We currently intend to retain future earnings to fund the development and growth of our business. Any future payment of dividends will be at the discretion of the Board, after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs and plans for expansion.

Capital management and treasury policy
Our policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence as well as to sustain future development of the business.

Our main forms of liquid investments at 2 January 2009 were bank and money market deposits.

We intend to reinvest cash balances in the business either through higher levels of investment in working capital and fixed assets or through M&A activity, to support the long-term ambitions of the Company.

The issued share capital at 2 January 2009 was 132,890,821 ordinary shares of 0.1 pence each (2007:132,073,576). As a result of the funds raised through the initial public offering of CSR plc in March 2004 and our subsequent positive operating cash flows, we had a total of $261.9 million of treasury deposits, cash and cash equivalents at 2 January 2009, an increase of 7% from the $245.4 million we held in those accounts at 28 December 2007.

Neither CSR plc nor any of its subsidiaries are subject to any externally imposed capital requirements.

We hold our cash and liquid investments in accordance with the counterparty and settlement risk limits of the Board approved treasury policy. We maintain a policy in the placement of cash deposits and investments with counterparties such that at any one time cash is placed with at least three approved financial institutions. No counterparty with a credit rating of less than Aa3 will be approved.

We have well defined and consistently applied policies for the management of foreign exchange and interest rate exposures.

The finance and treasury functions increased the frequency of their review of the financial stability and associated risk of the counterparties used as the level of financial market risk has increased during the year. The Company's internal auditor reviews the internal control environment regularly.

The Audit Committee of the Board reviews and agrees policies for managing foreign exchange and interest rate exposure risks. The principal risks and uncertainties to which the Group is subject are discussed on pages 35 to 37.

CSR Employee Benefit Trust (EBT)
From time to time, the CSR Employee Benefit Trust purchases shares in CSR plc in the stock market; the timing of these purchases depends on market prices. The shares are intended to be used for satisfying our obligations to deliver shares under our share option programmes, thereby reducing dilution and pressure against ABI dilution guidelines.

During 2008, the EBT purchased 3,222,813 ordinary shares in CSR plc (2007: 1,466,767) for a total cash consideration of $20.2 million.

Critical accounting policies and estimates
Our significant accounting policies and estimates are described in Notes 3 and 4 to the Consolidated Financial Statements. We believe that our most critical accounting policies include impairment of purchased goodwill and intangible assets, inventory valuation, provisions for returns and warranty claims, revenue recognition, accounting for income taxes and accounting for share-based payments.

The preparation of these financial statements requires us to make estimates and judgements that affect the reported amount of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate estimates, including those related to uncollectable accounts receivable, inventories, investments, intangible assets, income taxes, financing operations, warranty obligations and contingencies and litigation. Our estimates are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Because this can vary in each situation, actual results may differ from the estimates under different assumptions and conditions.

Inventory valuation
Inventories are stated at the lower of cost and net realisable value. Provisions for excess or obsolete inventory are recorded based upon assumptions about future demand and market conditions.

The level of inventory provisioning required is sensitive to changes in the forecast sales of particular products which is dependent on changes in conditions in our markets. If changes in actual market conditions are less favourable than those we project, additional inventory provisions may be required; similarly if changes in actual market conditions are more favourable than we predict, we may be able to release a proportion of the inventory provision.

The carrying amount of inventory at 2 January 2009 was $66.2 million (28 December 2007: $77.3 million).

Goodwill and intangible assets
Goodwill represents the excess of the fair value of the consideration paid on acquisition of a business over the fair value of the assets, including any intangible assets identified and liabilities acquired. At 2 January 2009, the carrying amount of goodwill was $106.3 million (28 December 2007: $144.2 million).

Goodwill is not amortised but is instead tested for impairment at least annually. Annual impairment reviews in 2008 and 2007 determined, primarily with reference to cash flow forecasts, that there was no indication of impairment with respect to goodwill.

Identifiable intangible assets acquired as part of a business combination are capitalised and amortised over an estimate of the time that the Group expects to benefit from them. This is currently over periods between four and five years.

During 2008, a non-cash impairment charge of $52.9 million was recorded (including $36.9 million of goodwill, $9.6 million of acquired intangible assets and $6.4 million of other assets). This resulted from the decision to discontinue investment in the UbiNetics' protocol software development programme following the recommendations of the operational assessment.

During the assessment, we looked at our market in great detail and consulted widely to review the opportunities for winning in the global market for wireless solutions. We undertook in-depth discussions with our customers on all continents, and asked the leading customers where they anticipated the most growth. We also carried out an analysis of our own capabilities and identified strengths and weaknesses to determine our future strategy.

The impairment was charged to administrative expenses in the consolidated income statement and includes $36.9 million in relation to goodwill arising on the acquisition of UbiNetics (VPT) Limited, $9.6 million for acquisition related intangible assets and $6.4 million for certain tangible and intangible fixed assets which are no longer required for ongoing development activities. We assess the carrying value of identifiable intangible assets, long-lived assets and goodwill annually, or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Factors we consider important, which could trigger an impairment review, include the following:

– significant underperformance relative to historical or projected future results;

– significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and

– significantly negative industry or economic trends.

When we determine that the carrying value of intangible assets, long-lived assets or goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on discounted projected cash flows.

This review is based upon our projections of anticipated discounted future cash flows. The most significant variables in determining cash flows are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of products and forecasted life cycle and forecasted cash flows over that period. While we believe that our assumptions are appropriate, such amounts estimated could differ materially from what will actually occur in the future. In assessing goodwill, these discounted cash flows are prepared at a cash-generating unit level. Amounts estimated could differ materially from what will actually occur in the future.

Note 13 to the Consolidated Financial Statements provides further disclosures on the assumptions underlying the impairment review and the allocation of goodwill by reportable segments.

Provisions for returns and warranty claims

We provide for the estimated cost of returns and product warranties at the time revenue is recognised. Our products are covered by product warranty plans of varying periods, depending on local practices and regulations. While we engage in extensive product quality programmes and processes, including actively monitoring and evaluating the quality of our component suppliers, our warranty obligations are affected by actual product failure rates (field failure rates) and by material usage and service delivery costs incurred in correcting a product failure.

Our warranty provision is established based upon our best estimates of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. As we continuously introduce new products which incorporate complex technology, and as local laws, regulations and practices may change, it will continue to be difficult to anticipate our failure rates, the length of warranty periods and repair costs. While we believe that our warranty provisions are adequate and that the judgements applied are appropriate, the ultimate cost of product warranty could differ materially from our estimates. When the actual warranty cost of our products is lower than we originally anticipated, we release an appropriate proportion of the provision, and if the warranty cost is higher than anticipated, we increase the provision.

The carrying amount of the provision at 2 January 2009 was $2.8 million (28 December 2007: $2.1 million).

Accounting for share-based payments

Share options granted before 7 November 2002 or granted after 7 November 2002 and vested before 1 January 2005.

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received and allocated between share capital and share premium.

Share options and awards granted after 7 November 2002 and vested after 1 January 2005

IFRS 2 'Share-based payments' is effective in respect of options and share awards granted after 7 November 2002 and which had not vested as at 1 January 2005. We issue equity-settled share-based payments to certain employees. Equity settled share-based payments are measured at the fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on our estimate of the number of share options that will eventually vest. The fair value of the majority of options granted is measured by use of a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. For certain share awards which include total shareholder return related conditions, the fair value is estimated through the use of a Monte-Carlo simulation.

The amount recognised as an expense is adjusted to reflect the actual number of shares that vest. Non-market vesting conditions are included in assumptions about the number of shares that are expected to become exercisable. The estimates of the number of share options and awards that are expected to become exercisable are reviewed at each balance sheet date. The impact of the revision of original estimates, if any, is recognised in the income statement and a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium (the balance) when the option or awards are exercised.

In 2008, $7.6 million of share-based compensation expense was recognised (2007: $9.3 million).

Share options and taxation
In the UK and US we are entitled to a tax deduction for amounts treated as compensation on exercise of certain employees' share options under each jurisdiction's tax rules. This gives rise to a temporary difference between the accounting and tax bases and hence a deferred tax asset is recorded. This asset is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the share price at the balance sheet date) with the share-based payment expense recorded in the income statement. If the amount of estimated future tax deduction exceeds the cumulative amount of share-based payment expense at the statutory rate, the excess is recorded directly in equity, against retained earnings.

As explained above, no share-based payment expense is recorded in respect of options granted before 7 November 2002. Nevertheless, tax deductions have arisen and will continue to arise on these options. The tax effects in relation to these options are recorded directly in equity against retained earnings.

Note 31 to the Consolidated Financial Statements provides details on the valuation assumptions made for each grants of share options and awards during the period.

Revenue recognition
Sales are recognised when the significant risks and rewards of ownership have transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased, the amount of revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

This requires us to assess at the point of delivery whether these criteria have been met. When management determines that such criteria have been met, revenue is recognised. We record estimated reductions to revenue for pricing agreements, price protection and other volume based rebates. Estimated sales adjustments for volume based discount programmes are based largely on shipment information.

Income taxes
We are subject to the income tax laws of the various tax jurisdictions in which we operate, principally the United Kingdom. These laws are complex and subject to different interpretations by taxpayers and tax authorities. When establishing income tax provisions, we therefore make a number of judgements and interpretations about the application and interaction of these laws. Changes in these tax laws or our interpretations of these laws and the resolution of future tax audits could significantly impact our effective tax rate and the results of operations in a given period.

The Group estimates its income taxes in each of the jurisdictions in which it operates. This process involves estimating its current tax liability together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in the recognition of deferred tax assets and liabilities, which are included within the Consolidated Balance Sheet (deferred tax assets are only included to the extent that we believe they are recoverable).

In recognising deferred tax assets, the Group considers profit forecasts including the effect of exchange rate fluctuations on sales and external market conditions. Where it is probable that a position may be successfully challenged by revenue authorities, a tax provision is created for the tax on the probable adjustment. Managements' judgement is required in determining the provision for income taxes, deferred tax assets and liabilities. Deferred tax assets have been recognised where management believes there are sufficient taxable temporary differences or convincing other evidence that sufficient taxable profit will be available in future to realise deferred tax assets.

Although the deferred tax assets which have been recognised are considered realisable, actual amounts could be reduced if future taxable income is lower than expected. This can materially affect our reported net income and financial position.

Hedge accounting for financial instruments
The financial instruments that are used in hedging transactions are assessed both at inception and quarterly thereafter to ensure they are effective in offsetting changes in, or cash flows of, the related underlying exposures. Hedge accounting is used for foreign currency risk exposures and for firm commitments to hedge foreign currency risk exposures. Management's judgement is required to determine whether a future transaction is probable. External market data is applied in measuring the hedge effectiveness of financial instruments. Hedge ineffectiveness is recognised immediately in the income statement. Refer to note 18 of the Consolidated Financial Statements for details of the hedging relationships as well as the impact of the hedge on the pre-tax profit or loss for the period.

Production process and supply chain
Currently, the majority of manufacturing is located in Taiwan to minimise production cycle time and inventory, simplify logistics and to take advantage of a common language and culture. We use five different TSMC wafer fabrication sites in Taiwan, including two 12" wafer facilities allowing us to achieve dual sourcing objectives, along with geographical separation of manufacturing sites.

During 2008, we increased our assembly and test capability by adding ASE Shanghai in China to our existing production base across two ASE sites in Taiwan. By increasing sourcing options, we are better placed to deal with any unplanned interruptions at any single location and to respond to changes in demand.

Our relationships with TSMC and ASE provide us with leading-edge manufacturing technology and strong support in satisfying capacity requirements and controlling costs. We have successfully shipped over one and a quarter billion Bluetooth single chip devices lifetime to date, whilst aggressive cost management has ensured that as product selling prices come down, the cost of production of those devices decreases at a similar rate. This quality of the production process encourages adoption of our technology in the products of current and potential customers.

We extended our IC test strategy during 2008, with a further three Teradyne Flex Testers consigned to ASE production sites in Taiwan. This strategy has been effective in reducing production costs and avoiding capacity issues.

Employees

Headcount has decreased from 1,062 at the end of 2007 to 975 at the end of 2008; a reduction of 8%. This was primarily due to implementation in the final quarter of 2008 of headcount reductions in response to the global financial and economic downturn experienced in the latter part of 2008 discussed elsewhere in this report. The headcount reductions were implemented following careful consideration of the long term strategic objectives and shorter term targets for 2009 in conjunction with operational management to ensure that core projects remain adequately resourced.

Our employees play a critical part in our success and the current challenging economic environment does not alter the importance which the Company attaches to creating a high performance working environment which allows our people to reach their full potential in a highly technical and innovative arena.

We actively review and develop our people and performance processes to ensure that, in a sector where international talent is key to success, our focus is on how to attract, retain and inspire the very best people to deliver innovative solutions for our customers.

We invest in providing competitive benefits packages that support this objective, recognising that we compete in a global market. We seek to offer, where possible flexible benefits that allow our employees to tailor their compensation arrangements to suit them. In 2008, we received the Professional Pensions Award 2007 for the quality of our interactive website which explained options available to employees for setting up and then maintaining their personal pension plan online.

We have remuneration packages that are regularly benchmarked against companies competing in our sector and have developed incentives that are aligned to our business delivery and commercial goals. We were also one of the first UK businesses to be awarded a Grade A Certificate of sponsorship licence granted by the Home Office which is now required for the employment of foreign nationals in the UK.

We remain committed to providing our employees with a workplace that not only encourages excellence in their performance but also engenders well being and personal satisfaction. In March 2008 we launched a global employee engagement survey for the first time. We had an exceptional response rate of 89%, which demonstrates the genuine commitment we have from our employees. The feedback from the survey has been shared with all employees. The results showed us that people generally enjoy their jobs; get a sense of personal accomplishment and develop their skills; we have great managers who are trusted by their teams and close to the workload. Overall our people would recommend CSR as a good place to work and are proud to work here.

The engagement survey also highlighted the things we can do better and one key area of feedback was a need to further enhance employee communication. Effective communication has been a real focus area and following the survey we introduced a global employee e-newsletter. The newsletter includes contributions from various departments, reporting on their current activities which provides employees with useful up-dates on key developments. The revised format has been positively received and generates a valuable exchange of views and ideas across the Company. This in turn benefits our business performance.

The Company's intranet has also undergone a review with the intention of further enhancements for fast and effective employee communication during 2009. To optimise the benefits from these initiatives, a global training programme has been put in place to support all areas of the intranet. In addition during 2008, reflecting employee feedback, we introduced a global Group presentation on key developments which is open to all employees worldwide. The event is staged in Cambridge and broadcast in 'real time' to each of our international locations. This allows all employees to receive information on their Company and also encourages questions and feedback, with each of our offices provided with the opportunity to contribute via telephone conferencing. The presentation is held once every six months and its implementation has received positive feedback, providing our employees a clear understanding of our strategy and immediate objectives and the opportunity to exchange views and ideas.

We invest in training and career progression to support the individual in their career development, benefit our customers in the quality of service and enable us to remain a world leading provider of wireless connectivity solutions. The Company promotes and supports individuals and teams through both on-the-job and formal training.

We also recognise our responsibilities to ensure fair treatment of all employees in accordance with national legislation in the territories in which we operate. Equal opportunities for appropriate training, career development and promotion are available to all employees, regardless of any physical disability, gender, religion, race or nationality. In particular, having regard to their aptitudes and abilities, we give full and fair consideration to applications for employment received from disabled persons. Provisions for pensions are available for all employees either through participation in the state pension schemes operated by the country in which the employee is resident or provision of a defined contribution pension scheme. Such defined contribution schemes are maintained in accordance with legislative requirements, custom and practice and Group policy as appropriate.

Social responsibility

We recognise the importance of social, environmental and ethical (SEE) matters and during 2008, continued to work towards compliance with the ABI disclosure guidelines on social responsibility. This includes the impact through our operations on the environment, on the safety and well being of our employees, and end users of our products as well as those who contribute to the process of the development and manufacture of our products through our suppliers, distributors and customers.

The Company expects the highest of ethical standards of all its employees and its policies and procedures support its stated aim of acting with integrity in all aspects of its operations.

SEE matters are considered an integral part of the philosophy of the Company, and the Board and its committees receive reports as part of its routine business on aspects of SEE issues in addition to such other reports from those directors responsible for such matters as may be appropriate from time to time.

From the time of his appointment in June 2008, the Board director responsible for health and safety matters was Will Gardiner, Chief Financial Officer. Mr Gardiner met on a number of occasions with those who manage the Company's health and safety issues including the Chair of the Health, Safety and Environmental (HSE) Committee. An annual report is presented to the Board covering health and safety matters, which includes statistics on accidents and incidents, progress against targets from the previous period and objectives for the next year.

We have a Health, Safety and Environmental Committee which meets regularly and is chaired by the Group Facilities Manager, who is also the senior health and safety manager for the Group. Our Health, Safety, and Environmental policies are available to all employees on our intranet site as are the minutes of the HSE Committee and current HSE initiatives. Current initiatives are explained below.

During 2008 the development of a formal health and safety programme across overseas locations was initiated with visits by the senior health and safety manager to several of our offices in Europe. This is an ongoing programme to assess existing measures around health and safety management at each of our international locations and ensure appropriate procedures and practices are in place. The visits undertook a base line assessment of health and safety standards and management in addition to providing training on basic practices. This was augmented by guidance on establishing or improving on current local policies by reference to both local law and best practice within the Group. Each of our European and US offices now has a designated point of contact on health and safety matters, responsible for implementation and monitoring compliance with the policies and for reporting events or breach of practice to the senior health and safety manager. Further visits to overseas locations are scheduled for 2009.

Going forward, in addition to the existing quality assurance audits which are carried out as an integral part of the Company's ISO 14001 and OHSAS 18001 certification, the Internal Auditor will, as part of the planned internal audit programme assess compliance by each office with established health and safety policies and procedures and report on findings to the senior health and safety manager, executive management and the Audit Committee.

The executive director with responsibility for the Group's Environmental Management System (EMS) is Mr Chris Ladas, Operations Director. The EMS, which has the support of the Board, has been developed reflecting our existing low eco-footprint, with all employees working in office based environments, whilst recognising that high standards should be established and maintained across all aspects of our operations. The ongoing management of EMS is overseen by a team incorporating managers responsible for Facilities, Business Management Systems and Quality Assurance.

During 2008, surveillance visits by representatives of Lloyds Register Quality Assurance were completed at the Company's UK facilities to review existing ISO 14001 and OHSAS 18001 registrations. These were concluded satisfactorily and the Company's recertification assessment is scheduled for June 2009.

Certification requires that we have an Environmental Management System (EMS) which defines the environmental policy of the Group and sets objectives intended to drive continuous improvements in environmental awareness and practices.

Our environmental policy includes commitments to:

– employee consultation and training

– assessment of our activities and product related environmental impacts to identify targets for continuous improvement and

– legal compliance and due consideration of other stakeholder environmental requirements.

We believe that CSR is taking considerable steps to contribute to sound environmental practices, covering not only the manufacture and supply of its products but also positive measures to establish and build on good working practices within its various office locations.

As part of ongoing employee consultation and training, during 2008 we extended the UK based awareness campaign aimed at encouraging employees to consider ways in which their daily working practices could be altered to reduce consumption of energy or other materials.

This included encouraging employees to take ownership for their own office area for saving on electricity by turning off idle monitors and all photocopiers at the end of the day and switching off unnecessary lighting. As part of the Carbon Reduction Commitment programme, early in 2009 we started a programme of research using 'Owl meters' to measure what areas and/or particular types of equipment, processes or procedures consume the most energy. This data will be used to identify potential improvements in working practices or changes in equipment which could support reductions in energy consumption.

Continuing the 2007 focus on safeguarding forestry, all photocopiers now default to double sided printing which has significantly reduced the consumption of paper. This is in addition to our switch to the use of recycled paper which was extended across all UK sites in 2008.

Action taken to reduce water consumption through the use of 'hogs' in water cisterns and spray taps in the first quarter of 2008 has resulted in a decrease in water consumption by approximately 29 cubic meters of water per month. Planned preventative maintenance regimes have been improved and staff awareness has increased to identify leaks and dripping taps so that prompt action can be taken to rectify.

We remain committed to finding ways in which we can develop further the recycling of spent materials.

During 2007 we had reduced by 31% of total waste produced the amount of material going to landfill and had introduced processes which enabled us to measure both the amount of waste produced and the amount being sent for recycling. These steps enabled us to determine that for 2008 as a whole, whilst the overall amount of waste produced increased by 16% to 2,234,000 litres the total amount of waste going to the landfill has only increased by 1% and waste being recycled has increased from 31% to 40% or 895,940 litres. This percentage increase in waste sent for recycling matched the target set at the commencement of 2008.

Utilising the statistics which we have available, we have established two objectives for 2009 linked to waste production and recycling. The main objective for 2009 is to tackle our waste at source by finding ways in which we can prevent potential waste from coming on to site in the first place. The second quantitative objective is to increase the amount of waste going to recycling to 50%. We believe this represents a stretching target beyond the achievements already made in recent years. To facilitate this, in early 2009 we created designated recycling areas throughout our UK premises. These have information and storage bins that enable employees to dispose of different materials according to categories of waste types. This, in addition to other measures to be introduced and continued awareness and training programmes are expected to contribute to meeting the 2009 recycling target.

We continue to employ IT technology to support existing energy efficiencies whilst still providing state of the art research facilities and data storage capacity. During 2008, we identified the potential to utilise leading edge video and audio conferencing facilities that will be rolled out across our international locations as a planned programme to improve operational efficiencies, whilst also significantly reducing our overseas travel. The new measures are expected to reduce international travel by up to 25% which provides cost savings as well as reducing the Company's carbon footprint.

An ongoing objective is to optimise the use of 'greener' materials in our end products. We are committed to developing and supplying products which meet the highest standards as regards minimising the use of hazardous substances. CSR's products are manufactured and packaged in a variety of forms. Most of these products are already manufactured according to CSR's own 'green' standards. The green standards have been developed by CSR as part of continual engagement with leading global companies who are customers of CSR and also with the support of our suppliers. CSR's green standards therefore reflect not only internationally recognised guidelines but also the feedback of our customers, whose requirements frequently exceed the minimum conditions set by governments and regulators. As a result of continuous improvement in this area, from 2009 all new product releases across all packaged forms will comply with the Company's 'green standard', which we believe represents best practice within the semiconductor industry.

We have dedicated internal resource which assists in the development of all new products and the review of existing product lines targeting the use of greener materials. Part of their role is to monitor established and pending legislation and standards published by national and international governments and agencies and to ensure that we are proactive in going beyond the minimum requirements in our compliance with the types and quantities of materials used.

In this respect we work closely with both customers and suppliers in developing products which reduce the use of hazardous materials, and through testing and certification ensures ongoing compliance.

For example, in preparation for the introduction of the EU Directive 'REACH' (Registration, Evaluation, and Authorisation of Chemicals) which concerns the use of hazardous chemicals, questionnaires were sent to our key suppliers to assess compliance with the new standards. Based on the replies, we are satisfied that our suppliers have appropriate awareness of the REACH Directive and that the Directive will not impact CSR's standard integrated circuits. Our standard integrated circuits are fully compliant with all existing European legislation, including RoHS, as well as in other territories where equivalent legislation has been introduced.

In addition to procedures that establish and monitor compliance, we have processes in place to make sure that customers are supported with up to date materials information and laboratory analysis to validate the environmental compliance of our products.

We have considered the implications on our products of the European Waste from Electrical and Electronic Equipment (WEEE) Directive which came into effect in 2007 and we are satisfied that for our principal business of the supply of integrated circuits, the WEEE Directive does not directly apply. Where the Directive does apply in limited circumstances is in the supply to third parties of development kits and certain modules intended to support potential customers in the development of their products. Whilst this represents a small part of our operations, the impact of the Directive has been assessed and measures to comply with the Directive have been implemented.

We recognise the importance of ensuring that our key suppliers have appropriate policies and practices on SEE matters. Key manufacturing partners are selected and assessed based on certification to appropriate globally recognised standards such as ISO 14001, OHSAS 18001 and SA 8000. Audits of their operations are undertaken regularly to ensure that appropriate standards and certification exists.

During 2008, a review of product environmental compliance was conducted by CSR's Supplier Audit Team at TSMC in Taiwan. This confirmed that current certifications to the recognised standards mentioned above were being maintained. The review also considered TSMC's wider HSE policies and management systems in connection with CSR's requirements. The results of this assessment were reported to CSR management which concluded that TSMC complied with CSR's requirements.

The Company is aware of the introduction of the Carbon Reduction Commitment which is due in 2010, and such preparatory work as is possible has already been undertaken in readiness for its implementation.

Based on the extent of the Company's ongoing engagement with health, safety and environmental matters the Board is satisfied that there are no significant risks affecting its strategic objectives or the long or short term value of the Group.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could adversely impact our long term performance:

Current severe economic conditions may adversely affect our financial performance

Our products are predominantly supplied for adoption into devices intended for the consumer market. If current depressed economic conditions persist or worsen, demand levels for our customers' products, and therefore our products, are likely to be adversely affected. A continued economic downturn is likely to adversely affect our key customers and suppliers, thus in turn affecting our own results of operations and financial condition. In addition, although we do not rely upon banks for financing, turmoil in the financial markets has exposed us to the risk of the failure any of the banks where we deposit our cash balances.

Our fabless business model exposes us to risks associated with our suppliers

We use independent suppliers to manufacture, assemble and test all of our products. We are therefore reliant on these independent suppliers to provide the required capacity to manufacture, assemble and test all products and to provide high quality products on time. Any interruptions in manufacturing or testing at supplier sites, (for example earthquake, natural disaster or geopolitical instability, shortage of materials or failures in their own suppliers), material financial troubles experienced by our suppliers, or quality problems at their sites (which could result in lower yields of suitable integrated circuits or returns of products which fail to perform to the specification), could have a material adverse impact on the business.

The length of our product design cycle exposes us to risks

The design cycle for our ICs in Bluetooth enabled products can take up to 24 months to complete, and achieving volume production of products using our ICs can take an additional six months or more. This lengthy design cycle makes it difficult to forecast product demand and the timing of orders, and exposes us to the risk that orders will not ultimately materialise in accordance with expectations. In addition, the delays inherent in lengthy design cycles increase the risk that our customers may seek to cancel or modify orders.

We may suffer delays or experience problems in the introduction of new products

Our products are complex and may contain undetected hardware and software errors or failures when first introduced or as new versions are tested. The resolution of these errors could cause us to invest significant capital and other resources and divert technical staff from other development efforts. If our introduction of products is delayed, our ability to compete and maintain market share may be materially harmed. If we deliver products with errors, defects or bugs, our credibility and the market acceptance and sales of our products could be harmed. Errors in hardware and software could also result in customer warranty claims, resulting in additional costs.

Bluetooth could be integrated into other integrated circuits

The Bluetooth standard has evolved during its ten year existence and more technology has been added to the Bluetooth chips. However at the same time our ability to optimise chip design and industry-wide manufacturing improvements means the physical size of the Bluetooth-only function has been reduced. Although we believe Bluetooth will continue to be used as an 'anchor point' around which to integrate other technology, if the Bluetooth function were ultimately integrated into one of the so-called cellular-chips in the phone, our business would be materially adversely affected.

There are risks associated with our transition to smaller geometry process technologies

To remain competitive, we expect to continue to transition our semiconductor products to increasingly smaller line width geometries. This transition requires modification to the manufacturing processes and the re-design of some products as well as standard cells and other integrated circuit designs that may be used in multiple products. This may result in reduced manufacturing yields, delays in product deliveries and increased expenses.

We are subject to the risk of declining prices and volumes on sales of existing products

The life cycle of our ICs can be relatively short. Through the life cycle, sales may initially increase, but then decline as new, superior products become available.
The average selling prices of our ICs will generally fall over the product's life cycle. As a result, we are subject to the risk that prices, margins and volumes of our existing products will fall, and we will not have replacement products to counteract the resulting decline in revenues.

Our business is highly cyclical

The semiconductor industry is highly cyclical and has experienced significant downturns, often in connection with maturing products and declines in general economic conditions. Such downturns have reflected production overcapacity, excess inventory levels and accelerated erosion in average selling prices.

We may fail to develop new revenue sources or fail to secure new orders with our new technologies

We currently derive most of our revenue from sales of our Bluetooth-based products. We would be materially adversely affected if Bluetooth were to decline as the prevailing technology for short-range wireless communication. We continue to invest in the development of next generation products, but our future products may not achieve market acceptance.

Our future success is dependent upon our ability to develop new semiconductor solutions for existing and new markets, introduce these products in a cost-effective and timely manner, and convince leading equipment manufacturers to select these products for design into their own new products. Our success also depends on the development of these markets and adoption of the technologies by our customers.
We cannot predict the adoption of these technologies or the growth rate, if any. If we are unsuccessful in achieving these objectives our results of operations may be adversely affected.

We are highly reliant upon the success of our customers' products

We rely on equipment manufacturers to select our products to be designed into their products. Even if an equipment manufacturer selects our product, their product may not be commercially successful. As a result, sales of our products are largely dependent on the commercial success of our customers' products.

We are subject to the risk of breakdowns in our systems and infrastructure

We are dependant on the continued availability and operational integrity of our computer systems. A material breakdown in our IT systems or major infrastructure systems would materially disrupt our operations, and could adversely affect our results.

We may be unable to protect our intellectual property

Our success depends on our ability to protect our intellectual property and trade secrets. Third parties may attempt to copy aspects of our products and seek to use information that we regard as proprietary. There is a risk that our means of protecting our intellectual property rights may not be adequate, and weaknesses or failures in this area could adversely affect our business.

We may be subject to claims that we infringe third party intellectual property rights

Companies in the semiconductor industry often aggressively protect and pursue their intellectual property rights. Other parties may assert intellectual property infringement claims against us, and our products may infringe the intellectual property rights of third parties. Claims against us could adversely affect our ability to market our products, require us to re-design products or seek licences from third parties, and seriously harm our operating results. In addition, the defence of such claims and any adverse settlement could result in significant costs and divert the attention of our management or other key employees. As we diversify into different wireless technologies, we may become more susceptible to these types of infringement claims.

We may fail to compete successfully in a very competitive market

The market for our products is highly competitive and rapidly evolving. We are seeing increased competition throughout the market for wireless connectivity products. The increased competition could result in price reductions, reduced margins and/or loss of market share. We may be unable to compete successfully against current or future competitors. Within each of our markets, we face competition from public and private companies, as well as our customers' in-house design efforts. Many of our competitors have significantly greater financial, technical, manufacturing, marketing, sales and other resources than we do. We may fail to compete successfully, which would adversely affect our business and financial performance.

We rely on a limited number of customers for a significant portion of our revenue

We work with a broad range of customers across our product portfolio but a number of large customers represent a material portion of our total revenue. If we fail to meet schedules for the launch of new products or we fail to sell our products to one or more of these customers in any particular period, our revenue could decline materially and our operating results may be affected. We are also subject to the risk that one or more of these major customers are themselves adversely affected, which could result in a decline in our sales and financial performance.

Changes to our senior management and inability to recruit and retain employees could negatively affect our operations and relationships with manufacturers, customers and employees

Changes in our senior management could negatively affect our operations and our relationships with our manufacturers, third-party subcontractors, customers, employees and market leaders. If the assimilation or departure of members of our senior management team does not go as smoothly as anticipated, it could negatively affect our business. Further, if we are unable to attract and retain employees of the calibre required to support the development of technically advanced and complex products, our ability to achieve the Company's strategy may be adversely affected and our financial performance may be impaired.

Management is constantly considering and reviewing risk. In addition, we have put in place formal processes for the identification and, where possible, the management of significant risks which are reviewed regularly by senior management. This is formally reported to the Audit Committee on a regular basis, as a result of which the directors are aware of the potential cost and resources involved in managing these risks. Details on the identification and management of risks are also addressed on pages 44 and 45 in the Corporate Governance Report.

Will Gardiner
Chief Financial Officer

BOARD OF DIRECTORS

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● Remuneration Committee

■ Audit Committee

▲ Nomination Committee

1 Ron Mackintosh ● ▲
Chairman

Mr Mackintosh has served as a non-executive director of CSR since May 2004 and was appointed Chairman with effect from 2 May 2007.

Mr Mackintosh is a non-executive director of software company Fidessa group plc. Mr Mackintosh has held a number of senior executive positions in European technology companies. Between 1992 and 2000 he was chief executive of Computer Sciences Corporation's (CSC) European business which had revenues of $2.5 billion. He is also a former director of Gemplus SA, and the former chairman of each of Smartstream Technologies Ltd, Northgate Information Solutions plc and also of Differentis, a privately owned IT consultancy which he co-founded in July 2000. Age 60.

2 Joep van Beurden
Chief Executive Officer

Mr van Beurden was appointed Chief Executive Officer of CSR on 1 November 2007. Mr van Beurden has over ten years of experience in managing technology companies in the US and Europe.

For the three years prior to joining CSR, he was Chief Executive of NexWave Inc., a provider of embedded software solutions for the consumer electronics market based in France. Before joining NexWave, Mr van Beurden held senior positions at Canesta Inc., a fabless semiconductor company, and Philips Components. Whilst at Philips, he was part of the executive team which established a successful consumer electronics joint venture with LGE. Prior to that, Mr van Beurden worked for five years for management and strategy consultants McKinsey & Company.

Mr van Beurden has also worked as a crude oil trader for Royal Dutch Shell in Rotterdam and lectured in Physics and Electronics at the University of Zambia.

In January 2009, Mr van Beurden was appointed a director of the Global Semiconductor Alliance, a not-for-profit organisation supporting collaboration, supply chain integration and innovation in the global semiconductor industry.

Mr van Beurden holds a Masters degree in Applied Physics from Twente University of Technology in Enschede, the Netherlands. Age 48.

3 James Collier
Chief Technical Officer, Co-founder

Mr Collier has served as the Company's Chief Technical Officer since CSR's establishment in April 1999. Mr Collier is a co-founder of CSR. Between 1984 and April 1999, Mr Collier held a number of executive and technical positions at Cambridge Consultants Ltd, where he formed the microelectronics group in 1987. Prior to 1984, Mr Collier held a number of executive and technical positions at Schlumberger. Mr Collier has a degree in Physics from the University of Oxford. Age 50.

4 Anthony Carlisle ● ■ ▲
Non-executive Director

Mr Carlisle was appointed a non-executive director of CSR in July 2005. Mr Carlisle is an executive director of Citigate Dewe Rogerson Consultancy, where he is responsible for strategic consultancy and client services. He has over 30 years experience in marketing and communications, advising major companies in the UK and internationally. He holds a BA in Economics and is a Fellow of the Institute of Public Relations. Age 61.

5 Will Gardiner
Chief Financial Officer

Will Gardiner joined CSR as Chief Financial Officer in June 2008. Prior to joining CSR, Mr Gardiner was Director, Finance Technology and Enterprise at BSkyB plc, responsible for a 100 strong team which supported the technology platforms across BSkyB and its enterprise division. Before its acquisition by BSkyB in 2006, Mr Gardiner had since 2001 been CFO of Easynet Group plc, a pan-European broadband telecoms company. Between 1991 and 2001, Mr Gardiner held a number of senior roles within J P Morgan's investment banking division, specialising in the telecoms and technology sectors. Mr Gardiner has a BA from Harvard College and MA from John Hopkins University. Age 44.

6 Chris Ladas
Operations Director

Mr Ladas was appointed a director of the Company on 1 January 2008. He has served as CSR's Senior Vice President, Operations since May 2000. Between January 1996 and May 2000, Mr Ladas served as the vice president of operations at Micro Linear Corporation. Prior to 1996, Mr Ladas held several managerial and technical positions at National Semiconductor, Fairchild, Harris, Sperry, Motorola and Signetics. Mr Ladas holds a B.S. in Chemistry from Arizona State University, US. He is also a member of the Institute of Electrical and Electronics Engineers and a member of the Europe, Middle East and Africa Leadership Council of the Global Semiconductor Alliance (Formerly the Fabless Semiconductor Association). Age 63.

7 Sergio Giacoletto ● ■ ▲
Non-executive Director

Mr Giacoletto was appointed a non-executive director of CSR on 4 January 2007. He is the Chairman of the Remuneration Committee. In December 2008, Mr Giacoletto retired from Oracle Corporation, where he had been executive vice president of Oracle Corporation, Europe, Middle East and Africa and also a member of Oracle's executive committee. Prior to joining Oracle in 1997, Mr Giacoletto was President, Value Added Services at AT&T, before which he spent 20 years with Digital Equipment Corporation in various senior management and executive roles. Mr Giacoletto has served on multiple company boards and IT industry associations. In February 2009, Mr Giacoletto was appointed a non-executive director of Logica plc. He holds a Masters in Computer Science from the University of Turin. Age 59.

8 David Tucker ● ■ ▲
Non-executive Director,
Senior Independent Director

Mr Tucker joined CSR as a non-executive director in January 2004. He is the Chairman of the Audit Committee and the Senior Independent Director. After 19 years as an investment manager with M&G unit trusts, Mr Tucker retired as deputy managing director in 1988. Mr Tucker is a member of the Institute of Chartered Accountants in England and Wales. Age 69.

9 Andrew Allner ● ■ ▲
Non-executive Director

Mr Allner was appointed a non-executive director of CSR on 1 October 2008. Between 2004 and 2007 he was Group Finance Director at RHM plc, prior to which he was CEO of Enodis PLC. He has held a number of other senior executive positions with Dalgety PLC, Amersham International PLC and Guinness PLC and is a former partner of Price Waterhouse.

Mr Allner is presently a non-executive director and chairman of the audit committee at Northgate plc, a non-executive director and chairman of the remuneration committee at Marshalls plc, and a non-executive director and chairman of the audit committee of The Go-Ahead Group plc. Mr Allner is a member of the Institute of Chartered Accountants in England and Wales. Age 55.

DIRECTORS' REPORT – CORPORATE GOVERNANCE

Statement of compliance

The Company supports the principles of corporate governance contained in the Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority.

The Board is accountable to the Company's shareholders for good governance. The Company has complied with the provisions set out in Section 1 of the 2008 Combined Code on Corporate Governance other than the provision relating to the composition of the Board and the balance of executive and non-executive directors over the period 1 January 2008 to 29 September 2008. With the appointment to the Board on 1 January 2008 of Mr Chris Ladas, the number of executive directors became greater than that of non-executive directors. As explained in the Corporate Governance report for the 2007 Annual Report, the Board considers that Mr Ladas' extensive experience, both as Senior Vice President, Operations in the Group since 2000 and senior executive roles in other semiconductor companies contributes to the balance of skills and experience of the Board as a whole. In the period from Mr Goodridge standing down as an executive director on 29 February 2008, through to the appointment of Mr Gardiner as an executive director on 18 June, the composition of the Board fulfilled the provisions of the Combined Code.

During 2008, the Board conducted a search for an additional non-executive director through external consultants. The Board believes that it was appropriate to ensure that a rigorous process was applied to the selection of an additional non-executive director. This process culminated in the appointment on 1 October 2008 of Mr Andrew Allner. The Board is satisfied an appropriate balance was in place in the interim period to enable the Board to perform its responsibilities effectively.

The statements as follows describe how the Company has applied the principles identified in the Combined Code.

The Board

As at 2 January 2009, the Board comprised nine members, being the Chairman, Mr Ron Mackintosh, four executive directors and four non-executive directors. Of those in post as at 2 January 2009, six directors, including Mr Mackintosh had served throughout the year. The four executive directors in office at 2 January 2009 were Mr Joep van Beurden, Chief Executive Officer, Mr Will Gardiner, Chief Financial Officer (appointed 18 June 2008), Mr James Collier, Chief Technical Officer and Mr Chris Ladas, Operations Director (appointed 1 January 2008). The four non-executive directors, each of whom is considered independent of management were Mr David Tucker, Mr Anthony Carlisle, Mr Sergio Giacoletto and Mr Andrew Allner (appointed 1 October 2008).

Mr Paul Goodridge stood down from the Board on 29 February 2008.

Mr Mackintosh has served as Chairman of the Board since May 2007 and as a non-executive director of the Company since May 2004. In the opinion of the Board, on each of his appointments as a non-executive director and as Chairman, Mr Mackintosh was independent of management. The Board is satisfied that Mr Mackintosh is able to devote the necessary time commitments to the role of Chairman of the Board.

Mr Tucker is the Senior Independent Director. Until he stood down from the Board, Mr Goodridge was the director responsible for health and safety within the Group. On his appointment to the Board, Mr Gardiner became the director responsible for health and safety. The directors possess diverse business experience in spheres complementary to CSR's activities, as well as other sectors. Biographies of the directors are shown on page 39. Mr Brett Gladden served as Company Secretary throughout the year.

The Board meets regularly during the year as well as on an adhoc basis as required by time critical business needs. The Board is responsible to shareholders for the effective and proper management and control of the Company and Group and has a formal schedule of matters reserved for its decisions. Its primary roles are to determine and review Company strategy and policy, consider acquisitions and disposals, assess requests for major capital expenditure and give consideration to all other significant financial matters. This process is undertaken following discussions in conjunction with senior executive management, who in turn, are responsible for the day-to-day conduct of the Group's operations and for reporting to the Board on the progress being made in meeting the objectives.

The Chairman ensures that the Board functions effectively, overseeing the timely and effective provision of information to the Board and that the business of the Board is properly conducted. A comprehensive file of briefing papers and a meeting agenda is provided for each director in advance of each meeting. Decisions are taken by the Board, in conjunction, where appropriate, with the recommendations of its Committees and advice from external consultants and executive management.

The non-executive directors of the Board have diverse business, financial and technical experience, details of which are summarised on page 39 and they each play a full role in the consideration of matters brought before the Board. This includes considering, approving and monitoring performance against the strategic objectives of the Group through detailed reviews conducted at Board level. Strategic objectives are determined each year and this assessment incorporates a two day offsite meeting attended by the Board and the executive leadership team that report to the CEO.

In accordance with the provisions of the Combined Code, consideration has been given to the independence of all the non-executive directors. The Board considers all the non-executive directors to be independent of management and free from any business or other relationship that could materially interfere with the exercise of independent judgement.

The division of responsibilities between the non-executive Chairman and Mr van Beurden, CEO, is sufficiently clear in the opinion of the Board that it is not required that they be formally documented.

The CEO has day-to-day responsibility for the Group and has reporting to him executive management who in turn are responsible for the performance of discrete commercial and operational activities of the Group. This includes management teams responsible for reviewing the implementation of established objectives and assessing performance of particular functions against those objectives. Representatives from these teams in turn attend and report to a weekly executive leadership forum which includes the executive directors. The CEO also meets regularly with the managers and leaders in various established forums that fit with the operational cycles of the Group. The CEO formally reports at each meeting of the Board on salient matters arising from the execution of his responsibilities.

The Board met 11 times during the year and the attendance of each of the directors is shown on page 45.

During the year, the Board undertook a formal process of performance evaluation. Each director completed a questionnaire prepared by the Company Secretary, covering a wide range of matters associated with the activities and conduct of the Board and its Committees. The process was conducted without reference to external agencies. A detailed summary of the responses was prepared by the Company Secretary which was considered by the Board as an agenda item in December 2008 led by the Chairman.

The overall conclusion was that the Board and its Committees were performing appropriately.

The Chairman holds regular meetings with all the directors individually. In addition, prior to the year end, the Chairman held a meeting with the non-executive directors to discuss the performance of the executive directors which concluded that they were each performing well.

In October 2008, the non-executive directors, led by the Senior Independent Director, met in the absence of the Chairman to appraise the performance of Mr Mackintosh as Chairman. The non-executive directors concluded that he had performed well.

In accordance with the Company's Articles of Association, all directors are required to retire and submit themselves for re-election at least once every three years. It is the policy of the Board that non-executive directors are appointed for an initial term of three years. The director's performance is assesed throughout the term. An appointment may, if performance is satisfactory, be extended for a further period not exceeding three years. Non-executive directors should not generally serve for more than nine years.

During 2008, the letter of appointment for Mr Carlisle fell due for review following the completion of his initial three year term of appointment. His letter of appointment has been extended for a further three year term.

On appointment, all directors are advised that they have access to the advice and services of the Company Secretary and, in addition, that they are entitled to seek independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. As part of their induction, the directors are provided with a detailed file explaining their role and duties, in addition to background information on the Company and Group as well as the function and recent deliberations of the Board and its committees. In addition, where appropriate, meetings with advisers to the Company and Board are arranged to assist in briefing a director on appointment. Directors are also provided with information and assistance in the event of any change in their role.

In accordance with the Company's Articles of Association, directors are granted an indemnity from the Company to the extent permitted by law in respect of liabilities incurred as a result of the performance of their duties in their capacity as directors to the Company. The indemnity would not provide any coverage to the extent that a director is proven to have acted fraudulently or dishonestly. The Company has also arranged insurance coverage in respect of legal action against the directors and officers.

Communications with shareholders

Principally via the executive directors, the Company seeks to build on a mutual understanding of objectives with its major shareholders through regular meetings and presentations following announcements of each quarter's results. During the year, Mr Mackintosh participated in a number of these meetings.

The Senior Independent Director, Mr David Tucker, is available to meet institutional shareholders should there be unresolved matters they wish to bring to his attention. The Board is also appraised of discussions with major shareholders to ensure that executive and non-executive directors consider any matters which might be raised by those shareholders and to enable all directors to understand shareholders views. This includes feedback from the meetings attended by executive directors and the Chairman, in addition to reports from the Company's advisers on their engagement with shareholders on behalf of the Company.

Although the non-executive directors are not asked to meet with the Company's shareholders as a matter of course, their attendance at the Annual General Meeting is required. Corporate information is also available on the Company's website, www.csr.com.

Committees of the Board

The Board has three committees, Remuneration, Audit and Nomination. During the year, the Chairman and each of Mr Tucker, Mr Carlisle and Mr Giacoletto were members of the Remuneration and Nomination Committees. Mr Mackintosh attends meetings of the Audit Committee by invitation. Following his appointment to the Board, Mr Andrew Allner became a member of the Remuneration, Audit and Nomination Committees.

In accordance with the Combined Code, the duties of the Committees are set out in formal terms of reference. These are available from the Company Secretary and can be found on the Company's website, www.csr.com. Membership of the Committees is shown on page 39. The Company Secretary acts as secretary to each of the Committees.

Remuneration Committee

Mr Sergio Giacoletto is the Chairman of the Remuneration Committee, which position he has held since September 2007. The other members of the Committee at 2 January 2009 were Messrs Allner, Carlisle, Mackintosh and Tucker.

The principal function of the Committee is to establish and review the terms and conditions for the executive directors, and the overall policy framework for the remuneration of other senior executives and the Group as a whole. The Committee met three times during the year and the attendance of its members is shown in the table on page 45.

The report to shareholders on how directors are remunerated, together with details of individual directors' remuneration are shown on pages 50 to 61.

Nomination Committee

Mr Ron Mackintosh is the Chairman of the Nomination Committee, which position he has held since 2 May 2007. The other members of the Committee at 2 January 2009 were Messrs Allner, Carlisle, Giacoletto and Tucker.

The Committee meets as appropriate to consider appointments to the Board and to consider succession planning at senior levels within the Company. The Committee reviews the composition of the Board, particularly in relation to the diversity of skills, experience and terms of office and seeks to ensure that both executive and non-executive directors have the necessary skills and attributes for the future success of the Group.

The Committee retains external search consultants as appropriate and during 2008 engaged Russell Reynolds to assist in the appointment of a new Chief Financial Officer, which culminated in the appointment of Mr Will Gardiner to the Board on 18 June 2008. Russell Reynolds were also engaged during 2008 to assist in a search and appointment process for an additional non-executive director. This culminated in the appointment of Mr Andrew Allner to the Board on 1 October 2008.

On appointment, all non-executive directors undertake that they will have sufficient time to meet the role expected of them.

During 2008, the Committee met once formally to discuss the appointment of a new Chief Financial Officer and as part of a formal meeting of the Board to consider the appointment of Mr Allner as a non-executive director.

Audit Committee

Mr David Tucker is the Chairman of the Audit Committee, a position he has held since January 2004. The other members of the Committee at 2 January 2009 were Messrs Allner, Carlisle and Giacoletto. Mr Mackintosh, Chairman of the Board, attends meetings of the Committee by invitation. The experience and expertise of the members of the Committee are summarised on page 39. The attendance of its members is shown in the table on page 45. The Committee met four times during the year and reported its conclusions to the full Board. The Committee invites the Chief Executive Officer, the Chief Financial Officer, the Internal Auditor and senior representatives of the external auditors to attend meetings as appropriate to the business being considered. In addition, the Committee has the right to invite any other employees to attend meetings where this is considered to be appropriate.

The Committee is responsible for the development, implementation and monitoring of the Company's policy on external audit and for overseeing the objectivity and effectiveness of the auditors. The Committee monitors the conduct of the statutory audits of the consolidated reports and financial statements. This includes consideration of the areas of focus of the audits in conjunction with the external auditors and assessment of their findings and recommendations, where relevant.

The Committee recommends the appointment and re-appointment of the Group's external auditors and considers the scope of their audit work, the terms of their appointment, their fees and the cost effectiveness of their work.

During 2008, as part of its formal business, the Committee met on four occasions with the external auditors. On two occasions the Committee also held separate meetings with the external auditors at which no executive director or employee of the Company was present.

In relation to the appointment of external auditors and in order to safeguard auditor independence and objectivity, the Committee has a policy of permitted services which details the services that can be provided by the Group's auditors and those services which require specific approval by the Committee. The policy also details services that the Group's auditors are not permitted to provide. The policy was reviewed and revised in February 2008. The policy has been complied with throughout the year.

The Committee is aware of and has approved the audit and non-audit services which have been provided during 2008 by the Company's external auditors, Deloitte LLP. Those non-audit services concerned advice on tax matters which was considered to be appropriate, given their in-depth knowledge of the affairs and financial practices in the Group. The Committee is satisfied that, notwithstanding this work, Deloitte LLP have retained objectivity and independence during the year.

Deloitte LLP have been the Company's auditors since July 2002 and the cost, scope and effectiveness of the audit are reviewed regularly. During 2008, the Committee commissioned an internal review of the effectiveness of the external auditors and concluded that Deloitte LLP should be recommended for re-appointment at the Annual General Meeting.

The Committee reviews all proposed announcements to be made by the Group to the extent they contain financial information. The Committee also monitors and reviews the effectiveness of the Group's internal control systems, accounting policies and practices, risk management procedures and compliance controls, as well as the statement on internal controls before they are agreed by the Board for each year's annual report.

The Committee monitors and reviews the effectiveness of the internal audit function, approving the annual internal audit plan, and thereafter reviewing reports on the results of internal audit work which has been conducted. These reports also up-date the Committee on the progress in addressing any recommendations that have been made arising from the audits which have been conducted.

The Chairman of the Committee attends the Company's Annual General Meeting to respond to any shareholder questions that might be raised concerning the Committee's activities.

Internal control

Philosophy and policy

The objective of the directors and senior management is to safeguard and increase the value of the business and assets of the Company. Part of this objective requires the development of relevant policies and appropriate internal controls to ensure proper management of the Company's resources and the identification of risks which might serve to undermine them.

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. The systems and processes established by the Board are designed to manage, rather than eliminate the risk of failure to achieve business objectives and provide reasonable, not absolute, assurance against misstatement or loss. The Board has delegated responsibility for the review of practices and procedures to the Audit Committee. The Company's senior management, in conjunction with external advisers are responsible for undertaking periodic reviews of the suitability of current systems on which they report to the Audit Committee.

The Audit Committee reviews the findings to ensure the effectiveness and efficiency of the processes implemented by senior management. This includes discussions with senior management of the Group and consideration of reports that have been submitted. These findings are in turn regularly reviewed and discussed by the full Board. The Board is satisfied that this process accords with the internal control guidance for directors set out in the Turnbull Report 'Internal Control: Guidance for Directors on the Combined Code' and that through its interface with management, the Board is aware of the major risks facing the Group and the steps taken by the Group to mitigate such risks, so far as is possible. The risk evaluation process has been the subject of review during 2008 and a revised process adopted which reflects the changing nature of the business in particular following the strategic review completed earlier in 2008. A risk evaluation process has been implemented throughout 2008 and was in place up to the date of approval of the Annual Report and financial statements.

Managing risks

The Board confirms that the actions it considers necessary have been or are being taken to remedy such failings and weaknesses which it has determined to be significant from its review of the system of internal control. This has involved considering the matters reported to it and developing plans and programmes that it considers are reasonable in the circumstances.

A summary of the structures and processes in place to identify and manage risks across the Group are set out below.

Risk profiling

There is an ongoing process to identify and evaluate risks faced by the Group, through the conduct of regular meetings by the Group's senior management, and engagement of external consultants where in the opinion of the Group's Senior Management this is considered appropriate. Findings are reported to the Audit Committee together with recommended actions for managing the risks and a timetable for implementation. The assessment of prioritised risks is refreshed on a regular basis to reflect changes to the business and any observations or proposals arising from events since the last review. A schedule of the prioritised risks along with other management information is used to develop an overall assurance plan for the Group.

Controlling risk

The Group has policies which address a range of key business risks, including financial, treasury, health and safety and the protection of intellectual property. The policies are made available to relevant employees through policy manuals, an intranet site and also via employee briefings on specific topics as appropriate.

Periodically, reviews are performed in order to verify that ongoing practices within relevant parts of the Group comply with current policies. In addition, policies are themselves reviewed against best practice and in order to take appropriate account of developments both within or external to the Group's business operations. As an example steps are ongoing to embed internal control and risk management further into the operations of the Group and to deal with areas of improvement which come to management's and to the Board's attention.

During 2008, as part of a rolling programme of assessing tax exposures in each jurisdiction in which the Group has a presence, a formal review of the Group's standing and business practices in conjunction with local tax regulations was undertaken in Japan and Korea. This assessment, which was supported by external consultants was followed by seminars in each territory to inform local management of appropriate practices to ensure continued compliance with the Group's policies and local laws. The review concluded that the operations were compliant with local tax regulations. A report was provided to the Audit Committee detailing the results of the review and that report was considered at a formal meeting of the Committee.

As explained in the Directors' Report – Business Review on pages 28 and 29, the Group has a treasury policy for the placement of cash deposits with financial institutions. The policy is reviewed annually and was most recently considered at a meeting of the Committee in October 2008. The review considered amongst other aspects of the policy, the requirement for the Group's cash to be spread amongst multiple counter-parties and the minimum credit ratings required to be met to allow the Group to make a deposit with each counter-party, in addition to the authorities required to manage the movement of funds. Management also keeps the Board appraised on the placement of funds and the steps being taken to safeguard the Group's cash resources.

The Group has a formal whistle-blowing policy which was last up-dated during 2006 and has been communicated to CSR's employees. The policy provides information on the process to follow in the event that any employee feels it appropriate to make a disclosure. Periodically the Committee ensures that employees are reminded of the existence of the policy and the Company's ability to respond appropriately to circumstances warranting investigation. The Committee is satisfied that the policy provides an adequate basis for employees to make representations in confidence to the Group and for appropriate and proportionate investigation.

The Group carries out a programme of management self-assessment over the status of key business risks through formal reviews which consider the risks faced by the business, how these might be mitigated and who within the Group is responsible for implementing agreed actions. Where appropriate, external advisers are appointed in order to support this process.

Monitoring and managing the status of residual risk

The actions arising from external and internal assessments of risks are consolidated and during 2008 the results were reported to the Audit Committee.

The Committee assesses the findings and proposed actions for addressing residual risks and also advises on areas for further attention.

Business continuity planning

During 2007 a project was initiated to refresh the Business Continuity Plan for the Group. The project has been facilitated by the risk management practice of a leading independent consultant. Through workshops and one-on-one interviews, the potential significant risks were identified and an action plan established to enable the Group to respond in the event that such a risk arose. That plan was the subject of further work through 2008. There is a programme of further reviews and testing during 2009. The findings and steps taken to date have been reported to the Audit Committee.

Internal financial controls

The Group has a comprehensive system for regular monitoring and reporting of financial performance and assessing the adequacy of the Group's systems of internal controls. Risk assessment and evaluation is an integral part of the annual planning cycle. This includes assessment of the Group's strategic direction, objectives and financial returns and the risks in achieving them.

As part of the planning cycle, a detailed budget is prepared by management and thereafter is reviewed and formally adopted by the Board. The budget and other targets are regularly updated via a rolling forecasting process and regular business review meetings are also held involving senior management worldwide, at which the Group's overall performance is assessed. The results of these reviews are in turn reported to and discussed by the Audit Committee and the Board at each meeting. A summary of the key financial and non-financial risks inherent in the Group's business is given on pages 29 to 32 and 35 to 37.

These processes are supported by discrete reviews conducted by external advisers, as determined by the Committee, in addition to the routine audits.

The Board confirms that it has reviewed the effectiveness of the system of internal controls which were in place throughout the financial year and up to the date of signing the Financial Statements for the 53 week period ended 2 January 2009.

Attendance at meetings

The table below shows the attendance of each of the directors at meetings of the Board and its Committees held during the 53 weeks ended 2 January 2009.

	Board	Audit	Remuneration	Nomination
No. of Meetings	11	4	3	1
J A J van Beurden	11	–	–	–
A J Allner	2	1	2	–
J D Y Collier	11	–	–	–
D D W Gardiner	5	–	–	–
P G G Goodridge	1	–	–	–
C A Ladas	11	–	–	–
R W Mackintosh	11	–	3	1
A E C G Carlisle	11	3	3	1
S Giacoletto	11	4	3	1
D L Tucker	11	4	3	1

Annual General Meeting resolutions

The resolutions to be proposed at the Annual General Meeting to be held on 27 May 2009, together with explanatory notes, appear in the separate Notice of the Annual General Meeting, which has been sent to all registered shareholders.

By Order of the Board

Brett Gladden
Company Secretary
9 February 2009

DIRECTORS' REPORT – OTHER STATUTORY INFORMATION

The directors submit their Annual Report and the audited consolidated financial statements of the Company and its subsidiaries for the 53 week period ended 2 January 2009.

Activities and business review

CSR is a leading developer and provider of single chip wireless solutions designed to support data and voice communications between a wide range of products over short range radio links. More detailed information on the principal activities of CSR plc and its subsidiaries, together with a review of the businesses and a description of the principal risks and uncertainties facing the Group along with other information that fulfils the requirements of the Business Review are set out on pages 20 to 37. The use of financial instruments is covered within the Directors' Report – Business Review. Details of the subsidiaries and branches of the Company are set out on page 99.

Conditional merger agreement

Following the year end, on 9 February 2009, the Company entered into a conditional Merger Agreement with SiRF Technology Holdings, Inc. (SiRF) under which SiRF will merge with CSR. SiRF is a global leader in GPS location platforms. Pursuant to the terms of the merger agreement, SiRF shareholders will receive 0.741 of an ordinary share in CSR for each SiRF share, which as at close of business on 9 February 2009 values SiRF at approximately £91 million ($136 million). The conditional agreement is subject to shareholder approval, as well as other conditions customary in a transaction of this nature. The Company will be sending documentation to shareholders setting out the rationale for the proposed merger and containing a notice of general meeting which sets out the timetable of the merger. Assuming all conditions are satisfied, the Company expects the merger would complete in the second quarter of 2009.

Financial results

The Group's consolidated income statement, set out on page 64 shows a decrease to $65.2 million in underlying operating profit compared to an underlying operating profit in 2007 of $172.0 million. Turnover showed a decrease by 18% to $694.9 million from $848.6 million in 2007 and underlying diluted earnings per share were $0.43 from $0.94 in 2007.

In accordance with stated policy, no dividend will be paid in respect of the 53 weeks ended 2 January 2009 (2007: nil).

Future development

It remains the Board's intention to develop the Group through organic growth and selective acquisition.

Directors of the Board

The directors who served during the year are explained on page 40 of the Corporate Governance report.

Change of control

All of the Company's share schemes contain provisions relating to a change of control of the Company following a takeover. Outstanding options and awards would, subject to satisfaction of applicable performance conditions and certain rules of the particular schemes normally vest and become exercisable on a change of control (in some cases subject to a pro-rata adjustment reflecting the time elapsed since the month in which the grant was made).

Share capital

The Company's ordinary shares with a nominal value of 0.1p per share, are quoted on the London Stock Exchange. The rights and obligations attaching to the Company's ordinary shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary. There are no restrictions on the voting rights attaching to the Company's ordinary shares. No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. Unless expressly stated to the contrary in the Articles of Association of the Company, the Company's Articles of Association may be amended by special resolution of the Company's shareholders.

During the 53 weeks ended 2 January 2009, options were exercised pursuant to the Company's share schemes. The number of shares allotted and the consideration received in respect of such allotments are detailed in note 31 of the Financial Statements on page 92.

On 31 December 2008, the ABI issued revised guidelines relating to directors' power to allot and disapply pre-emption rights. These changes, which allow directors authority to issue new shares worth up to two-thirds of a company's existing capital in the case of a compensatory rights issue without holding a shareholder general meeting, are reflected in Resolution 9 in the Notice of Meeting (the 'Section 80 Authority'). The directors propose (Paragraph (A) of Resolution 9 in the Notice of Meeting) to renew the authority granted at the Annual General Meeting held in 2008 to allot equity shares up to an aggregate nominal value of £44,442 (representing approximately one third of the ordinary shares issued as at the most recent practicable date).

In addition, the directors propose (Paragraph (B) of Resolution 9 in the Notice of Meeting) to take advantage of the new ABI guidelines which enable companies to authorise their directors to issue shares worth up to two-thirds of the company's existing capital (as reduced by the nominal amount of any shares issued under paragraph (A) of Resolution 9) in the case of a compensatory rights issue. If approved at the forthcoming Annual General Meeting, this would represent in total an aggregate nominal value of £88,884. This Section 80 Authority, if approved, will expire at the earlier of 30 June 2010 (the last date by which the Company must hold an annual general meeting in 2010) or the conclusion of the Annual General Meeting to be held in 2010.

In order to be able to issue new shares to the levels now permitted under the ABI guidelines, the authorised share capital of the Company will need to be increased. The directors are therefore proposing that the authorised share capital of the Company be increased to 350,000,000 ordinary shares, with a nominal value of 0.1 pence per share, representing £350,000. This is an increase of 165,000,000 shares from the present authorised share capital at the date of this report.

The limited power granted to the directors at the Annual General Meeting held in May 2008 to allot equity shares for cash other than pro-rata to existing shareholders expires no later than 15 August 2009. Subject to the terms of the Section 80 Authority, the directors recommend (Resolution 10 in the Notice of Meeting) that this authority should be renewed so as to give the ability (until the earlier of 30 June 2010 (the last date by which the Company must hold an annual general meeting in 2010), or the conclusion of the Annual General Meeting to be held in 2010) to issue ordinary shares for cash other than pro-rata to existing shareholders, in connection with a rights issue or up to a limit of 5% of the ordinary share capital issued at the date of this report. The directors have no present intention to issue ordinary shares for cash other than pursuant to the Company's employee share schemes and in connection with completion of the terms for the merger of SiRF with CSR, which will be the subject of a specific and separate resolution to shareholders at the general meeting referred to on page 46.

The directors recommend that you vote in favour of Resolutions 8, 9 and 10 to maintain the Company's flexibility in relation to future share issues, including any issues to finance business opportunities should appropriate circumstances arise.

A Special Resolution will be proposed (Resolution 11 in the Notice of Meeting) to renew the directors' limited authority last granted in 2008 to repurchase ordinary shares in the market. The authority will be limited to a maximum of 13,332,657 ordinary shares (being 10% of the Company's issued share capital as at the most recent practicable date) and also sets the minimum and maximum prices which may be paid.

The directors believe it is advantageous for the Company to have the flexibility to make market purchases of its own shares. In the event that shares are purchased, they would either be cancelled (and the number in issue would be reduced accordingly) or, subject to the legislation referred to below, retained as treasury shares. The directors will only make purchases after consideration of the possible effect on earnings per share, the long term benefits to shareholders and consultation with advisers.

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 allow shares repurchased by the Company to be held as treasury shares that may be cancelled, sold for cash or used for the purpose of employee share schemes. The Company currently holds no shares in treasury. The authority contained in the Special Resolution will expire at the earlier of 30 June 2010 (the last date by which the Company must hold an annual general meeting in 2010), or the conclusion of the Annual General Meeting to be held in 2010 but it is the current intention of the directors to renew this authority annually.

Notice required for shareholder meetings

The Shareholders Rights Directive is intended to be implemented in the UK in August 2009. The regulation implementing this Directive will increase the notice period for general meetings of the Company to 21 days. The Company is currently able to call general meetings (other than an AGM) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so after August 2009, shareholders must have approved the calling of meetings on 14 days' notice. Resolution 12 seeks such approval. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

Employee Benefit Trust

The CSR Employee Benefit Trust was established in 2007 to facilitate satisfying the issue of shares to employees within the Group on exercise of vested options under the various share option plans of the Company.

During 2008, the Trust acquired in the open market an aggregate of 3,222,813 ordinary shares in CSR plc. This was satisfied through cash drawn down under the terms of a Loan Facility Agreement established at the time of the creation of the Trust entered into between CSR plc and the Trust. The details of each purchase of ordinary shares in CSR plc is shown in note 26 to the Financial Statements on page 90.The Trust holds a total of 4,689,580 ordinary shares in CSR plc representing 3.5% of the issued share capital at the date of this report.

As participants in the share options plans, the executive directors of the Company are potential beneficiaries from the shares held by the Trust and are therefore regarded for the purposes of the Companies Act as being interested in ordinary shares held by the Trust.

Directors

Details of the directors of the Board who served during the year are contained on page 40. Biographies of the directors in office at 2 January 2009 are on page 39.

In accordance with the Articles of Association, the directors retiring at the Annual General Meeting will be Mr Will Gardiner, executive director and Chief Financial Officer and Mr Andrew Allner, a non-executive director as they have been appointed since the last meeting. Being eligible, Mr Gardiner and Mr Allner offer themselves for election. There are no directors required to stand for re-election under the Company's Articles of Association.

Pursuant to the Company's Articles of Association a director shall retire from office and may offer himself for re-appointment when they have been appointed since the last Annual General Meeting, held office in the preceding two annual general meetings and did not retire at either of them or has been in office for a continuous period of nine years or more at the date of the meeting.

Mr David Tucker, non-executive director, Senior Independent Director and Chairman of the Audit Committee intends to stand down from the Board at the conclusion of the Annual General Meeting in May.

The interests of the executive directors in the options of the Company are detailed in the Remuneration Report on page 60.

Directors' interests in shares

The directors in office at 2 January 2009 and their families had the under-mentioned interests in the ordinary shares of the Company.

	2 January 2009	28 December 2007
Andrew Allner	–	–
Joep van Beurden	–	–
Anthony Carlisle	4,000	4,000
James Collier	1,014,911	1,014,911
Will Gardiner	–	–
Sergio Giacoletto	5,000	5,000
Chris Ladas	86,234	75,000
Ron Mackintosh	100,000	75,000
David Tucker	120,000	100,000

There were no changes to the directors' shareholdings between 2 January 2009 and 9 February 2009. On 2 March 2009, Mr Collier acquired an additional 382,002 ordinary shares on the exercise of share options. This took Mr Colliers total shareholding to 1,396,913 ordinary shares in the Company. The foregoing holdings do not include the ordinary shares held by the CSR Employee Benefit Trust in which the executive directors are potential beneficiaries as disclosed earlier.

Conflicts of interests

The Company has procedures in place to deal with conflicts of interests and believes that procedures are operated efficiently.

Payment of creditors

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts to ensure that suppliers are made aware of terms of payment. The Company abides by these terms of payment. At 2 January 2009 the number of creditor days outstanding for the Company was 30 (2007: 30) and for the Group was 64 (2007: 54).

Donations

The Company and employees support a number of charities for a variety of causes. For the period ended 2 January 2009, the Company made charitable donations totalling $20,979 which included $11,866 in respect of donations towards the China earthquake appeal, with the remainder being the Company's continued support of local charities. The Company did not make any political donations during the year.

Directors' responsibility statement

The directors are responsible for preparing the Annual Report, Directors Remuneration Report and the Financial Statements. The directors are required by the International Auditing Standards (IAS) Regulation to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and have also elected to prepare financial statements for the Company in accordance with IFRS. Company law requires the directors to prepare such financial statements in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

– properly select and apply accounting policies;

– present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and

– provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

The directors are responsible for the maintenance and integrity of the Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Each of the persons who is a director at the date of the approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware,

- the director has taken all the steps that he ought to have taken as a director to make himself aware of the relevant audit information and to establish that the Company's auditors are aware of that information.

- 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 of CSR and the undertakings included in the consolidation taken as a whole; and

- the report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

The directors, having prepared the Financial Statements, have permitted the auditors to take whatever steps they consider appropriate for the purpose of enabling them to give their audit opinion.

Substantial shareholdings

As at 17 March 2009, the Company had received the following notifications of substantial interests (3% or more) in the total voting rights of the Company.

	Disclosed holding†	% of issued ordinary share capital
Schroders Plc	16,100,819	12.08%
The BlackRock Group	12,751,403	9.56%
Lazard Asset Management	8,552,425	6.41%
Aberforth Partners LLP	7,454,010	5.59%
Fidelity	6,665,681	5.00%
Legal & General Group PLC and its subsidiaries	5,973,594	4.48%

†at 17 March 2009

Going concern

The Financial Statements have been prepared on the going concern basis. The directors have considered future cash forecasts and revenue projections, based on prudent market data, in their consideration of going concern.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 20 to 37. The financial position of the Group, its cash flows and liquidity position are described in the Business Review on pages 27 to 28. In addition, note 33 to the Consolidated Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of the financial instruments and hedging activities; and its exposure to credit risk. The principal risks and uncertainties which could adversely impact the long term performance of the Group are discussed on page 35 to 37 in the Business Review. All of these matters have been taken into account by the directors in coming to their conclusions on going concern.

Management is currently of the opinion that the Group has adequate financial resources and a robust policy towards treasury risk and cash flow management. The directors believe that the Group is adequately placed to manage its business risks successfully despite the current uncertain economic outlook and challenging macro economic conditions. During 2008, additional measures had been taken to safeguard cash and cost reduction programmes and working capital management policies have been put in place which will continue in 2009. The directors consider that the Group has flexibility to react to changing market conditions as a substantial proportion of the Group's costs are variable or discretionary and can be reduced or increased in line with the needs of the business.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Auditors

Deloitte LLP are the Company's auditors and have expressed their willingness to continue in the office of auditors and therefore, in accordance with Section 385 of the Companies Act 1985, a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Brett Gladden
Company Secretary
9 February 2009

DIRECTORS' REPORT – DIRECTORS' REMUNERATION REPORT

The Board presents the Remuneration Report for the 53 weeks ended 2 January 2009.

The Board sets the Company's remuneration policy. The Remuneration Committee ('the Committee') makes recommendations to the Board within its agreed terms of reference (available on the Company's website www.csr.com or from the Company Secretary at the Company's registered office) on the Company's framework of executive remuneration and its cost.

It also determines on behalf of the Board, specific remuneration packages for each of the executive directors and for the Chairman. The Committee administers the Company's share incentive plans for employees and monitors and provides guidance on the level and structure of remuneration for senior management who report to the Chief Executive Officer. The Board itself determines the remuneration of the non-executive directors. No director plays a part in any discussion about their own remuneration.

Mr Giacoletto is Chairman of the Committee. The other current members of the Committee, all of whom are independent non-executive directors within the definition of the Code, are set out on page 42. Mr Mackintosh, Chairman of the Board, attended meetings of the Committee as a member. The Company Secretary acts as secretary to the Committee. None of the members of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business of the Company.

An evaluation of the performance of the Committee was conducted during 2008, in regards to which more information is contained in the Corporate Governance report on page 41.

The Committee has access to detailed external research from independent consultants. During the year, professional advice has been provided by Hewitt New Bridge Street, Slaughter and May and Alithos Limited. Each of the advisers were appointed by the Committee. Slaughter and May act as legal advisers to the Company generally. Neither Hewitt New Bridge Street nor Alithos Limited provides other services to the Company.

The Committee determines policy for the remuneration of the executive directors and is consulted and provides guidance on the broader remuneration policies for the Group below Board level based on recommendations of the Chief Executive Officer and the other executive directors. Further information on meetings held and attendance by the members of the Committee is disclosed in the Corporate Governance report on page 45.

The Directors' Report on Remuneration for the period ended 28 December 2007 was approved by the shareholders at the Annual General Meeting held in May 2008. As required by the Companies Act, shareholders will be invited to approve this report at the Annual General Meeting to be held on 27 May 2009.

This Report has been prepared in accordance with Schedule 7A to the Companies Act 1985 ('the Act'). The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration.

The Act requires the auditors to report to the Company's members on certain parts of the Remuneration Report and to state whether in their opinion those parts of the Remuneration Report have been properly prepared in accordance with the Act. The Remuneration Report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Changes in executive directors

Mr Paul Goodridge stood down as a director of CSR plc and from his position as Finance Director on 29 February 2008, but remained an employee until 31 May 2008 to assist in an orderly transition through to the commencement of employment by Mr Will Gardiner as Chief Financial Officer on 2 June 2008.

It was agreed that Mr Goodridge would retain certain rights to exercise vested options issued under the CSR Global Share Option Plan and the CSR Share Award Plan.

For those options granted prior to the Company's flotation in 2004 under the CSR Global Share Option Plan, Mr Goodridge retained through to 31 August 2008 the right to exercise options which had vested at the date of termination of his employment. These comprised 240 options granted in December 2001 at £2.385 per share, 44,820 options granted in September 2002 at £1.01 per share, 37,500 options granted in November 2002 at £1.01 per share and 36,000 options granted in November 2003 at £1.025 per share.

For those options granted under the CSR Share Award Plan, Mr Goodridge was permitted to exercise 15,278 shares, which had vested at 31 May 2008, at £0.001 per share representing the pro-rata adjustment of the vested portion of an original grant of 17,000 following the determination of the extent to which the Performance Conditions had been satisfied.

For those options granted under the CSR plc Share Option Plan, in accordance with the plan's rules, the Remuneration Committee determined in June 2008 following termination of his employment, that Mr Goodridge should be entitled to exercise three of the separate grants made to him, all of which had vested by 31 May 2008, being an option grant of 12,765 shares made on 26 February 2004 at £2.35 per share, 54,235 shares made on 26 February 2004 at £2.00 per share (both grants made at the time of the Company's listing) and 56,100 shares granted on 5 May 2005 at £3.21 per share. The right to acquire these options lapsed on 30 November 2008.

In determining the arrangements for Mr Goodridge's termination, the Committee consulted with its advisers and is satisfied that they were both appropriate and in the interests of the Company.

Effective 2 June 2008 Mr Will Gardiner commenced employment as Chief Financial Officer and effective 18 June 2008 was appointed to the Board of CSR plc. Mr Gardiner's biography and professional experience is set out on page 39.

In recruiting Mr Gardiner, the Company sought the advice of executive search consultants Russell Reynolds who assisted in a rigorous selection process. In addition the remuneration package of Mr Gardiner was arranged with the advice of remuneration consultants Hewitt New Bridge Street. The Company believes that Mr Gardiner possesses valuable commercial and financial experience as a senior executive in companies operating in highly competitive and dynamic global markets. It therefore believed that it was necessary to offer a competitive package in order to secure his recruitment.

Under the terms of his service agreement, Mr Gardiner is provided with an annual salary of £290,000. He is permitted to establish a UK defined contribution personal pension plan to which the Company will make contributions of 4% of salary in addition to a further maximum of 10% of salary, conditional on matching contributions from Mr Gardiner and benefits in kind consistent with those provided to other executive directors. These benefits in kind are explained in more detail later in this report.

To facilitate his appointment Mr Gardiner was provided with support of £1,450 per month from June 2008 through to November 2008 with the monthly rental costs of a residence close to the Company's offices. He was also provided with a relocation allowance of £15,000 plus VAT. In addition, the Company agreed to meet stamp duty costs equivalent to £30,000 on the purchase of a permanent residence closer to the Company's offices. On commencement of his employment, Mr Gardiner was paid a recruitment bonus of £80,000, net of applicable deductions and for the financial year ended 2 January 2009, was entitled to a guaranteed bonus of 25% of salary, pro-rata to the number of completed months of service net of applicable deductions (out of a potential bonus of 100% of salary).

On 11 June 2008, Mr Gardiner was granted options and share awards under the Company's Share Option and Share Award Plans of 300% of salary for share options and 200% of salary for share awards, in addition to the grant of 20,000 deferred shares granted on a similar basis to the CSR Share Award Plan. With the exception of the deferred shares, each of the grants made under the Share Option and Share Award Plans are subject to satisfying performance conditions. All of the options and shares granted to Mr Gardiner are subject to a three year retention period.

Consistent with grants made to other executive directors in the year, the grant of share options made under the CSR plc Share Option Plan was subject to satisfying a performance condition linked to the growth in the Company's earnings per share ('EPS') over a three year period, in this case commencing from March 2008.

If the growth in EPS over the three year performance period is less than a compound 5% per annum plus RPI, none of the share options vest. If the Company's EPS growth over the three year performance period is equal to a compound 5% per annum plus RPI, then 30% of the share options will vest. For EPS growth above a compound 5% per annum plus RPI up to a compound 12.5% per annum plus RPI the proportion of the share options which shall vest is determined on a straight line basis pro-rata between 30% and 100%. If the Company's EPS growth over the three year performance period exceeds a compound 12.5% per annum plus RPI all options will vest. No retesting is permitted.

Consistent with awards made to other executive directors in the year, the grant of share awards made under the CSR Share Award Plan was subject to the Company's Total Shareholder Return (TSR) relative to the performance of a comparator group of peer companies over a three year period, in this case commencing from 1 January 2008. The peer group appears on page 54. Thereafter and to the extent the TSR performance measure is satisfied in whole or part, the Remuneration Committee will determine the extent to which there has been a sustained underlying improvement in the financial performance of the Company, using such measure as the Committee considers appropriate.

None of the options shall vest if the Company's relative position is below median. 30% of a grant shall vest at median, with full vesting of a grant for performance at the upper quartile. Shares shall vest on a straight-line basis between the median and upper quartile, with no retesting of the performance condition it if is not met at the end of the three year period.

The Committee is satisfied that the performance targets for both the share options and share awards were appropriately stretching, having regard to the performance of the Company and are aligned with the interests of shareholders as a whole.

Remuneration policy for the executive directors

Executive remuneration packages are designed in order to attract, motivate and retain employees of the highest calibre required by the Group in order to achieve its objectives, to meet the needs of customers and enhance value to shareholders. There are five main elements of the remuneration package for executive directors and senior management, which include medium and long term incentives comprising basic annual salary, benefits-in-kind, the opportunity to participate in a money purchase pension scheme, a cash bonus plan and participation in the Company's share incentive plans.

The Company's policy is that a substantial proportion of the remuneration of the executive directors should be performance-related. The payment of both cash bonuses and the vesting of share incentives are subject to meeting performance conditions established by the Committee at the beginning of each performance period reflecting what, at that time, the Committee considers to be demanding targets. These targets are set taking appropriate account of the challenging and rapidly evolving market in which the Group operates, and the expectations of the investment community on the Company's potential future performance. The Remuneration Committee also considers corporate performance on environmental, social and governance issues and aims to ensure that the incentive structure does not raise risks in these areas.

In November 2008, the Committee undertook a review of the utilisation within the Company of equity reward and the optimal method of operating these plans in order to attract, motivate and retain employees at Board level and below. As a result of this review, it was determined that the Share Award Plan should be used as the primary vehicle of incentive for executive and middle management and that share options should be focused on executive directors and the next level of senior executives. In addition, the Committee concluded that the performance measures applying to share awards and share options should be changed so that the requirement to deliver compound growth in EPS is used for share awards (previously relative TSR) and relative TSR is used to determine the vesting of share options (previously compound growth in EPS).

This was felt appropriate to align key performance measures across all levels of management and to recognise the contribution which they make to directing and securing the financial and commercial success of the Company. It was also seen as a contributor to the development of coherent reward structures aligned with sound succession planning practices. Due account was also taken of the need to adopt targets which were easily understood at more junior levels of the Company and which they also felt most able to positively influence, whilst also ensuring that the same conditions could be adopted as performance measures for those at Board and executive level.

In keeping with best practice, prior to implementation of this change, the Company consulted with its largest shareholders, and their representative bodies. More details of the changes are set out on pages 54 and 55.

Basic salary

An executive director's basic salary is considered by the Committee on appointment and then reviewed prior to the beginning of each year and when an individual changes position or responsibility. When making a determination as to the appropriate remuneration, the Committee considers remuneration practices within the Group as a whole and where considered relevant, conducts objective research on companies within the Company's UK listed peers of a similar size with an international focus, reflecting that the Company is competing in a global market. The target salary is at mid-market (noting that after promotion or appointment to the Board it may take several years to meet this policy), with the opportunity to go above this level, subject to sustained individual performance.

With the exception of Mr Ladas, who is paid his salary in US Dollars, the executive directors in office at 2 January 2009 were paid in Pounds Sterling. Details of the basic salary of the executive directors who served during the period ended 2 January 2009 are set forth in the table on page 58.

Salary levels were not adjusted at the review in December 2008 and the Committee will keep under review whether any increases are warranted later in 2009. The Committee's decision, which was supported by the Board as a whole, was appropriate given the current economic environment and the decision was in keeping with the general pay freeze which has been adopted for the Group.

Current salaries at February 2009 are:

J A J van Beurden	£300,000
J D Y Collier	£275,000
D D W Gardiner	£290,000
C A Ladas	$300,000

Benefits-in-kind

The executive directors receive certain benefits-in-kind, comprising private medical insurance, life assurance of four times basic salary, and personal accident insurance and subsistence expenses. During 2008, Mr Ladas, who lives in the US, was provided with support towards the cost of a UK temporary residence reflecting his frequent travel and stays in the United Kingdom as part of the performance of his role. Mr Ladas also receives separate US-based dental plan insurance.

Cash bonus plan

The Committee is responsible for determining on what basis to incentivise employees, including executive directors, through a cash bonus plan. The Committee establishes against defined targets the minimum threshold at which a bonus will be payable and the maximum potential award. In setting appropriate bonus thresholds and targets, the Committee may refer to the objective research on a comparator group as noted on page 52 under 'Basic salary'.

For the cash bonus plan applicable to executive directors in 2008, the targets were set after considering the Company's budgeted operating profit and market expectations. The budget was agreed based upon objectives which were considered to be appropriate and stretching against the background of an underlying operating profit for the year ended December 2007 of $172 million.

Achievement of targets based on the Company's financial and strategic objectives and the personal performance of individual directors would result in determination by the Committee of the appropriate size of the bonus having regard to actual performance against the targets. The maximum potential bonus payable for the 53 weeks ended 2 January 2009 to all executive directors was 100% of salary.

Based on the performance targets set at the beginning of 2008, no performance related bonus was paid to a director for the 53 week period to 2 January 2009.

The bonuses paid to the directors for the 53 weeks ended 2 January 2009 are as follows:

J A J van Beurden	£150,000
J D Y Collier	£nil
D D W Gardiner	£42,292
C A Ladas	£nil

The guaranteed bonuses paid to Mr van Beurden and Mr Gardiner reflect the terms agreed at the time of their recruitment in respect of the financial year 2008.

Targets for the bonus plan for 2009 have been determined by taking into account the financial targets (including cash flow) and strategic objectives of the Company, with due regard for market expectations in addition to personal objectives set for each of the executive directors.

As stated above, the Committee's policy is to provide a base salary of directors at mid-market. Mindful of the decision that salary levels at January 2009 would remain unchanged from the prior year, the Committee determined that it was appropriate that the bonus potential, for the Chief Executive only, should be increased for 2009 to a maximum of 150% of salary, with an on-target bonus potential of 75% of salary. The change in bonus opportunity for 2009 was made with due regard to the fact that Mr van Beurden's base salary remains below mid-market. The Committee has made the change in bonus potential for 2009. The bonus potential for subsequent years will be determined by the Committee within the overall balance of Mr van Beurden's remuneration. The maximum bonus potential for other executive directors in 2009 will remain at 100% of salary with an on-target bonus potential of 50% of salary.

Share option plans

The Company has four share option plans, intended to facilitate the motivation and retention of employees. Two of the plans were established prior to the Company's flotation, being the Founders Share Option Plan and the Global Share Option Plan. Whilst not all the awards under these two plans have been exercised, the plans are closed for the purpose of any new awards, and neither plan was used during 2008 for grants to executive directors or to other employees.

As stated above, the Committee reviewed the operation of the share incentive plans and decided that the performance measures applied to grants under the Share Option Plan and Share Award Plan should be changed. Details of the revised measures are set out on page 54. In making the change to the performance measures, the Committee sought the advice of Hewitt New Bridge Street and undertook consultation with its largest shareholders and representative bodies.

Following shareholder approval at the 2004 Annual General Meeting, the Company established the CSR plc Share Option Plan ('CSOP').

The reason for the introduction of this plan was to provide a means by which to incentivise the executive directors and employees whilst aligning their interests more closely with those of the Company's shareholders. The Committee has responsibility for supervising the CSOP and the grant of options in accordance with its rules.

Awards are made to executive directors and other employees at the discretion of the Committee. Awards for directors and other senior employees are subject to a three year retention period and the requirement that, subject to certain mitigating factors, the participant is an employee at the end of the retention period.

Since the introduction of the CSOP, the vesting of shares has been subject to a performance target based on the growth over the three year period in the Company's Earnings per Share. Details of the targets for grants made in 2008 and prior years appear as notes to the table on page 60. The performance target for options granted in 2005 were met and vested in full. The performance target for the 2006 grants were not met, and these options therefore lapse.

Following a review of long term share reward structures, as applied across the Group from executive director level down, the Committee decided that the target for options under the CSOP would, for grants made in 2009, be based on relative Total Shareholder Return of the Company against a peer group. The peer group is shown below.

Total Shareholder Return comparator group of companies

The following table shows the comparator companies for determining the relative TSR performance of the Company.

ARM Holdings plc	Hewlett-Packard Company	STMicroelectronics N.V.
Advanced Semiconductor Engineering Inc.	Infineon Technologies AG	
ASML Holding N.V.	INTEL CORPORATION	SILICON LABORATORIES INC.
Analog Devices Inc.	Logitech International SA	Skyworks Solutions, Inc.
Apple Computer, Inc.	Marvell Technology Group Ltd	Spirent plc
Atheros Communications, Inc.	Motorola, Inc.	Synopsys Inc.
austriamicrosystems AG	National Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Limited
Bookham, Inc.	Nokia Oyj	
Broadcom Corporation	Nordic Semiconductor ASA	TERADYNE, Inc.
Cirrus Logic Inc.	PMC-Sierra Inc.	Texas Instruments Incorporated
Conexant Systems, Inc.	Plantronics Inc.	Wavecom SA
Dell Inc.	QUALCOMM Incorporated	Wolfson Microelectronics plc
Dialog Semiconductor plc		Research in Motion Ltd
GN Store Nord A/S	SiRF Technology, Holdings Inc.	

The Committee decided that the thresholds to be met would be as follows. None of the options shall vest if the Company's relative position is below median. 30% of a grant shall vest at median, with full vesting of a grant for performance at the upper quartile. Shares shall vest on a straight-line basis between the median and upper quartile, with no retesting of the performance condition if it is not met at the end of the three year period.

The performance condition is considered by the Committee to be challenging and appropriately aligned with shareholder interest to achieving sustained performance in the return to shareholders over the three year performance period.

The rules of the CSOP do not allow for options to be granted at a discount to the Company's share price at the date of grant.

The Company's policy is to grant options to executive directors at the discretion of the Committee up to a maximum of 200% of salary, taking into account individual performance. Pursuant to the rules of the CSOP, the Committee also reserves to its discretion the right to grant awards at a higher proportion of basic salary which, in exceptional circumstances only, such as recruitment of a new executive or key employee, could be up to 400% of basic salary.

The Company operates an HM Revenue and Customs approved SAYE Share Option Scheme for eligible employees under which options may be granted at a discount of up to 20% of market value. Executive directors are eligible to participate in the SAYE Share Option Scheme.

Performance share awards

At the Annual General Meeting held in May 2005, shareholders approved the introduction of a new Share Award Plan called the CSR Share Award Plan. Awards are made to executive directors and other employees at the discretion of the Committee.

Since the introduction of the Share Award Plan, vesting of the Share Awards made to executive directors and senior management have been subject to Total Shareholder Return, ('TSR') over a fixed three year period with an additional requirement that the Company should have achieved a sustained improvement in underlying financial performance over the same three year period. Grants of share awards below this level (which have been small in value) have been subject only to employment at the end of the retention period.

With the decision to extend the grant of share awards with accompanying performance conditions to other employees, the Committee has decided that for grants in 2009, the performance condition for vesting will be earnings per share.

The detail of the condition is that no Share Award will vest for a compound EPS growth of less than 7.5% per annum, adjusted for RPI. 30% vests for a compound EPS growth of 7.5% per annum, adjusted for RPI and full vesting of the share awards occurs for a compound EPS growth of 15% per annum adjusted for RPI. Share awards vest on a straight line basis for a compound EPS growth between 7.5% and 15% adjusted for RPI. There is no retesting of the performance condition if it is not met at the end of the three year performance period.

The Committee considers that these performance conditions are appropriate for the form of award and are suitably stretching.

Grants made in May 2005 completed the three year retention period in May 2008. Following completion of the three year performance period (1 January 2005 to 31 December 2007) for these grants the Committee considered a report which had been prepared by an independent agency, Alithos Limited, on the Company's TSR performance. That report concluded that the Company's comparative TSR performance against its peer group resulted in a ranking that allowed for 89.87% of the original grants to employees to vest.

The TSR performance target for the grants made in 2006 were not met, and the Share Awards therefore lapse.

In accordance with the rules of the CSR Share Award Plan, the Committee will reserve the right to grant awards at a proportion of basic salary normally up to a maximum of 100% of salary (200% in exceptional circumstances).

The table below summarises awards granted and exercised in 2008 under the CSR Share Award Plan, and the total awards held by each executive director at 2 January 2009 or at the termination of office.

No significant amendments are proposed to be made to the terms and conditions of any entitlement of an executive director under these share incentive plans.

The level of award is considered each year in the light of performance.

The Company monitors the awards of shares made under the various share plans which it operates in relation to their effect on dilution limits. Following shareholder approval at the 2005 Annual General Meeting, the Company is able to make selective share awards while maintaining the traditional overall 10% limit on awards as a proportion of the issued share capital in any rolling ten year period.

Conscious of the need to ensure that the satisfaction of issue of new shares to employees pursuant to its share schemes operates within ABI guidelines, the CSR Employee Benefit Trust (the 'Trust') was established during 2007. The Trust will enable the grant of shares to employees on exercise of vested options to be met by using shares acquired by the Trust in the open market.

During 2008, the Trust acquired in the open market an aggregate of 3,222,831 ordinary shares in CSR plc. This was satisfied through cash drawn down under the terms of a Loan Facility Agreement established at the time of the creation of the Trust. The details of each purchase of ordinary shares in CSR plc is shown in note 26 to the Consolidated Financial Statements on page 90.

Pension arrangements

Three of the executive directors serving at the year end are members of the Cambridge Silicon Radio Retirement Benefits Scheme ('the UK Pension Plan') which is an HM Revenue and Customs approved money purchase (defined contribution) scheme operated for eligible employees in the United Kingdom. One executive director has established their own personal pension plan to which the Company contributes.

Name	Awards held at 28 December 2007	Date of 2008 award	Awards made	Awards price	Award vesting date	Awards exercised in 2008	Lapsed in 2008	Interests held at 2 January 2009	Performance cycle for the 2008 Awards
J D Y Collier	62,365	05 March 2008	65,720	£3.16	05 March 2011	–	(1,910)	126,175	1 January 2008 to 31 December 2010
P G G Goodridge	61,580	–	–	–	–	(15,278)	(46,302)	–	n/a
J A J van Beurden	93,603	05 March 2008	71,694	£3.16	05 March 2011	–	–		1 January 2008 to 31 December 2010
J A J van Beurden	–	11 June 2008	23,250	£3.11	11 June 2011	–	–	188,547	1 January 2008 to 31 December 2010
D D W Gardiner	–	11 June 2008	179,800	£3.11	11 June 2011	–	–	179,800	1 January 2008 to 31 December 2010
C A Ladas	27,632	05 March 2008	36,096	£3.16	05 March 2011	(11,234)	(1,266)	51,228	1 January 2008 to 31 December 2010

Contributions are determined as a percentage of the employee's gross basic salary. Details of the actual contributions made by the Group to the UK Pension Plan on behalf of the executive directors are set out in the table on page 58.

Normal retirement age is 65 for employees and executive directors.

Other than basic salary, no element of the directors' remuneration is pensionable.

Share ownership

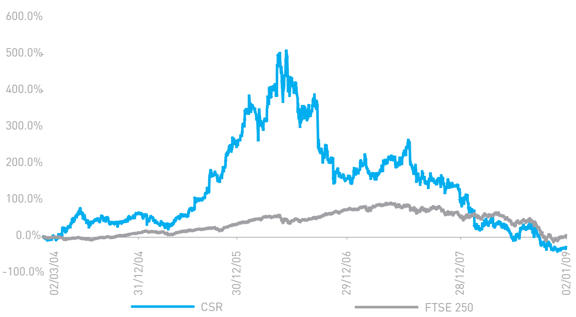
Executive directors are encouraged to build up a shareholding in the Company to a level equivalent to 100% of their basic salary. This shareholding can be satisfied through retention of 50% (or more at the discretion of the director concerned) of the shares obtained as a result of participating in a Company share plan, net of the shares sold to finance option exercises or to pay a National Insurance or income tax liability or overseas equivalent. The programme specifically excludes the need for directors to make a personal investment should awards not vest. Normally the Committee would expect the executive director to achieve the holding within five years following appointment to the Board.

Performance graph

The graph below shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE 250 index.

The Company's application to list on the London Stock Exchange was effective 2 March 2004.

The FTSE 250 index has been selected for this comparison because it is a broad equity index of which CSR plc is a constituent company. The graph covers the period since the Company was listed on the London Stock Exchange.



Directors' contracts

It is the Company's policy that executive directors should have contracts of an indefinite term. All executive directors have a service contract which is subject to one year's notice from the Company. Each of Mr van Beurden, Mr Collier, Mr Gardiner and Mr Ladas has a service agreement requiring them to give six months' notice to the Company.

The details of the directors' service contracts and notice period from the Company under their respective contracts for those in office at the year end are summarised in the table below:

Name of director	Date of service contract	Period of notice
J A J van Beurden	29 September 2007	1 year
J D Y Collier	25 February 2004	1 year
D D W Gardiner	27 February 2008	1 year
C A Ladas	12 December 2007	1 year

In the event of termination, a director would be entitled to a payment not exceeding one year's remuneration. In an appropriate case, the Company would have regard to the departing director's duty to mitigate against costs to the Company.

Non-executive directors

All non-executive directors have specific terms of engagement provided in formal letters of appointment and their remuneration is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies. The fees for non-executive directors are considered annually. The non-executive directors are appointed for a fixed term, subject to re-appointment by the shareholders. All non-executive directors are appointed for a fixed three year term, with the exception of Mr Tucker whose letter of appointment was renewed in January 2007 for two years.

The terms and conditions of appointment are available for inspection at the Company's registered office during normal business hours on request to the Company Secretary and up to 15 minutes prior to and at the Company's Annual General Meeting.

In April 2008, the Board reviewed the fees payable to non-executive directors and concluded the basic fee should be increased for a non-executive director from £38,160 to £42,000. The fee for Mr Tucker, who acts as both Chairman of the Audit Committee and Senior Independent Director was increased from £48,760 to £53,500. The fee paid to Mr Giacoletto, who acts as Chairman of the Remuneration Committee was increased from £43,460 to £47,700. The fee paid to Mr Mackintosh as Chairman of the Board was increased from £160,000 to £170,000. These increases were made taking account of advice provided by Hewitt New Bridge Street.

Each of the increases in fees took effect from 1 May 2008.

The fees of the non-executive directors and the Chairman were reviewed in December 2008 when it was determined that the fees would remain unchanged. The Board will keep under review whether any increases are warranted later in 2009.

Non-executive directors do not receive any bonus, do not participate in awards under the Company's share schemes and are not eligible to join the Company's pension scheme.

Mr Allner who is proposed for election, being a non-executive director, does not have a service contract.

During 2008 the letter of appointment for Mr Carlisle fell due for review following the completion of his initial three year term of appointment. Mr Carlisle was re-appointed for a further three year term to July 2011.

Name of director	Date of letter of appointment	Duration of appointment
D L Tucker[1]	23 January 2007	2 years
R W Mackintosh	2 May 2007	3 years
A E C G Carlisle	23 September 2008	3 years
S Giacoletto	4 January 2007	3 years
A J Allner	23 September 2008	3 years

1 The appointment letter of Mr Tucker has been extended on its prevailing terms through to 27 May 2009, being the date of the Company's Annual General Meeting, on conclusion of which, Mr Tucker will stand down as a non-executive director.

Outside appointments

Executive directors are entitled to accept appointments outside the Company provided that the Chairman's permission is sought prior to accepting the appointment. Whether or not the director concerned is permitted to retain their fees is considered on a case by case basis.

Audited Information

Directors emoluments or fees

The emoluments or fees of the directors serving during the year, for the financial years 2007 and 2008 were as follows:

Name of director	Fees/Basic salary $	Benefits-in-kind $	Annual bonuses $	Other emoluments $	Emoluments in respect of a person accepting office as a director $	2008 total $	2007 total $
Executive							
J D Y Collier	528,482	1,805	–	–	–	530,287	540,769
G Collinson*	–	–	–	–	–	–	185,555
P G G Goodridge†	99,532	13,463	–	–	–	112,995	485,774
J C Scarisbrick‡	–	–	–	–	–	–	1,959,766
J A J van Beurden•	593,580	21,504	–	–	–	615,084	541,596
C A Ladas¥	300,000	30,706	–	470,495	–	801,201	–
D D W Gardiner	334,916	1,055	83,852	–	339,426	759,249	–
Non-executive							
J W Whybrow*	–	–	–	–	–	–	87,637
D L Tucker	102,733	–	–	–	–	102,733	90,740
R W Macintosh	329,775	–	–	–	–	329,775	229,671
A E C G Carlisle	80,572	–	–	–	–	80,572	71,014
S Giacoletto	91,586	–	–	–	–	91,586	73,616
A J Allner	20,788	–	–	–	–	20,788	–
Total	2,481,964	68,533	83,852	470,495	339,426	3,444,270	4,266,138

The salary for Mr Ladas and the fees of Mr Giacoletto were paid in US Dollars. In 2007, the salary for Mr Scarisbrick was paid partly in US Dollars and partly in Pounds Sterling. The salary and fees for other directors were paid in Pounds Sterling but denominated in US Dollars for reporting purposes, consistent with the accounting policies of the Company.

* Resigned 2 May 2007

† Resigned 29 February 2008 remaining employed to 31 May 2008

‡ Stood down 1 November 2007 as CEO, remaining employed to 31 December 2007. The fees for Mr Scarisbrick shown above are for the period to 28 December 2007 which were paid partly in US Dollars and partly in Pounds Sterling

• Mr van Beurden will receive a bonus of £150,000 in February 2009 which was disclosed in 2007 as part of his emoluments in respect of a person accepting office as a director

¥ Other emoluments represents the cost met by the Company for travel to the UK and temporary residence for Mr Ladas, a US citizen and resident in California in connection with the performance of his duties. The benefits are consistent with those provided to Mr Ladas prior to his appointment as an executive director. Mr Ladas heads the Operations function of the Group, a post he has held since 2000 and he is responsible for managing the manufacture and supply of the Company's products in which capacity he is required to undertake extensive travel around the world.

Aggregate directors' remuneration

The aggregate directors' remuneration was as follows:

	2008 $	2007 $
Emoluments	3,444,270	4,266,138
Gains on exercise of share options	26,000	935,866
Money purchase pension contributions	240,810	166,208
	3,711,080	5,368,212

Directors' pension entitlements

Contributions paid or accrued by the Group in respect of the directors during the year were as follows:

	2008 $	2007 $
J D Y Collier	76,176	68,284
G Collinson	–	22,859
P G G Goodridge	10,645	61,317
J A J van Beurden	83,101	13,748
D D W Gardiner	46,888	–
C A Ladas	24,000	–
	240,810	166,208

Directors' share options

Aggregate emoluments disclosed on page 58 do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the directors.

Details of the options exercised by directors during their period of appointment in 2008 and details of the gains arising on the exercise of options in the 53 week period to 2 January 2009 and the prior year are shown below:

Name of director	Grant description	Date of exercise	Number exercised	Cost per share £	Market value per share £	Gains on exercise $ Note (i)	Gains on exercise 2007 $
C A Ladas	Performance award	04 December 2008	11,234	0.001	1.565	26,000	–
J D Y Collier	SAYE	05 June 2007	5,013	1.880	7.706	–	58,236
P G G Goodridge*	SAYE	26 June 2007	5,013	1.880	7.603	–	57,359

*Resigned 29 February 2008

Note (i): The US $ gain represents the number of options exercised multiplied by the market value per share shown in Pounds Sterling and translated at the US $/ Pounds Sterling exchange rate prevailing on the date of exercise.

Details of options for directors who served during the year or have been appointed since the year end but prior to the approval of this report are shown below:

Name of Director	Scheme	29 Dec 2007 (or date of appointment) Note (iii)	Granted	Exercised	Lapsed	2 Jan 2009 (or date of cessation)	Exercise Price £ Note (iii)	Date from which exercisable	Expiry date
J D Y Collier	Founders	382,002	–	–	–	382,002	0.054	01-Apr-00 (i)	01-Sep-09
	Global	120,000	–	–	–	120,000	0.503	10-May-01 (i)	10-May-10
	CSOP	75,000	–	–	–	75,000	2.000	26-Feb-07 (iv)	26-Feb-14
	CSOP	62,350	–	–	–	62,350	3.210	05-May-08 (vi)	05-May-15
	Performance award	18,850	–	–	(1,910)	16,940	0.001	05-May-08 (vii)	05-May-15
	CSOP	24,525	–	–	–	24,525	9.990	01-Mar-09 (viii)	01-Mar-16
	Performance award	18,393	–	–	–	18,393	0.001	01-Mar-09 (vii)	01-Mar-16
	Performance award	25,122	–	–	–	25,122	0.001	28-Feb-10 (vii)	28-Feb-17
	CSOP	33,496	–	–	–	33,496	7.680	28-Feb-10 (ix)	28-Feb-17
	SAYE	1,615	–	–	(1,615)	–	5.848	28-Mar-10 (v)	28-Sep-10
	CSOP	–	87,025	–	–	87,025	3.160	05-Mar-11 (xi)	05-Mar-18
	Performance award	–	65,720	–	–	65,720	0.001	05-Mar-11 (vii)	05-Mar-18
	SAYE	–	3,797	–	–	3,797	2.528	28-Mar-11 (v)	28-Sep-11
P G G Goodridge*	Global	240	–	–	–	240	2.385	31-Dec-02 (i)	31-Aug-08
	Global	37,500	–	–	–	37,500	1.010	31-Dec-02 (i)	31-Aug-08
	Global	44,820	–	–	–	44,820	1.010	30-Sep-03 (i)	31-Aug-08
	Global	40,000	–	–	(4,000)	36,000	1.025	31-Dec-03 (ii)	31-Aug-08
	CSOP	12,765	–	–	–	12,765	2.350	26-Feb-07 (iv)	30-Nov-08
	CSOP	54,235	–	–	–	54,235	2.000	26-Feb-07 (iv)	30-Nov-08
	CSOP	56,100	–	–	–	56,100	3.210	06-Jun-08 (xiii)	30-Nov-08
	Performance award	17,000	–	–	(1,722)	15,278	0.001	05-May-08 (vii)	30-Nov-08
	CSOP	33,033	–	–	(33,033)	–	9.990	–	27-Feb-08
	Performance award	22,022	–	–	(22,022)	–	0.001	–	27-Feb-08
	Performance award	22,558	–	–	(22,558)	–	0.001	–	27-Feb-08
	CSOP	30,078	–	–	(30,078)	–	7.680	–	27-Feb-08
J A J van Beurden	CSOP	186,190	–	–	–	186,190	6.445	14-Nov-10 (xi)	14-Nov-17
	Performance award	93,603	–	–	–	93,603	0.001	14-Nov-10 (vii)	14-Nov-17
	Recruitment award	25,000	–	–	–	25,000	0.001	14-Nov-10 (x)	14-Dec-10
	CSOP	–	94,936	–	–	94,936	3.160	05-Mar-11 (xi)	05-Mar-18
	Performance award	–	71,694	–	–	71,694	0.001	05-Mar-11 (vii)	05-Mar-18
	SAYE	–	3,797	–	–	3,797	2.528	28-Mar-11 (v)	28-Sep-11
	Performance award	–	23,250	–	–	23,250	0.001	11-Jun-11 (vii)	11-Jun-18
	CSOP	–	96,463	–	–	96,463	3.110	11-Jun-11 (xi)	11-Jun-18
C A Ladas	Global	48,751	–	–	–	48,751	0.503	15-May-01 (i)	15-May-10
	CSOP	67,000	–	–	–	67,000	2.000	26-Feb-07 (iv)	26-Feb-14
	CSOP	20,600	–	–	–	20,600	3.210	05-May-08 (vi)	05-May-15
	Performance award	12,500	–	(11,234)	(1,266)	–	0.001	05-May-08 (vii)	05-May-15
	CSOP	11,000	–	–	–	11,000	12.410	25-May-09 (viii)	25-May-16
	Performance award	6,000	–	–	–	6,000	0.001	25-May-09 (vii)	25-May-16
	Performance award	9,132	–	–	–	9,132	0.001	05-Jun-10 (vii)	05-Jun-17
	CSOP	18,264	–	–	–	18,264	7.860	05-Jun-10 (ix)	05-Jun-17
	CSOP	–	47,798	–	–	47,798	3.160	05-Mar-11 (xi)	05-Mar-18
	Performance award	–	36,096	–	–	36,096	0.001	05-Mar-11 (vii)	05-Mar-18
D D W Gardiner	CSOP	–	279,742	–	–	279,742	3.110	11-Jun-11 (xi)	11-Jun-18
	Performance award	–	179,800	–	–	179,800	0.001	11-Jun-11 (vii)	11-Jun-18
	Recruitment award	–	20,000	–	–	20,000	0.001	11-Jun-11 (xii)	11-Jul-11
Total		1,629,744	1,010,118	(11,234)	(118,204)	2,510,424			

*Resigned 29 February 2008

Note (i): Vesting of option 20% on anniversary of grant, then 5% each subsequent calendar quarter end (31 March, 30 June, 30 September, 31 December) for 16 quarters.

Note (ii): Vesting of option 5% each calendar quarter end (31 March, 30 June, 30 September, 31 December) for 20 quarters.

Note (iii): Option numbers are adjusted to reflect changes to the share capital structure on listing in March 2004.

Note (iv): Options granted to Directors under the CSOP scheme in 2004 vest after three years and have certain performance criteria attached. The options vest in proportions from 10% – 100% dependent upon the EPS achieved by the Group for the year ended 31 December 2006, the target EPS is in the range \$0.17 to \$0.26. Thereafter the option may be exercised for the rest of its ten year life without further test. The performance condition was satisfied and the options have vested.

Note (v): Options granted under the SAYE scheme vest after three years and must be exercised within 6 months of vesting date.

Note (vi): Options granted under the CSOP scheme vest after three years and have certain performance criteria attached. For options to vest, the EPS growth must be greater than the growth in the RPI plus a compound 4% per annum over a fixed period of three financial years beginning in January 2005. The performance condition was satisfied and the options have vested.

Note (vii): Shares granted under the Share Award scheme in 2005, 2006, 2007 and 2008 vest after three years and have certain performance conditions attached. The shares vest in proportions from 30% to 100% dependent on the Company's TSR against a basket of comparator companies established at the start of the three year period and thereafter only if the Company's underlying financial performance has improved to the satisfaction of the Remuneration Committee, details of which shall be disclosed to shareholders in reports of the Remuneration Committee subsequent to the determination of the Committee. The performance condition for 2006 has not been satisfied and therefore the options have lapsed.

Note (viii): Options granted under the CSOP scheme in 2006 also vest after three years and have performance criteria attached. No options will vest if EPS growth is below a compound 12% per annum plus RPI. If the Company's EPS growth meets or exceeds a compound of 12% per annum plus RPI, 30% of the share options will vest. If the Company's EPS growth meets or exceeds a compound 14% per annum plus RPI an additional 50% of the share options will vest. If the Company's EPS growth meets or exceeds a compound 17% per annum plus RPI all options will vest. The performance condition for the grant in 2006 has not been satisfied and therefore the options have lapsed.

Note (ix): Options granted under the CSOP scheme in 2007 between 1 January 2007 and 31 August 2007 also vest after three years and have performance criteria attached. No options will vest if EPS growth is below a compound 12% per annum plus RPI. If the Company's EPS growth meets or exceeds a compound of 12% per annum plus RPI, 30% of the share options will vest. If the Company's EPS growth meets or exceeds a compound 14% per annum plus RPI an additional 50% of the share options will vest. If the Company's EPS growth meets or exceeds a compound 17% per annum plus RPI all options will vest.

Note (x): To facilitate the recruitment of Mr van Beurden, the Company agreed to award Mr van Beurden 25,000 ordinary shares in the Company. The award is subject to vesting after the satisfaction of conditions relating to service.

Note (xi): Options granted under the CSOP scheme after August 2007 also vest after three years and have performance criteria attached. No options will vest if EPS growth is below a compound 5% per annum plus RPI. If the Company's EPS growth is equal to compound 5% per annum plus RPI, 30% of the share options will vest. For EPS performance above a compound 5% per annum plus RPI up to a compound 12.5% RPI per annum, the proportion of shares that shall vest is determined on a straight line basis pro-rata between 30% and 100%. If the Company's EPS growth over the three year performance period exceeds a compound 12.5% per annum plus RPI, all the options vest.

Note (xii): To facilitate the recruitment of Mr Gardiner, the Company agreed to award Mr Gardiner 20,000 ordinary shares in the Company. The award is subject to vesting after the satisfaction of conditions relating to service.

Note (xiii) Details of the changes in Mr Goodridge's share options associated with his cessation of office and employment are given on pages 50 and 51.

The market price of the ordinary shares at 2 January 2009 was £1.79 and the range during the year was £1.50 to £6.00.

This report was approved by the Board of directors and signed on its behalf by:

S Giacoletto
Chairman, Remuneration Committee
9 February 2009

The directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the Financial Statements. The directors are required by the International Auditing Standards (IAS) Regulation to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and have also elected to prepare financial statements for the Company in accordance with IFRS. Company law requires the directors to prepare such financial statements in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

– properly select and apply accounting policies;

– present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and

– provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

The directors are responsible for the maintenance and integrity of the Company website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Each of the persons who is directors at the date of the approval of this report confirms that:

– so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware.

– the director has taken all the steps that he ought to have taken as a director to make himself aware of the relevant audit information and to establish that the Company's auditors are aware of that information.

– 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 of CSR and the undertakings included in the consolidation taken as a whole; and

– the report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

The directors, having prepared the Financial Statements, have permitted the auditors to take whatever steps they consider appropriate for the purpose of enabling them to give their audit opinion.

Independent auditors' report to the members of CSR plc

We have audited the Group and parent Company financial statements (the 'Financial Statements') of CSR plc for the 53 week period ended 2 January 2009 which comprise the consolidated income statement, the consolidated and parent Company balance sheets, the consolidated and parent Company cash flow statements, the consolidated statement of recognised income and expense, the parent Company statement of changes in equity and the related notes 1 to 48. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 2 January 2009 and of its loss for the 53 week period then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Company's affairs as at 2 January 2009;
- the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Financial Statements.

Separate opinion in relation to IFRSs

As explained in Note 3 to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 2 January 2009 and of its loss for the 53 week period then ended.

Deloitte LLP
Chartered Accountants and Registered Auditors,
London, United Kingdom
9 February 2009

CONSOLIDATED INCOME STATEMENT For the 53 weeks ended 2 January 2009

	Notes	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Revenue	5,6	**694,865**	**848,622**
Cost of sales		(385,037)	(452,348)
Gross profit		**309,828**	**396,274**
Underlying research and development		(152,749)	(140,932)
Amortisation of acquired intangible assets	14	(5,418)	(6,609)
Research and development		(158,167)	(147,541)
Sales and marketing		(58,119)	(55,667)
Underlying administrative expenses		(33,716)	(27,689)
Asset impairment	29	(52,918)	–
Restructuring	30	(14,445)	–
Patent dispute settlement		–	(15,000)
Deferred tax adjustment to goodwill	13	(978)	(279)
Administrative expenses		(102,057)	(42,968)
Underlying operating profit		**65,244**	**171,986**
Asset impairment		(52,918)	–
Restructuring		(14,445)	–
Patent dispute settlement		–	(15,000)
Deferred tax adjustment to goodwill		(978)	(279)
Amortisation of acquired intangible assets		(5,418)	(6,609)
Operating (loss) profit		**(8,515)**	**150,098**
Investment income	5	6,139	7,938
Finance costs	10	(4,075)	(2,437)
(Loss) profit before tax		**(6,451)**	**155,599**
Tax	11	(488)	(42,795)
(Loss) profit for the period	7	**(6,939)**	**112,804**
(Loss) earnings per share		$	$
Basic	12	(0.05)	0.86
Diluted	12	(0.05)	0.83

The results were all derived from continuing operations.
The loss for the period and profit for the prior period is wholly attributable to equity holders of the parent company, CSR plc.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE For the 53 weeks ended 2 January 2009

	Notes	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Loss on cash flow hedges	26	(31,677)	(4,906)
Adjustments to deferred tax from reduced UK tax rates	20	–	(11)
Net tax on cash flow hedges in equity	26	8,930	1,382
Net expense recognised directly in equity		(22,747)	(3,535)
Transfers			
Transferred to income statement in respect of cash flow hedges	26	7,316	836
Tax on items transferred from equity	26	(2,052)	(225)
(Loss) profit for the period		(6,939)	112,804
Total recognised income and expense for the period		(24,422)	109,880

	Notes	2 January 2009 $'000	28 December 2007 $'000
Non-current assets			
Goodwill	13	106,322	144,207
Other intangible assets	14	20,797	45,144
Property, plant and equipment	15	48,173	52,924
Deferred tax asset	20	6,481	7,021
		181,773	249,296
Current assets			
Inventory	17	66,201	77,256
Derivative financial instruments	19	–	696
Trade and other receivables	18	81,809	97,206
Treasury deposits	18	81,000	52,065
Cash and cash equivalents	18	180,898	193,311
		409,908	420,534
Total assets		591,681	669,830
Current liabilities			
Trade and other payables	22	62,170	93,376
Current tax liabilities		1,648	26,851
Obligations under finance leases	21	1,057	3,108
Derivative financial instruments	19	32,062	1,080
Provisions	24	4,408	2,414
Contingent consideration	23	753	25,988
		102,098	152,817
Net current assets		307,810	267,717
Non-current liabilities			
Deferred tax liability	20	4,002	8,208
Contingent consideration	23	16,747	–
Long-term provisions	24	1,795	–
Obligations under finance leases	21	293	142
		22,837	8,350
Total liabilities		124,935	161,167
Net assets		466,746	508,663
Equity			
Share capital	25	238	236
Share premium account	26	91,448	89,926
Capital redemption reserve	26	950	950
Employee benefit trust reserve	26	(40,224)	(20,025)
Merger reserve	26	61,574	61,574
Hedging reserve	26	(25,260)	(899)
Share-based payment reserve	26	27,864	20,278
Tax reserve	26	35,770	35,298
Retained earnings	26	314,386	321,325
Total equity		466,746	508,663

These financial statements were approved by the Board of directors and authorised for issue on 9 February 2009.
They were signed on its behalf by:

Will Gardiner
9 February 2009

Ron Mackintosh
9 February 2009

	Notes	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Net cash from operating activities	27	66,301	222,178
Investing activities			
Interest received		6,187	7,752
Purchase of treasury deposits		(28,935)	(22,065)
Purchases of property, plant and equipment		(20,232)	(24,382)
Purchases of intangible assets		(2,448)	(5,098)
Acquisition of subsidiaries		(11,689)	(81,946)
Net cash used in investing activities		(57,117)	(125,739)
Financing activities			
Repayments of obligations under finance leases		(279)	(5,924)
Purchases of own shares		(20,199)	(20,025)
Proceeds on issue of shares		1,524	5,824
Net cash used in financing activities		(18,954)	(20,125)
Net (decrease) increase in cash and cash equivalents		(9,770)	76,314
Cash and cash equivalents at beginning of period		193,311	117,494
Effect of foreign exchange rate changes		(2,643)	(497)
Cash and cash equivalents at end of period		180,898	193,311

1 General information

CSR plc is a Company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 105. The nature of the Group's operations and its principal activities are set out in note 6.

These financial statements are presented in US Dollars because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

These financial statements have been prepared on the going concern basis. A detailed discussion of going concern is given on page 49 of the Directors Report in the section titled Going Concern.

2 Adoption of new and revised standards

In the current year, two interpretations issued by the International Financial Reporting Interpretations Committee are effective for the period. These are: IFRIC 11 *'IFRS2 – Group and Treasury Share Transactions'*, which was early adopted by the Group in 2006, and IFRIC 14 *'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction,* the adoption of which has not led to any change in the Group's accounting policies.

The Group adopted IFRS 8 *'Operating Segments'* in advance of its effective date with effect from 30 December 2006.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not yet been applied in these financial statements were in issue but not yet effective (and in some cases, had not yet been adopted by the EU):

IFRS 1 (amended)/ IAS 27 (amended)	*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
IFRS 2 (amended)	*Share-based payment – Vesting Conditions and Cancellations*
IFRS 3 (revised 2008)	*Business Combinations*
IAS 1 (revised 2007)	*Presentation of Financial Statements*
IAS 23 (revised 2007)	*Borrowing Costs*
IAS 27 (revised 2008)	*Consolidated and Separate Financial Statements*
IAS 32 (amended)/ IAS 1 (amended)	*Puttable Financial Instruments and Obligations Arising on Liquidation*
IFRIC 12	*Service Concession Arrangements*
IFRIC 15	*Agreements for the Construction of Real Estate*
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*
Improvements of IFRSs (May 2008)	

The directors anticipate that, other than detailed below, the adoption of these Standards and Interpretations in future periods will have no material impact on the Financial Statements of the Group.

The directors anticipate that the adoption of IFRS 3 (revised) may have a significant impact on the profit (loss) before tax and effective tax rate in future years. The adoption of the standard removes the requirement to adjust goodwill after the normal 12 month period following the business combination, when recognising a deferred tax asset for pre-acquisition losses of an acquired subsidiary in certain circumstances. As disclosed in note 20, the Group has significant unrecognised tax losses which may become recognisable in future periods after the adoption of this standard. The Group is reviewing when it will adopt this standard, but notes that at the current time it has yet to be adopted by the European Union, and the earliest date of application is for periods commencing on or after 1 July 2009.

3 Accounting policies

Basis of accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB'). The Financial Statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies adopted are set out below.

The Financial Statements cover the 53 week period from 29 December 2007 to 2 January 2009; the comparatives are presented for the 52 week period from 30 December 2006 to 28 December 2007. The Financial Statements are reported on a 52 or 53 week basis to be consistent with the Group's internal reporting.

3 Accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the Financial Statements of CSR plc (the Company) and entities controlled by the Company (its subsidiaries) drawn up to the dates indicated in the primary financial statements. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

On acquisition, the identifiable assets and liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of the acquisition below the fair value of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit or loss in the period of acquisition.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially measured as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested annually or more frequently when there is an indication that the unit may be impaired. To determine the recoverable amount of the cash-generating unit, the Group uses discounted projected cash flows based on approved budgets and projections covering a period up to five years and estimates growth rates, terminal growth rates and discount rates specific for the economic environment within which the cash-generating unit is operating. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the Group and delivery has occurred or the service has been provided, the sales price is fixed or determinable, and collectibility is reasonably assured. These criteria are generally met at the time the product is shipped and delivered to the customer and, depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained, or, in cases where such acceptance is not contractually required, when management has established that all aforementioned conditions for revenue recognition have been met and no further post-shipment obligations exist other than obligations under warranty. Examples of the above-mentioned delivery conditions are 'Free on Board point of delivery' and 'Costs, Insurance Paid point of delivery', where the point of delivery may be the shipping warehouse or any other point of destination as agreed in the contract with the customer and where title and risk in the goods pass to the customer.

Revenues are recorded net of sales taxes, customer discounts, rebates and similar charges.

For products for which a right of return exists during a defined period, revenue recognition is determined based on the historical pattern of actual returns, or in cases where such information is lacking, revenue recognition is postponed until the return period has lapsed. Return policies are typically based on customary return arrangements in local markets. Revenue is shown net of estimated provision for credit notes and returns.

Shipping and handling costs billed to customers are recognised as revenues.

A provision for product warranty is made at the time of revenue recognition and reflects the estimated costs of replacement and free of-charge services that will be incurred by the Company with respect to the sold products.

Royalty income, which is generally earned based upon a percentage of sales or a fixed amount per royalty earning product, is recognised upon shipment by the licencee.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

3 Accounting policies (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Foreign currencies

The functional currency of CSR plc is the US Dollar and this is also the presentation currency for the consolidated financial statements. Transactions in currencies other than US Dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the net profit or loss for the period, except for exchange differences on transactions entered into to hedge certain foreign currency risks (see policy on Hedge Accounting).

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (see Financial Instruments policy for details of the Group's accounting policies in respect of such derivative financial instruments).

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Currency translation differences are recognised directly in equity.

Operating (loss) profit

Operating (loss) profit is stated before investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax payable is based on taxable (loss) profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused carried forward tax losses and unused carried forward tax credits can be utilised. However, such assets and liabilities are not recognised if the temporary differences arise from:

- the initial recognition of goodwill;
- the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit;
- investments in subsidiaries and associates, and interests in joint ventures, where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case deferred tax is also dealt with in equity.

3 Accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Government grants, by means of tax relief for Research and Development expenditure, are recognised as income as qualified expenditures are made.

Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of the assets, less estimated residual value, over their estimated useful lives, using the straight line method, on the following basis:

Computer equipment	2 to 3 years
Test equipment	2 to 5 years
Office equipment	3 years
Furniture and fittings	5 years
Leasehold improvements	minimum lease period

Residual values are the estimated amount that the Group would obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life, based on prices prevailing at the balance sheet date.

In general residual values are zero or negligible, due to the technical and specialised nature of assets held. Residual values are reviewed annually.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Assets in the course of construction are carried at cost less any recognised impairment losses. Costs included are those that directly relate to the construction of the asset. Depreciation of these assets commences when the assets are ready for their intended use.

Other intangible assets

Other intangible fixed assets are stated at cost or fair value for items acquired in business combinations, net of amortisation and any provision for impairment. No amortisation is provided on assets in the course of construction. On other intangible fixed assets, amortisation is provided at rates calculated to write off the cost or fair value, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Software licences	licence term
Customer contracts and relationships	3 years
Purchased R&D	4 to 10 years

Residual values are the estimated amount that the Group would obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life, based on prices prevailing at the balance sheet date.

In general residual values are zero or negligible, due to the technical and specialised nature of assets held. Residual values are reviewed annually.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Assets in the course of construction are carried at cost net of any provision for impairment. Costs included are those that directly relate to the construction or production of the asset. Amortisation of these assets commences when the assets are ready for their intended use.

3 Accounting policies (continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's product development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as a new device or software);
- the project from which the asset arises meets the Group's criteria for assessing technical feasibility;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight line basis over their useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. After the recognition of an impairment loss, any depreciation or amortisation charge for the asset is adjusted for future periods to allocate the asset's revised carrying value, less estimated residual value, on a systematic basis, over its remaining useful life.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but the reversal is limited so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out (FIFO) method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment or appropriate allowances for estimated irrecoverable amounts. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, including transaction costs.

Investments consist of money market deposits in USD, GBP and Euros. Interest income is recorded as it accrues over the period of the investment at rates fixed at the time of inception.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily available convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 Accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

Impairment

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that have occurred after the initial recognition of the asset, the estimated future cash flows of the investment have been impaired.

Objective evidence of impairment could include significant financial difficulty of the issuer or the counterparty; or default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Trade payables

Trade payables are not interest bearing and are initially measured at fair value, net of transaction cost. Subsequently these are measured at amortised cost using the effective interest method, with interest recognised on an effective yield basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL (Fair value through profit and loss)

Financial liabilities are classified as FVTPL where the financial liability has been designated as FVTPL.
A financial liability may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the Group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group’s activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group uses foreign exchange forward contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes. Further details of derivative financial instruments are disclosed in note 33 to the Financial Statements.

The use of financial derivatives is governed by the Group’s policies approved by the Board of directors, which provides written principles on the use of financial derivatives. The Group’s policy is to hedge between 75% and 90% of forecast GBP expenditure for the following 11 to 15 months.

Derivative financial instruments are initially recorded at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3 Accounting policies (continued)

Financial instruments (continued)

Hedge accounting

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Note 19 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the statement of recognised income and expense.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled into profit or loss in the periods when the hedged item is recognised in profit or loss. When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Provisions

Provisions for warranty and returns costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's liability.

Provision is made for onerous contracts at the fair value of the minimum unavoidable lease payments, net of any amounts recoverable from sub-leases.

Share-based payment

The Group has applied the requirements of IFRS 2 *'Share-based Payment'*. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled share-based payments to certain employees, including share options with non-market based vesting conditions. Equity settled share-based payments are measured at the fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

For grants where the options vest in instalments over the vesting period each instalment is treated as a separate grant, which results in the fair value of each instalment being spread across the vesting period of that instalment.

Fair value is measured by use of a Black-Scholes model for the majority of share options in issue. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

For certain share options which include TSR related condition the fair value is estimated through the use of a Monte-Carlo simulation.

Employee benefit trust

The Group has established an employee benefit trust which is a separately administered trust and is funded by loans from Group companies. The assets of the trust comprise shares in CSR plc and cash balances. The Group recognises assets and liabilities of the trust in the consolidated accounts and shares held by the trust are recorded at cost as a deduction from shareholders' equity.

4 Critical accounting judgements and key sources of estimation and uncertainty

These consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB. The preparation of financial statements requires the directors to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities.

Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions. The directors constantly re-evaluate these significant factors and makes adjustments where facts and circumstances dictate. The directors believe that the following accounting policies are critical due to the degree of estimation required and / or the potential material impact they may have on the Group's financial position and performance.

4 Critical accounting judgements and key sources of estimation and uncertainty (continued)

Inventory valuation

Inventories are stated at the lower of cost and net realisable value. Provisions for excess or obsolete inventory are recorded based upon assumptions about future demand and market conditions.

The level of inventory provisioning required is sensitive to changes in the forecast sales of particular products which is dependent on changes in conditions in the Group's markets. If changes in actual market conditions are less favourable than those projected, additional inventory provisions may be required; similarly if changes in actual market conditions are more favourable than predicted, the Group may be able to release a proportion of the inventory provision.

Impairment of goodwill and intangible assets

The Group assesses the carrying value of identifiable intangible assets, long-lived assets and goodwill annually, or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Factors considered important, which could trigger an impairment review, include the following:

- significant underperformance relative to historical or projected future results;
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and
- significantly negative industry or economic trends.

This assessment is based upon projections of anticipated discounted future cash flows. The most significant variables in determining cash flows are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of products and forecasted life cycle and forecasted cash flows over that period. While the Group believes that its assumptions are appropriate, such amounts estimated could differ materially from what will actually occur in the future. In assessing goodwill, these discounted cash flows are prepared at a cash-generating unit level.

In accordance with IFRS 8 *'Operating segments'* the Group has identified its operating segments based on the information provided to the Chief Operating Decision Maker. For the purposes of assessing the carrying value of goodwill for impairment, goodwill has been allocated to cash generating units.

Note 13 to the Financial Statements provides further disclosures on the assumptions underlying the impairment review and the allocation of goodwill to cash generating units.

Provisions for returns and warranty claims

The Group provides for the estimated cost of returns and product warranties at the time revenue is recognised. The Group's products are covered by product warranty plans of varying periods, depending on local practices and regulations. While the Group engages in extensive product quality programmes and processes, including actively monitoring and evaluating the quality of its component suppliers, warranty obligations are affected by actual product failure rates (field failure rates) and by material usage and service delivery costs incurred in correcting a product failure.

The Group's warranty provision is established based upon its best estimates of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. As the Group continuously introduces new products which incorporate complex technology, and as local laws, regulations and practices may change, it continues to be difficult to anticipate failure rates, the length of warranty periods and repair costs. While the Group believes that its warranty provisions are adequate and that the judgements applied are appropriate, the ultimate cost of product warranty could differ materially from estimates. When the actual warranty cost of products is lower than originally anticipated, the Group releases an appropriate proportion of the provision, and if the warranty cost is higher than anticipated, the Group increases the provision.

Accounting for share-based payments

The Group applies IFRS 2 *'Share-based payments'* in relation to the accounting for share-based payments in respect of options and share awards granted after 7 November 2002 and which had not vested as at 1 January 2005. Under IFRS 2, the share-based compensation is measured at the grant date, based on the estimated fair value of the award, and is recognised as expense over the employee's requisite service period.

The fair value of the majority of options granted is measured by use of a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and, behavioural considerations. The volatility used in the model is based on movements in the Group's share price for a period matching that of the expected term of the options. The risk-free interest rate used is the implied yield currently available on zero-coupon government issues in the UK, with a remaining term equal to the expected term of the option being valued (based on the option's remaining contractual life and taking into account the effects of expected early exercise). For certain share awards which include total shareholder return related conditions, the fair value is estimated through the use of a Monte-Carlo simulation.

4 Critical accounting judgements and key sources of estimation and uncertainty (continued)

Accounting for share-based payments (continued)

The amount recognised as an expense is adjusted to reflect the actual number of shares that vest. Non-market vesting conditions are included in assumptions about the number of shares that are expected to become exercisable. The estimates of the number of share options and awards that are expected to become exercisable are reviewed at each balance sheet date. The impact of the revision of original estimates, if any, is recognised in the income statement and a corresponding adjustment to equity. Note 31 to the Consolidated Financial Statements provides details on the valuation assumptions made for each grants of share options and awards during the period.

Share options and Taxation

In the UK and US the Group is entitled to a tax deduction for amounts treated as compensation on exercise of certain employees' share options under each jurisdiction's tax rules. This gives rise to a temporary difference between the accounting and tax bases and hence a deferred tax asset is recorded. This asset is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the share price at the balance sheet date) with the share-based payment expense recorded in the income statement. If the amount of estimated future tax deduction exceeds the cumulative amount of share-based payment expense at the statutory rate, the excess is recorded directly in equity, against retained earnings.

No share-based payment expense is recorded in respect of options granted before 7 November 2002. Nevertheless, tax deductions have arisen and will continue to arise on these options. The tax effects in relation to these options are recorded directly in equity against retained earnings.

Revenue recognition

Sales are recognised when the significant risks and rewards of ownership have transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased, the amount of revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

This requires the Group to assess at the point of delivery whether these criteria have been met. When the Group determines that such criteria have been met, revenue is recognised. The Group records estimated reductions to revenue for pricing agreements, price protection, other volume based rebates. Estimated sales adjustments for volume based discount programmes are based largely on shipment information.

Income taxes

The Group is subject to the income tax laws of the various tax jurisdictions in which we operate, principally the United Kingdom. These laws are complex and subject to different interpretations by taxpayers and tax authorities. When establishing income tax provisions, we therefore make a number of judgements and interpretations about the application and interaction of these laws. Changes in these tax laws or our interpretations of these laws and the resolution of future tax audits could significantly impact our effective tax rate and the results of operations in a given period.

The Group estimates its income taxes in each of the jurisdictions in which it operates. This process involves estimating its current tax liability together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in the recognition of deferred tax assets and liabilities. Deferred tax assets are included within the consolidated balance sheet to the extent that we believe they are recoverable.

In recognising deferred tax assets, the Group considers profit forecasts including the effect of exchange rate fluctuations on sales and external market conditions. Management's judgement is required in determining the provision for income taxes, deferred tax assets and liabilities. Deferred tax assets have been recognised where management believes there are sufficient taxable temporary differences or convincing other evidence that sufficient taxable profit will be available in future to realise deferred tax assets. Although the deferred tax assets which have been recognised are considered realisable, actual amounts could be reduced if future taxable income is lower than expected. This can materially affect the Group's reported net income and financial position.

Hedge accounting for financial instruments

The financial instruments that are used in hedging transactions are assessed both at inception and quarterly thereafter to ensure they are effective in offsetting changes in either the fair value or cash flows of the related underlying exposures. Hedge accounting is used for foreign currency risk exposures and for firm commitments to hedge foreign currency risk exposures. Management's judgement is required to determine whether a future transaction is probable. External market data is applied in measuring the hedge effectiveness of financial instruments. Hedge ineffectiveness is recognised immediately in the income statement. Refer to note 33 for details of the hedging relationships as well as the impact of the hedge on the pre-tax profit or loss for the period.

5 Revenue

	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Sale of goods	693,698	846,831
Royalties	1,167	1,791
	694,865	848,622
Investment income	6,139	7,938
	701,004	856,560

Investment income is interest on bank deposits.

6 Segmental reporting

Products and services from which reportable segments derive their revenues

The Group's reportable segments are as follows:

Cellular	Mobile phones, headsets and audio-related
Non-cellular	PC, Automotive and Consumer applications

The Group has identified business segments based on internal reporting within the Group and has chosen to aggregate the Mobile Handsets and Mobile Headsets operating segments as the Cellular reportable segment.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

53 weeks ended 2 January 2009	Cellular $'000	Non-cellular $'000	Unallocated $'000	Consolidated $'000
Revenue				
Total segment revenue	552,750	142,115	–	694,865
Result				
Underlying operating profit*	53,761	11,483	–	65,244
Operating loss / segment result	(14,901)	9,643	(3,257)	(8,515)
Investment income (note 5)	–	–	6,139	6,139
Finance costs (note 10)	–	–	(4,075)	(4,075)
Loss before tax	(14,901)	9,643	(1,193)	(6,451)

*Underlying operating profit excludes amortisation of acquired intangible assets, the non cash impairment charge of $52.9 million, the restructuring charge of $14.4 million and the adjustment to goodwill of $1.0 million as a result of the recognition of tax losses.

Investment income and finance costs are not allocated to reportable segments for the purposes of reporting to the Group's Chief Executive Officer and Board of Directors.

The accounting policies for the reportable segments are the same as the Group's accounting policies as described in note 3. The segment result represents operating (loss) profit earned by each segment without the allocation of the $3.3 million of hedge ineffectivess as a result of the restructuring and in 2007 the $15.0 million patent dispute settlement. Costs are allocated to segments based on levels of R&D and marketing activity in the period. This is the measure reported to the Group's Chief Executive Officer and Board of Directors for the purposes of resource allocation and assessment of segment performance.

52 weeks ended 28 December 2007	Cellular $'000	Non-cellular $'000	Unallocated $'000	Consolidated $'000
Revenue				
Total segment revenue	660,594	188,028	–	848,622
Result				
Underlying operating profit*	118,674	53,312	–	171,986
Operating profit / segment result	112,043	53,055	(15,000)	150,098
Investment income (note 5)	–	–	7,938	7,938
Finance costs (note 10)	–	–	(2,437)	(2,437)
Profit before tax	112,043	53,055	(9,499)	155,599

*Underlying operating profit excludes amortisation of acquired intangible assets the patent dispute settlement of $15.0 million and the adjustment to goodwill of $0.3 million as a result of the recognition of tax losses.

6 Segmental reporting (continued)

Segment assets

	2 January 2009 $'000
Cellular	267,374
Non-cellular	39,362
Total segment assets	306,736
Deferred tax asset	6,481
Other receivables	16,566
Treasury deposits	81,000
Cash and cash equivalents	180,898
Total assets	591,681

Assets allocated to reportable segments are goodwill (allocation is described in note 13), property, plant and equipment, intangible assets, trade receivables and inventory. All other assets are unallocated. Assets are allocated to the segment which has responsibility for their control.

	28 December 2007 $'000
Cellular	362,483
Non-cellular	38,688
Total segment assets	401,171
Deferred tax asset	7,021
Cash flow hedges	696
Other receivables	15,566
Treasury deposits	52,065
Cash and cash equivalents	193,311
Total assets	669,830

No information is provided for segment liabilities as this measure is not provided to the chief operating decision maker.

Other segment information

53 weeks ended 2 January 2009	Cellular $'000	Non-cellular $'000	Consolidated $'000
Depreciation and amortisation of intangible assets	20,148	5,037	25,185
Amortisation of acquired intangible assets	5,311	107	5,418
Share option expense	6,600	986	7,586
Capital expenditure	18,451	4,613	23,064
Asset impairment (note 29)	52,918	–	52,918

52 weeks ended 28 December 2007	Cellular $'000	Non-cellular $'000	Consolidated $'000
Depreciation and amortisation of intangible assets	23,664	4,190	27,854
Amortisation of acquired intangible assets	6,352	257	6,609
Share option expense	8,036	1,239	9,275
Capital expenditure	48,878	6,345	55,223

Revenues from major products and services

The Group's revenues from its major products and services were as follows:

	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Sale of integrated circuits	683,520	838,115
Sale of software	10,178	8,716
Royalties	1,167	1,791
Consolidated revenue (excluding investment income)	694,865	848,622

6 Segmental reporting (continued)

Geographical information

The Group operates in four principal geographical areas – the UK (country of domicile), Europe, the Americas and Asia. The Group's revenue from external customers and information about its segment assets (non-current assets excluding deferred tax assets and other financial assets) by geographical location is detailed below:

	Revenue from external customers	
	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
UK	967	1,777
Rest of Europe		
– Finland	6,305	15,416
– Hungary	36,535	46,287
– Other	19,951	11,520
USA	34,584	54,039
Americas (excluding USA)	10,564	13,324
Asia		
– China and Hong Kong	232,699	298,882
– Taiwan	100,024	127,779
– Korea	95,987	104,817
– Japan	121,838	159,604
– Other Asia Pacific	35,411	15,177
	694,865	848,622

Revenues are attributed to geographical areas on the basis of the customer's manufacturing location.

	Non-current assets	
	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
UK	75,167	131,648
Rest of Europe	73,122	75,636
USA	14,467	16,224
Asia	12,536	18,767
	175,292	242,275

Non-current assets being goodwill, property, plant and equipment and other intangible assets are attributed to the location where they are situated.

Information about major customers

Included in revenues arising from Cellular and Non-cellular are revenues of approximately $135.0 million (19% of revenues) (2007: $220.1 million, 26% of revenues) which arose from sales to the Group's largest customer. In the 53 weeks ended 2 January 2009, revenues of approximately $75.6 million (11% of revenues) were included within both the Cellular and Non-cellular segments which arose from sales to the Group's second largest customer. In 2007, only the largest customer of the Group exceeded 10% of revenue in the period. Revenue from the top five customers represents 50% of revenues (2007: 52%).

7 (Loss) profit for the period

(Loss) profit for the period has been arrived at after charging:

	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Net foreign exchange losses	4,466	1,500
Research and development costs	158,167	147,541
Depreciation of property, plant and equipment	20,135	17,427
Loss on disposal of property, plant and equipment	545	75
Loss on disposal of intangible assets	186	93
Patent dispute settlement	–	15,000
Restructuring (see note 30)	14,445	–
Impairment of assets (see note 29)	52,918	–
Amortisation of intangible assets	10,468	17,036
Staff costs (see note 9)	130,006	121,278
Cost of inventories recognised as expense	362,527	432,106
Write downs of inventories recognised as an expense	5,085	4,598
Auditors' remuneration for audit services (see note 8)	360	357
Deferred tax adjustment to goodwill (see note 13)	978	279

8 Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	93	92
Fees payable to the Company's auditors and their associates for other services to the Group		
– The audit of the Company's subsidiaries pursuant to legislation	267	265
Total audit fees	360	357
Other services pursuant to legislation	34	34
Tax services	130	146
Total non-audit fees	164	180

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be separately disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

Significant non-audit services require pre-approval by the Audit Committee.

9 Staff costs

The average monthly number of employees (including executive directors) was:

	53 weeks ended 2 January 2009 Number	52 weeks ended 28 December 2007 Number
Research and development	697	670
Sales and marketing	240	232
General and administrative	112	110
	1,049	1,012

	$'000	$'000
Their aggregate remuneration comprised:		
Salaries	104,720	96,921
Social security costs	10,479	9,147
Other pension costs	7,221	5,935
Share option charges*	7,586	9,275
	130,006	121,278

*Share option charges include $0.2 million included within 'Restructuring charges'.

10 Finance costs

	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Interest expense and similar charges	286	237
Unwinding of discount on contingent consideration	1,141	1,602
Interest payable on acquisition loan notes	–	100
Foreign exchange losses	2,648	498
	4,075	2,437

Included within the Restructuring costs (note 30) is $3.3 million related to hedge ineffectiveness on cash flow hedges arising as a result of the restructuring programme.

11 Taxation

	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Current income tax payable for the year	5,517	38,311
Current income tax benefit recognised in equity (note 26)	1,359	5,511
Current income tax charge	6,876	43,822
Adjustment in respect of current income tax of prior years	(1,835)	1,195
Total current income tax charge	5,041	45,017
Deferred tax (credit) charge	(3,086)	322
Deferred tax rate change impact	–	(1,088)
Adjustment in respect of deferred tax of prior years	(1,467)	(1,456)
Total deferred tax credit (note 20)	(4,553)	(2,222)
Total tax charge	488	42,795

Corporation tax is calculated at 28.5% (2007: 30%) of the estimated assessable (loss) profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the (loss) profit per the income statement as follows:

	53 weeks ended 2 January 2009 $'000	53 weeks ended 2 January 2009 %	52 weeks ended 28 December 2007 $'000	52 weeks ended 28 December 2007 %
(Loss) profit before tax	(6,451)	100.0	155,599	100.0
Tax at the UK corporation tax rate of 28.5% (2007: 30%)	(1,839)	28.5	46,680	30.0
Tax benefit of additional specific tax reliefs	(6,020)	93.3	(5,628)	(3.6)
Non taxable income on intercompany financing	(3,154)	48.9	–	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	707	(11.0)	539	0.3
Adjustments to tax charge in respect of prior years	(3,302)	51.2	(261)	(0.2)
Impairment of goodwill	10,804	(167.5)	–	–
Deferred tax rate adjustments	–	–	(1,088)	(0.7)
Non-deductible expenses	3,292	(51.0)	2,553	1.7
Tax expense and effective tax rate for the period	488	(7.6)	42,795	27.5

In March 2007, the UK Government announced that they would introduce legislation that reduced the corporation tax rate to 28% from 1 April 2008. This legislation was fully enacted. The deferred tax assets and liabilities, previously stated at 30% of the temporary differences were remeasured to 28% of those amounts. In addition, the blended current tax rate for the period reduced to 28.5%.

12 Earnings per share

The calculations of earnings per share are based on the following data:

Earnings	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Underlying earnings for the period	56,644	128,209
Patent dispute settlement, net of tax	–	(10,500)
Amortisation of acquired intangible assets, net of tax	(3,901)	(4,626)
Asset impairment, net of tax	(48,376)	–
Restructuring, net of tax	(10,328)	–
Deferred tax adjustment to goodwill	(978)	(279)
(Loss) earnings for the period	(6,939)	112,804

Number of shares	Number of shares	Number of shares
Weighted average number of shares:		
For basic earnings per share	128,617,601	130,690,101
Effect of dilutive potential ordinary shares – share options	–	4,906,720
For diluted earnings per share	128,617,601	135,596,821

12 Earnings per share (continued)

The dilutive effect of potential ordinary shares is nil as a loss has been made in the period. Underlying diluted earnings per share is based on a diluted share count of 130,610,753 as underlying earnings are a profit for the period with 1,993,152 potentially dilutive options at 2 January 2009.

Earnings per share	$	$
Underlying basic earnings per share	0.44	0.98
Patent dispute settlement, net of tax	–	(0.08)
Amortisation of acquired intangible assets, net of tax	(0.03)	(0.04)
Asset impairment, net of tax	(0.37)	–
Restructuring, net of tax	(0.08)	–
Deferred tax adjustment to goodwill	(0.01)	–
Basic (loss) earnings per share	(0.05)	0.86

Underlying diluted earnings per share	0.43	0.94
Patent dispute settlement, net of tax	–	(0.08)
Amortisation of acquired intangible assets, net of tax	(0.03)	(0.03)
Asset impairment, net of tax	(0.37)	–
Restructuring, net of tax	(0.08)	–
Deferred tax adjustment to goodwill	–	–
Diluted (loss) earnings per share	(0.05)	0.83

13 Goodwill

	$'000
Cost and carrying amount	
At 30 December 2006	51,952
Recognition on acquisition of subsidiaries	92,534
Adjustment for recognition of deferred tax asset	(279)
At 28 December 2007	144,207
Impairment losses for the period	(36,907)
Adjustment for recognition of deferred tax asset	(978)
At 2 January 2009	106,322

During the period, goodwill amounting to $36.9 million in relation to goodwill arising on the acquisition of UbiNetics (VPT) Limited was impaired (see note 29). This goodwill was allocated to a separate cash generating unit that was part of the Cellular reportable segment.

At the time of the acquisitions in 2005 and 2007, the acquired entities included brought forward tax losses. These were not recognised at the time of the acquisition as it was not considered probable that taxable profit would be available against which these losses could be utilised. During 2007 and 2008, a deferred tax asset was recognised for some of these losses, related to Clarity Technologies Inc, and NordNav Technologies AB, and, in accordance with IFRS 3, an equivalent adjustment was made to goodwill. This resulted in a charge of $978,000 (2007: $279,000) that was included within administrative expenses.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

Reportable segment	**Cash Generating Unit**	2 January 2009 $'000	28 December 2007 $'000
Cellular	Mobile Handsets	91,835	129,441
	Mobile Headsets	5,795	5,906
Non-cellular	Automotive	8,692	8,860
		106,322	144,207

13 Goodwill (continued)

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Following the annual impairment test which takes place in the fourth quarter of each year, no further impairment of goodwill is required.

The recoverable amount of the cash-generating unit is determined from a value in use calculation. The key assumptions for the value in use calculations are those regarding the discount rates, terminal growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to CSR. Changes in selling prices and direct costs are based on historical information and expectations of future changes in the market.

For all cash generating units the Group prepares cash flow forecasts derived from the most recent financial budget approved by management for the next year and extrapolates cash flow forecasts for the following four years, based on long range plans. These long range plans are based on recent reports on the markets we operate in produced by independent analysts. Management uses this information to produce realistic plans when combined with internal and customer specific information. A terminal value is included for the period beyond five years from the balance sheet date based on the cash flow in the fifth year and a terminal growth rate of 2.5%. This terminal growth rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 9.3% (2007: 9.3%).

14 Other intangible assets

	Purchased in process research and development $'000	Customer contracts and relationships $'000	Software licences $'000	Assets in the course of construction $'000	Total $'000
Cost					
At 29 December 2006	13,400	2,000	34,964	–	50,364
Additions	–	–	7,087	–	7,087
Acquired on acquisition of subsidiaries	23,500	–	–	–	23,500
Disposals	–	–	(1,183)	–	(1,183)
At 28 December 2007	36,900	2,000	40,868	–	79,768
Additions	–	–	2,419	1,345	3,764
Disposals	–	–	(8,940)	–	(8,940)
At 2 January 2009	36,900	2,000	34,347	1,345	74,592
Amortisation					
At 29 December 2006	1,940	1,036	15,702	–	18,678
Charge for the year	5,942	667	10,427	–	17,036
Disposals	–	–	(1,090)	–	(1,090)
At 28 December 2007	7,882	1,703	25,039	–	34,624
Charge for the year	5,121	297	5,050	–	10,468
Disposals	–	–	(3,900)	–	(3,900)
Impairment losses	9,603	–	3,000	–	12,603
At 2 January 2009	22,606	2,000	29,189	–	53,795
Carrying amount					
At 2 January 2009	14,294	–	5,158	1,345	20,797
At 28 December 2007	29,018	297	15,829	–	45,144
Leased assets included above:					
At 2 January 2009	–	–	211	–	211
At 28 December 2007	–	–	3,209	–	3,209

Amortisation of intangible fixed assets is included within 'Research and development' in the income statement.
The impairment losses of $12.6 million are included within 'Administrative expenses' in the income statement and relate to acquisition-related intangible assets and software licences which have been written off as the result of the Operational Assessment (see note 29). The impairment losses are recorded within the Cellular operating segment (note 6). At 2 January 2009, the Group had entered into contractual commitments for the acquisition of other intangible assets amounting to $nil (2007:$nil).

15 Property, plant and equipment

	Test equipment $'000	Leasehold improvements $'000	Furniture and fittings $'000	Computer equipment $'000	Office equipment $'000	Assets in the course of construction $'000	Total $'000
Cost							
At 29 December 2006	49,837	3,593	3,585	20,316	2,373	–	79,704
Additions	15,634	3,687	642	3,147	589	937	24,636
Disposals	(1,099)	(27)	(583)	(2,362)	(100)	–	(4,171)
Acquired on acquisition of subsidiaries	701	–	283	327	56	–	1,367
At 28 December 2007	65,073	7,253	3,927	21,428	2,918	937	101,536
Additions	11,988	389	567	5,944	412	–	19,300
Disposals	(494)	–	(43)	(3,841)	(149)	–	(4,527)
Transfers	937	–	–	–	–	(937)	–
At 2 January 2009	77,504	7,642	4,451	23,531	3,181	–	116,309
Depreciation							
At 29 December 2006	18,226	823	1,313	12,765	1,123	–	34,250
Charge for the year	9,451	1,276	545	5,474	681	–	17,427
Disposals	(1,082)	(8)	(560)	(2,350)	(96)	–	(4,096)
Acquired on acquisition of subsidiaries	545	–	279	194	13	–	1,031
At 28 December 2007	27,140	2,091	1,577	16,083	1,721	–	48,612
Charge for the year	12,133	2,000	757	4,566	679	–	20,135
Disposals	(320)	–	(37)	(3,618)	(44)	–	(4,019)
Impairment losses	3,408	–	–	–	–	–	3,408
At 2 January 2009	42,361	4,091	2,297	17,031	2,356	–	68,136
Carrying amount							
At 2 January 2009	35,143	3,551	2,154	6,500	825	–	48,173
At 28 December 2007	37,933	5,162	2,350	5,345	1,197	937	52,924

Leased assets included above:

Carrying amount							
At 2 January 2009	–	–	–	–	981	–	981
At 28 December 2007	–	–	–	–	6	–	6

At 2 January 2009, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $nil (2007:$4,386,000).

The impairment losses of $3.4 million are included within 'Administrative Expenses' in the income statement and relate to tangible assets which have been written down to their recoverable amount as a result of the Operational Assessment (note 29). Their recoverable amount was the fair value of the assets less their costs to sell, being determined by reference to an active market for those assets. The impairment losses are recorded within the Cellular operating segments (note 6).

16 Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in Note 40 to the Company's separate financial statements.

17 Inventories

	2 January 2009 $'000	28 December 2007 $'000
Raw materials	37,403	16,819
Work in progress	1,765	10,724
Finished goods	27,033	49,713
	66,201	77,256

18 Other financial assets

Trade and other receivables

	2 January 2009 $'000	28 December 2007 $'000
Amounts receivable for sale of goods and software	64,971	81,593
Amounts receivable for royalties	272	47
Total trade receivables	65,243	81,640
Corporation tax	1,392	187
VAT	1,649	1,696
Other receivables	2,819	5,067
Prepayments and accrued income	10,706	8,616
	81,809	97,206

The average credit period taken on trade receivables is 58 days (2007: 37 days). An allowance has been made for estimated irrecoverable amounts within trade receivables of $3,000 (2007: $3,000). This allowance has been determined by reference to past default experience. An allowance for credit notes and price adjustments has also been made within trade receivables of $1,902,000 (2007: $150,000).

Before accepting any new customers, the Group uses a credit scoring system to assess the potential customer's credit quality and define credit limits by customer. Credit limits and credit quality are regularly reviewed.

It is the policy of the Group to only transact with creditworthy entities to mitigate the risk of default associated with trade receivables. The Group provides for trade receivables based on amounts estimated as irrecoverable determined by reference to past default experience.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Cash and cash equivalents

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

Treasury deposits

Treasury deposits represent bank deposits with an original maturity of over three months.

Credit risk

The Group's principal financial assets are bank balances and cash, treasury deposits and trade and other receivables.

The credit risk on liquid funds and derivative financial instruments is actively managed to limit the associated risk and counterparties are banks with high credit ratings assigned by international credit rating agencies.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2 January 2009 $'000	28 December 2007 $'000
Total trade receivables	65,243	81,640
Cash and cash equivalents	180,898	193,311
Treasury deposits	81,000	52,065
Derivative financial instruments	–	696
	327,141	327,712

The maximum exposure to credit risk for total trade receivables at the reporting date by geographic region was:

	2 January 2009 $'000	28 December 2007 $'000
Europe	10,815	13,906
USA	11,623	6,540
Asia	41,527	60,438
Other	1,278	756
	65,243	81,640

The Group's exposure to credit risk is spread over a number of counterparties and customers, with limited concentrations.

The Group's largest customer accounts for $7.5 million of trade receivables at 2 January 2009 (28 December 2007: $18.4 million).

18 Other financial assets (continued)

Credit risk (continued)

Impairment losses

The aging of total trade receivables at the reporting date was:

	Gross 2008 $'000	Impairment 2008 $'000	Gross 2007 $'000	Impairment 2007 $'000
Not past due	59,155	(1,502)	79,071	(150)
Past due 0-30 days	6,964	(100)	2,654	–
Past due 31-60 days	500	–	5	–
Past due 61-90 days	529	(303)	–	–
Past due 91-120 days	–	–	–	–
More than 121 days past due	–	–	63	(3)
	67,148	(1,905)	81,793	(153)

The movement in the allowance for impairment in respect of trade receivables during the period was as follows:

	2008 $'000	2007 $'000
Balance at the beginning of the period	153	242
Utilised in the period	(403)	(3,211)
Additional provisions in the period	2,155	3,122
Balance at the end of the period	1,905	153

Included in the Group's trade receivables balance are debtors with a carrying amount of $7,590,000 (2007: $2,719,000) which are past due but for which the Group has not provided, as there has been no significant change in the credit quality of the receivables and the amounts are still considered recoverable. $6.0 million of the past due but not provided trade receivables were received within two weeks of the balance sheet date (2007: $1.9 million). The Group has standby letters of credit in place to support the overdue balances.

Based on past experience, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due, other than for credit notes or price adjustments.

19 Derivative financial instruments

Currency derivatives

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The instruments purchased are denominated in GBP.

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts that the Group has committed is as below:

	2 January 2009 $'000	28 December 2007 $'000
Forward foreign exchange contracts	121,640	178,628

These arrangements are designed to address significant exchange exposures for the next 13 months (2007: 15 months) and are renewed on a rolling basis to cover between 11 and 15 months forward.

At the balance sheet date, the fair value of the Group's currency derivatives is shown below:

Derivatives that are designated and effective as hedging instruments carried at fair value

	2 January 2009 $'000	28 December 2007 $'000
Forward foreign exchange contracts – assets	–	696
– liabilities	(29,597)	(1,080)
	(29,597)	(384)

The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to a liability of $29,597,000 (2007: liability of $384,000) has been deferred in equity.

19 Derivative financial instruments (continued)

Currency derivatives (continued)

Net amounts of $3,876,000 (2007: $748,000) and $183,000 (2007: $88,000) respectively have been transferred to operating expenses in the income statement and fixed assets in respect of contracts matured in the period.

Financial liabilities carried at fair value through profit or loss (FVTPL)

	2 January 2009 $'000	28 December 2007 $'000
Forward foreign exchange contracts	(2,465)	–
	(2,465)	–

The forward foreign exchange contracts carried at FVTPL were previously designated as effective cash flow hedges but became ineffective as part of the October 2008 restructuring programme (note 30). Further details of derivative financial instruments are given in note 33.

20 Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the period and prior reporting period.

	Accelerated tax depreciation $'000	Share-based payment $'000	Fair value adjustments on acquisition $'000	Tax losses $'000	Hedging differences $'000	Other temporary differences $'000	Total $'000
At 29 December 2006	(10,507)	17,376	(3,587)	3,368	–	4,700	11,350
Credit (charge) to income	2,301	2,051	1,741	(1,036)		(3,923)	1,134
(Charge) credit to equity	–	(7,840)	–	606	206	–	(7,028)
Acquisition of subsidiary	–	–	(6,948)	–	–	–	(6,948)
Deferred tax rate adjustment to income	547	–	586	–	–	(45)	1,088
Deferred tax rate adjustment to equity	–	(772)	–	–	(11)	–	(783)
At 28 December 2007	(7,659)	10,815	(8,208)	2,938	195	732	(1,187)
Credit (charge) to income	3,533	(917)	4,206	(2,297)	–	28	4,553
(Charge) credit to equity	–	(8,644)	–	879	6,878	–	(887)
At 2 January 2009	(4,126)	1,254	(4,002)	1,520	7,073	760	2,479

Certain deferred tax assets and liabilities have been offset where required as relating to the same tax authority. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2 January 2009 $'000	28 December 2007 $'000
Deferred tax liabilities	(4,002)	(8,208)
Deferred tax assets	6,481	7,021
	2,479	(1,187)

At the balance sheet date, the Group has unused tax losses of $126,588,000 (2007: $175,564,000) available for offset against future profits. A deferred tax asset has been recognised in respect of $4,146,000 (2007: $7,793,000) of such losses. No deferred tax asset has been recognised in respect of the remaining $122,442,000 (2007:$167,771,000) due to the unpredictability of future profit streams within certain subsidiary entities. Included in unrecognised tax losses are losses of $34,381,000 (2007: $47,819,000) that will expire in 16-18 years. The figure is lower than prior periods due to a significant change in the GBP to USD exchange rate. Other losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of temporary timing differences related to undistributed earnings of overseas subsidiaries was $22,974,000 (2007: $14,754,000). No deferred tax liabilities have been recognised in respect of these unremitted earnings because the Group is in a position to control the timing of the reversal of these temporary differences and it is probable that such differences will not reverse in the foreseeable future.

21 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2 January 2009 $'000	28 December 2007 $'000	2 January 2009 $'000	28 December 2007 $'000
Amounts payable under finance leases:				
Within one year	1,057	3,109	1,057	3,108
In the second to fifth years inclusive	293	142	293	142
	1,350	3,251	1,350	3,250
Less: future finance charges	–	1	–	–
Present value of lease obligations	1,350	3,250	1,350	3,250
Less: Amount due for settlement within 12 months (shown under current liabilities)			(1,057)	(3,108)
Amount due for settlement after 12 months			293	142

21 Obligations under finance leases (continued)

It is the Group's policy to lease certain of its equipment under finance leases and purchase certain software licences under agreements containing deferred payment terms. The average lease term is 2.0 years. Interest rates are fixed at the contract date; all of the agreements containing deferred payment terms are interest free. For the period ended 2 January 2009, the average effective borrowing rate was 0.14% (2007: 0.03%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Lease obligations with a present value of $1,350,000 (2007: $1,045,000) are denominated in Sterling. All other obligations are denominated in US Dollars.

The Group's obligations under finance leases are secured by the lessors' right over the leased assets.

22 Other financial liabilities

Trade and other payables

	2 January 2009 $'000	28 December 2007 $'000
Trade payables	37,451	62,681
Other taxation and social security	2,809	2,923
Other payables	87	3,778
Accruals and deferred income	21,823	23,994
	62,170	93,376

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 64 days (2007: 54 days).

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

For most suppliers, no interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

23 Contingent consideration

	2 January 2009 $'000	28 December 2007 $'000
Amounts included within current liabilities	753	25,988
Amounts included within non-current liabilities	16,747	–
	17,500	25,988

The contingent consideration relates to milestone payments for the acquisition of NordNav Technologies AB. The consideration is due to be settled in instalments once certain performance criteria have been achieved. In the previous reporting period, it was believed these performance criteria would be met within one year from the balance sheet date and the liability was included within current liabilities.

24 Provisions

	Onerous lease provision $'000	Returns and warranty provision $'000	Total $'000
At 29 December 2007	274	2,140	2,414
Additional provision in the period	3,264	1,157	4,421
Utilised in period	(125)	(507)	(632)
At 2 January 2009	3,413	2,790	6,203
Included within current liabilities			4,408
Included within non current liabilities			1,795
			6,203

Onerous lease provision

The Group has provided for the discounted anticipated costs of satisfying the terms of any onerous leases, less any anticipated income from subletting the buildings. It is anticipated that the provision will be used over the remaining lease terms (eight years).

Returns and warranty provision

The Group provides for the anticipated costs associated with contractual liabilities returns under standard warranty terms. It is anticipated that the provision will be utilised within one year.

25 Called-up share capital

Company

Authorised share capital:

		2 January 2009 £'000	28 December 2007 £'000
185,000,000	Ordinary Shares of £0.001 each - equity	185	185

Allotted, called-up and fully paid:

		2 January 2009 $'000	28 December 2007 $'000
132,890,821(2007 – 132,073,576)	Ordinary Shares of £0.001 each - equity	238	236

Changes to share capital:

Equity shares:

817,245 Ordinary Shares were issued from employee option exercises between 29 December 2007 and 2 January 2009. Consideration was $1,523,904, at a premium of $1,522,345.

The Company has one class of ordinary shares which carry no right to fixed income.

There are 7,500 deferred shares of £0.00067 each. These shares have no rights.

The following options and share awards over Ordinary Shares of £0.001 have been granted and were outstanding at the end of the period:

Grant date	Number of shares subject to option or share award	Exercise price per share £	Vesting period
1 September 1999 to 25 November 1999	507,024	0.05367	5 years
9 February 2000	43,450	0.15633	5 years
21 February 2000 to 16 October 2000	472,822	0.50333	5 years
30 October 2000 to 8 July 2002	510,820	2.38500	5 years
30 September 2002 to 10 November 2003	235,685	1.01000	5 years
18 November 2003 to 2 February 2004	236,483	1.02500	5 years
26 February 2004	423,330	2.35000	3 years
26 February 2004	111,012	2.35000	3 years[2]
26 February 2004	151,500	2.00000	3 years
26 February 2004	366,673	2.00000	3 years[2]
30 June 2004	10,000	4.02000	3 years[2]
30 September 2004	20,000	3.62500	3 years[2]
5 May 2005	379,500	3.21000	3 years[2]
5 May 2005	117,101	0.00100	3 years
5 May 2005	166,574	0.00100	3 years[1]
6 October 2005	135,449	4.52870	3 years[3]
1 March 2006	18,393	0.00100	3 years[1]
1 March 2006	45,718	9.05000	3 years
1 March 2006	24,525	9.99000	3 years[2]
31 March 2006	15,238	7.81070	3 years[3]
3 May 2006	13,931	12.9200	3 years
25 May 2006	214,450	12.4100	3 years[2]
25 May 2006	424,220	0.00100	3 years[1]
25 May 2006	535,960	12.4100	5 years
25 May 2006	51,931	0.00100	3 years
2 August 2006	24,764	11.0967	5 years
1 November 2006	2,509	9.08800	3 years[3]
15 November 2006	109,291	6.27000	5 years
28 February 2007	54,403	7.68000	5 years
28 February 2007	25,122	0.00100	3 years[1]
28 February 2007	57,399	7.68000	3 years[2]
28 March 2007	80,840	5.84800	3 years[3]
9 May 2007	58,594	7.57000	5 years
5 June 2007	151,935	0.00100	3 years[1]
5 June 2007	386,459	7.86000	3 years[2]
5 June 2007	111,040	0.00100	3 years
1 August 2007	71,843	7.2900	5 years
14 November 2007	186,190	6.4450	3 years[2]
14 November 2007	112,842	6.4450	5 years
14 November 2007	93,603	0.00100	3 years[1]
14 November 2007	25,000	0.00100	3 years

25 Called-up share capital (continued)

Grant date	Number of shares subject to option or share award	Exercise price per share £	Vesting period
10 December 2007	57,924	5.156	3 years[3]
5 March 2008	79,021	3.160	5 years
5 March 2008	315,202	3.160	3 years[3]
5 March 2008	173,510	0.00100	3 years[1]
28 March 2008	798,723	2.528	3 years[3]
11 June 2008	353,787	0.00100	3 years[1]
11 June 2008	659,963	3.110	3 years[2]
11 June 2008	244,018	0.00100	3 years
11 June 2008	200,569	0.00100	2 years
11 June 2008	38,621	3.110	5 years
4 August 2008	15,584	0.00100	3 years[1]
12 August 2008	103,463	3.2875	3 years[2]
25 September 2008	80,789	2.7850	3 years[2]
4 November 2008	35,348	0.00100	3 years
4 November 2008	16,746	2.045	3 years
	9,956,891		

1 These options have vesting conditions based on the Company's performance against comparator companies based on TSR rankings over the vesting period.
2 These options have vesting conditions based on EPS growth over the vesting period.
3 These options have been issued as part of the Company's SAYE scheme.

Exercise period: Vested options and share awards are exercisable within ten years from the grant date, SAYE options are exercisable within six months of the vesting date.

26 Reserves

	Share premium account $'000	Capital redemption reserve $'000	Merger reserve $'000	Employee Benefit Trust Reserve $'000	Hedging reserve $'000	Share-based payment reserve $'000	Tax reserve $'000	Retained earnings $'000	Total $'000
At 30 December 2006	84,111	950	61,574	–	3,171	11,003	36,647	208,521	405,977
Share issues	5,815	–	–	–	–	–	–	–	5,815
Share-based payment	–	–	–	–	–	9,275	–	–	9,275
Deferred tax benefit on share option gains	–	–	–	–	–	–	(7,234)	–	(7,234)
Current tax benefit taken directly to equity on share option gains	–	–	–	–	–	–	5,511	–	5,511
Purchase of own shares	–	–	–	(20,025)	–	–	–	–	(20,025)
Current tax on hedging reserve	–	–	–	–	–	–	951	–	951
Deferred tax on hedging reserve	–	–	–	–	–	–	206	–	206
Effective tax rate adjustment	–	–	–	–	–	–	(783)	–	(783)
Loss on cash flow hedges	–	–	–	–	(4,906)	–	–	–	(4,906)
Transferred to income statement in respect of cash flow hedges	–	–	–	–	836	–	–	–	836
Retained profit for the period	–	–	–	–	–	–	–	112,804	112,804
At 28 December 2007	89,926	950	61,574	(20,025)	(899)	20,278	35,298	321,325	508,427
Share issues	1,522	–	–	–	–	–	–	–	1,522
Share-based payment	–	–	–	–	–	7,586	–	–	7,586
Deferred tax benefit on share option gains	–	–	–	–	–	–	(7,765)	–	(7,765)
Current tax benefit taken directly to equity on share option gains	–	–	–	–	–	–	1,359	–	1,359
Purchase of own shares	–	–	–	(20,199)	–	–	–	–	(20,199)
Deferred tax on hedging reserve	–	–	–	–	–	–	6,878	–	6,878
Loss on cash flow hedges	–	–	–	–	(31,677)	–	–	–	(31,677)
Transferred to income statement in respect of cash flow hedges	–	–	–	–	7,316	–	–	–	7,316
Loss for the period	–	–	–	–	–	–	–	(6,939)	(6,939)
At 2 January 2009	91,448	950	61,574	(40,224)	(25,260)	27,864	35,770	314,386	466,508

A tax reserve has been included to show movements in equity caused by tax adjustments reflecting movements in tax not recorded in the income statement.

26 Reserves (continued)

The share premium account, capital redemption reserve and hedging reserve are not distributable. The merger reserve arose on the combination of CSR plc and Cambridge Silicon Radio Limited and is not distributable.

The Employee Benefit Trust Reserve represents the cost of shares in CSR plc purchased in the market and held by the CSR plc Employee Benefit Trust to satisfy options under the Group's share option schemes. Between 18 March 2008 and 25 March 2008, the CSR Employee Benefit Trust purchased 3,222,813 ordinary shares at prices between £3.37 and £3.03. On 3 May 2007, the CSR Employee Benefit Trust purchased 334,890 ordinary shares at an average price of £7.41 pence per share. Between 6 June 2007 and 7 June 2007, the CSR Employee Benefit Trust purchased 336,425 ordinary shares at an average price of £7.38 per share. Between 26 September 2007 and 28 September 2007, the CSR Employee Benefit Trust purchased 795,452 ordinary shares at an average price of £6.24 per share.

The shares acquired by the Trust do not represent Treasury shares for the purposes of the Companies Act and therefore remain as issued share capital. For accounting purposes, the treatment of the shares acquired by the Trust is different. In preparing the consolidated CSR plc Group accounts, the shares held by the Trust are treated as a deduction in shareholders' equity.

27 Notes to the cash flow statement

	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Operating (loss) profit from continuing operations	(8,515)	150,098
Adjustments for:		
Depreciation of property, plant and equipment	20,135	17,427
Amortisation of intangible assets	10,468	17,036
Impairment of assets	52,918	–
Deferred tax transfer to goodwill	978	279
Loss on disposal of property, plant and equipment	545	75
Loss on disposal of intangible assets	186	93
Share related charges	7,586	9,275
Increase (decrease) in provisions	3,789	(1,814)
Operating cash flows before movements in working capital	88,090	192,469
Decrease in inventories	11,055	29,319
Decrease in receivables	17,253	8,173
(Decrease) increase in payables	(20,063)	22,394
Cash generated by operations	96,335	252,355
Foreign taxes paid	(1,290)	(1,117)
Corporation tax	(28,738)	(28,702)
Interest paid	(326)	(358)
R&D tax credit received	320	–
Net cash from operating activities	66,301	222,178

Cash and cash equivalents (which are presented as a single class of asset on the face of the balance sheet) comprise cash at bank and other short term highly liquid investments with a maturity of three months or less.

Acquisition of subsidiaries in 53 weeks to 2 January 2009 represents payments of contingent consideration arising from prior period acquisitions.

28 Operating lease arrangements

	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Minimum lease payments under operating leases recognised in the income statement for the year	10,311	6,955

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2 January 2009 $'000	28 December 2007 $'000
Within one year	8,799	6,924
In the second to fifth years inclusive	9,041	16,590
After five years	–	4,180
	17,840	27,694

Operating lease payments represent rentals payable by the Group for certain of its office properties, office equipment and software licences Leases are negotiated for an average term of 3.98 years and rentals are fixed for an average of 3.98 years.

29 Impairment of assets
During 2008, a non-cash impairment charge of $52.9 million was recorded. This resulted from the decision to discontinue investment in UbiNetics' protocol software development programme following the recommendations of the Operational Assessment.

During the Assessment, the Group looked at its market in great detail and consulted widely to review the opportunities for winning the global market for wireless solutions. The Group undertook in-depth discussions with customers on all continents, and asked the leading customers where they anticipated the most growth. The Group also carried out an analysis of its own capabilities and identified strengths and weaknesses to determine future strategy.

The impairment is charged to administrative expenses in the consolidated income statement.

30 Restructuring
In October 2008, CSR plc announced a restructuring programme, with the aim of reducing ongoing operating expenses by around $20 million in 2009. This has been successfully completed, and is expected to deliver the predicted savings. Approximately 100 employees left the Group as part of the restructuring programme spread through all functions mostly in the UK, US and Sweden. A one time restructuring charge of $14.4 million was recorded, including $5.6 million of severance, $3.3 million of currency hedging charges (due to the reduction in Sterling requirements in 2009) and $3.9 million of onerous lease and building-related charges for buildings being vacated as part of the restructuring. At the balance sheet date, there were no payments remaining to be made to employees under the restructuring programme; cash outflows relating to the onerous leases of building being vacated are expected to occur over the next two years.

31 Share-based payments
CSR plc has grants and awards in the following Share Schemes which result in charges to the Income Statement:

Global share option scheme
The Company has a share option scheme for all employees of the Group, under which share options were issued prior to flotation, at a price based on the most recent private funding round. All employees were granted options on joining CSR. These options have a vesting period of five years, with 20% of options vesting one year after grant, then the remainder vesting in equal quarterly instalments over the remaining four years. Other options (in addition to those related to employees joining) were also granted under this scheme. In all cases if the options remain unexercised after a period of ten years from the date of grant, the options lapse. Options are forfeited if the employee leaves the Group before the options vest. No grants have been made under this scheme since flotation.

Company Share Option Plan (CSOP)
The Company introduced a new scheme at flotation called the CSR plc Share Option Plan. The following grants have been made under the scheme:

Flotation grant
On the Company's flotation in February 2004, the Company issued share options to all employees, at a price based on the share price on the day of flotation. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant, the options lapse. Options are forfeited if the employee leaves the Group before the options vest.

Performance grants
On the Company's flotation in February 2004, and in May 2005, May 2006, May 2007, June 2008 and certain other dates (relating to employees joining) the Company issued share options at a price based on the average share price over the preceding three days. The vesting period of these grants is three years and vesting is dependent upon meeting certain EPS based performance conditions. If the options remain unexercised after a period of ten years from the date of grant, the options lapse. Options are forfeited if the employee leaves the Group before the options vest.

Starter Grants
The Company grants options to new starters to assist in recruitment. Options are exercisable at a price equal to the average share price on the three days preceding the grant date. The vesting period of the options is over a period of five years with 40% vesting after two years and 5% vesting each quarter thereafter. If the options remain unexercised after a period of ten years from the date of grant, the options lapse. Grants are forfeited if the employee leaves the Group before the options vest. The Company has also issued starter grants to senior employees that vest after three years.

CSR Share Award Plan
In May 2005, following approval of shareholders at the 2005 Annual General Meeting, the Company introduced the CSR plc Share Award Plan, which allows for options to be granted for exercise at a future date at a price equivalent to the nominal value of the Company's shares of £0.001. The following awards have been made:

Retention Awards
The Company issues certain employees with rights to purchase shares at nominal value (£0.001) as a method of staff retention. The vesting period of these share awards is either two or three years. If the share awards remain unexercised after a period of ten years from the date of grant, the awards lapse. Awards are forfeited if the employee leaves the Group before the options vest.

31 Share-based payments (continued)

CSR Share Award Plan (continued)

Performance awards

The Company issues certain employees with rights to purchase shares at nominal value (£0.001) as a method of staff incentivisation. The vesting period of these share awards is three years. The vesting of the awards is also subject to the Group satisfying two performance conditions. The first is the Total Shareholder Return of the Company's shares when compared to a group of companies selected at the time an award is first granted. The second is improvement in the underlying financial performance of the Group. In order for the shares to vest, the Group must have met or exceeded certain TSR thresholds when compared with the TSR performance of the group of other companies. In the event the Group satisfies any one of the TSR thresholds, the Remuneration Committee then considers the extent of any improvement in the underlying financial performance of the Group.

Starter awards

The Company grants rights to new starters to purchase shares at nominal value (£0.001) to assist recruitment. The vesting period of these awards is two years. If the share awards remain unexercised after a period of ten years from the date of grant, the awards lapse. Awards are forfeited if the employee leaves the Group before the options vest.

SAYE schemes

The Company operates a SAYE scheme, whereby employees are allowed to subscribe to a monthly savings amount for a period of three years; at the end of the three year period, the employee is allowed to either receive their saved amount plus interest or purchase shares in the Company at a price based on the average share price on the three days prior to commencement of the SAYE scheme, discounted by 20%. This scheme is open to all employees subject to Inland Revenue approved limits on total investment, and invitations are issued at regular intervals. Employees have a period of six months following the conclusion of the scheme to exercise their option to purchase shares.

Details of the share options outstanding during the year are as follows:

	53 weeks ended 2 January 2009		52 weeks ended 28 December 2007	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of period	8,726,947	3.62	9,225,832	2.96
Granted during the period	3,279,870	1.94	2,260,514	5.20
Forfeited during the period	(1,232,681)	5.17	(892,031)	1.21
Exercised during the period	(817,245)	0.95	(1,867,368)	1.56
Outstanding at the end of the period	9,956,891	3.12	8,726,947	3.62
Exercisable at the end of the period	5,671,192	3.63	3,579,373	1.38

The weighted average share price at the date of exercise for share options exercised during the period was £3.56. The options outstanding at 2 January 2009 had a weighted average exercise price of £3.12, and a weighted average remaining contractual life of nine years. In 2008, options were granted on 5 March, 28 March, 11 June, 4 August, 12 August, 25 September and 4 November. The aggregate estimated fair value of the options granted on those dates is $9,504,000. The weighted average fair value of these options was $3.01. In 2007, options were granted on 28 February, 28 March, 9 May, 5 June, 1 August, 14 November and 10 December. The aggregate estimated fair value of the options granted on those dates is $10,567,000. The weighted average fair value of these options was $5.25.

The fair values of the share option and share award grants were based on the following inputs:

The inputs to the Black-Scholes model are as follows:

	53 weeks ended 2 January 2009	52 weeks ended 28 December 2007
Weighted average share price (£)	3.24	6.40 – 5.89
Weighted average exercise price (£)	2.53	5.84 – 5.16
Expected volatility	54%	50% – 51%
Expected life	3 years	3 years
Risk free rate	4.32%	4.93% – 4.72%
Expected dividends	0%	0%

Expected volatility was determined by calculating the historical volatility of the Group's share price over a three year period, equivalent to the vesting period of the options. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

31 Share-based payments (continued)

Company Share Option Plan (CSOP)

The inputs to the Black-Scholes model are as follows:

	53 weeks ended 2 January 2009	52 weeks ended 28 December 2007
Weighted average share price (£)	2.86 – 3.33	6.16 – 7.65
Weighted average exercise price (£)	2.78 – 3.29	6.45 – 7.86
Expected volatility	54% – 58%	49% – 51%
Expected life	3 – 4 years	3 – 4 years
Risk free rate	4.18% – 5.20%	4.24% – 5.40%
Expected dividends	0%	0%

Expected volatility was determined by calculating the historical volatility of the Group's share price over a time period equivalent to the vesting period of the options. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The adjustments for the performance conditions are reflected in the proportion of options anticipated to vest.

Starter grants

The inputs to the Black-Scholes model are as follows:

	53 weeks ended 2 January 2009	52 weeks ended 28 December 2007
Weighted average share price (£)	2.12 – 3.33	6.16 – 7.50
Weighted average exercise price (£)	2.04 – 2.12	6.45 – 7.57
Expected volatility	56% – 60%	53% – 54%
Expected life	3 – 5 years	3 – 5 years
Risk free rate	4.02% – 5.20%	4.80% – 5.25%
Expected dividends	0%	0%

Expected volatility was determined by calculating the historical volatility of the Group's share price over a time period equivalent to the vesting period of the options. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Retention awards and starter awards

The fair value was based upon the share price on the date of grant.

Performance awards

The fair value was based upon Monte-Carlo simulation of the performance of the 38 comparator companies included in the TSR conditions of the award.

Expected volatility for each Company was determined by calculating the historical volatility of the individual Company's share price over the three years from the date of grant.

Share option charges

The Group recognised total expenses of $7,586,000 (2007: $9,275,000) related to equity-settled share-based payment transactions.

32 Retirement benefits scheme

The Group operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

The total cost charged to income of $7,221,000 (2007: $5,935,000) represents contributions payable to this scheme by the Group at rates specified in the rules of the plan. As at 2 January 2009, contributions of $nil (2007: $nil) due in respect of the current reporting period had not been paid over to the scheme.

33 Financial instruments

Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

33 Financial instruments (continued)

Financial risk management (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management framework in relation to the risks faced by the Group.

Capital risk management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. CSR intends to reinvest its cash balances in the business either through higher levels of investment in working capital and fixed assets or through further M&A activity to support the long-term ambitions of the Group. The capital structure of the Group consists of cash and cash equivalents, treasury deposits and equity attributable to the equity holders of CSR plc, comprising issued share capital, reserves and retained earnings as disclosed in notes 25 and 26.

The Group is not subject to any externally imposed capital requirements.

As a result of the funds raised through the initial public offering in March 2004 and the subsequent positive operating cash flows, the Group has a total of $261.9 million of treasury deposits and cash and cash equivalents as at 2 January 2009 (2007: $245.4 million).

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the Financial Statements.

	Carrying value 2 January 2009 $'000	Carrying value 28 December 2007 $'000
Financial assets		
Loans and receivables (including cash and cash equivalents and treasury deposits)	333,000	333,966
Derivative instruments in designated hedge accounting relationships	–	696
	333,000	334,662
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	(29,597)	(1,080)
Amortised cost	(75,828)	(113,731)
Fair value through profit and loss (FVTPL)	(2,465)	–
	(107,890)	(114,811)

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rate risk will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk exposures are mesured using sensitivity analysis.

Foreign currency risk management

Substantially all of the Group's sales and costs of sales are denominated in US Dollars, the Group's functional currency. A majority of the Group's fixed costs are denominated in Sterling. This exposure to different currencies would result in gains or losses with respect to movements in foreign exchange rates and the impact of such fluctuations could be material. Accordingly, the Group enters into hedging transactions pursuant to which it purchases Sterling under forward purchase contracts in order to cover the majority of its Sterling exposure.

The carrying amounts of the Group's Sterling denominated monetary assets and liabilities at the reporting date are as follows:

	Liabilities 2 January 2009 £'000	Liabilities 28 December 2007 £'000	Assets 2 January 2009 £'000	Assets 28 December 2007 £'000
GBP Sterling	(9,092)	(9,051)	3,833	7,669

The following significant exchange rates applied during the period:

US Dollars	Weighted average forward contract rate (contracts maturing in the period) 2 January 2009	Weighted average forward contract rate (contracts maturing in the period) 28 December 2007	Period end spot rate 2 January 2009	Period end spot rate 28 December 2007
GBP	1.9830	1.8877	1.4521	1.9905

33 Financial instruments (continued)

Market risk (continued)

Foreign currency sensitivity analysis

A ten percent strengthening of the US Dollar against GBP Sterling would have decreased equity and profit or increased loss after tax by the amounts shown below as at the reporting date shown. In management's opinion, this is a reasonably possible change given current market conditions. Although fluctuations in the US Dollar to GBP Sterling rate have been significantly greater than this percentage in the reporting period, management believes ten percent is likely to be representitve of future movements. This analysis assumes that all other variables, in particular interest rates and other foreign currencies, remain constant. The analysis is performed on the same basis for 2007.

2 January 2009	Equity $'000	Profit or loss $'000
GBP	(5,624)	(716)

28 December 2007	Equity $'000	Profit or loss $'000
GBP	(10,919)	(1,052)

A ten percent weakening of the US Dollar against GBP Sterling would have had the equal but opposite effect, on the basis that all the other variables remain constant.

A thirty percent strengthening of the US Dollar against GBP Sterling as at 2 January 2009 would result in a $16.9 million decrease in equity and a $2.7 million increase in loss for the period.

Although Management believes a ten percent movement is the most representative movement in the US Dollar to GBP Sterling rate, given market conditions a thirty percent movement has been shown to aid understanding of the Group's market risk. The movement in profit for the period is mainly attributable to the Group's exposure to exchange movements in Sterling denominated monetary assets and liabilities. The movement in equity is mainly as a result of the changes in fair value of forward foreign exchange contracts.

Forward foreign exchange contracts

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur:

Cash flow hedges	Carrying Amount $'000	Expected cash flows $'000	3 months or less $'000	3-6 months $'000	6-12 months $'000	More than one year $'000
2 January 2009						
Forward foreign exchange contracts $'000	(29,597)	120,979	31,602	30,752	53,319	5,306
Forward foreign exchange contracts £'000	–	63,500	16,000	16,000	28,000	3,500
28 December 2007						
Forward foreign exchange contracts $'000	(384)	178,628	35,853	35,636	71,568	35,571
Forward foreign exchange contracts £'000	–	90,090	18,090	18,000	36,000	18,000

The Directors consider the periods in which the cash flows associated with the derivatives that are cash flow hedges are expected to occur approximates the periods when the cash flows associated with those cash flows are likely to impact profit or loss.

Interest rate risk management

The Group has no significant direct exposure to fluctuations in interest rates other than those on interest-bearing cash balances. The majority of cash balances are held at fixed rates of interest and the effective rate of interest on those cash balances in the period was 4.67% (2007: 5.16%).

Credit risk

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and if not available, the Group uses other publicly financial available information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and credit exposure is controlled by counterparty limits.

The credit risk on liquid funds and derivative financial instruments is limited because counterparties are banks with high credit ratings assigned by international credit rating agencies.

For cash and cash equivalents and treasury deposits, the Company only transacts with entities that are equivalent to investment grade and above.

Disclosures related to the credit risk associated with trade receivables are in note 18.

33 Financial instruments (continued)

Liquidity risk

Liquidity risk management

The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows and matching the maturity of financial assets and liabilities. The Group has no significant borrowings from third parties and therefore liquidity risk is not considered a significant risk at this time.

2 January 2009	Less than one month $'000	1 – 2 months $'000	2-3 months $'000	3-6 months $'000	More than 6 months $'000	Total $'000
Obligations under finance leases	–	–	766	–	584	1,350
Contingent consideration (note 23) (undiscounted)	–	–	–	–	17,500	17,500
Other payables	376	–	649	–	381	1,406
Onerous lease provision (undiscounted)	–	9	467	436	3,328	4,240
	376	9	1,882	436	21,793	24,496

28 December 2007	Less than one month $'000	1 – 2 months $'000	2-3 months $'000	3-6 months $'000	More than 6 months $'000	Total $'000
Obligations under finance leases	–	131	–	1,256	1,864	3,251
Contingent consideration (note 23) (undiscounted)	–	9,625	–	–	17,500	27,125
Unsecured loan notes issued on acquisition	–	1,865	–	257	–	2,122
Other payables	6	–	1,239	–	424	1,669
Onerous lease provision (undiscounted)	–	–	–	–	545	545
	6	11,621	1,239	1,513	20,333	34,712

Fair value of financial instruments

The fair values of financial assets and liabilities are determined as follows:

Trade receivables and trade payables: The carrying amount of these short-term financial instruments approximates their fair value.

Derivatives: The fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using an appropriate discount rate.

The carrying amounts of financial assets and liabilities in the Financial Statements approximates their fair values.

34 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed in the Company only financial statements in note 48.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report on pages 58 to 59.

	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Short-term employee benefits	3,444	2,976
Post-employment benefits	241	166
Other long-term benefits	–	299
Termination benefits	–	991
Share-based payment	537	67
	4,222	4,499

By way of compensation for the termination of his employment, it was agreed that John Scarisbrick would receive a lump sum payment which was, deferred until 2 July 2008 of £360,100 and $245,000.

During 2007, an escrow payment of $11,158 was made to John Scarisbrick in relation to the 2005 acquisition of UbiNetics (VPT) Limited.

On 12 January 2007, the Company paid John Scarisbrick $49,477 for 2,388,188 E shares in Cambridge Positioning Systems Limited as part of the acquisition of Cambridge Positioning Systems Limited.

35 Events after the balance sheet date

On 9 February 2009, the Group entered into a conditional agreement with SiRF Technology Holdings Inc. ('SiRF') under which SiRF and the Group will become a single group ('the transaction'). SiRF is a global leader in GPS location platforms. Pursuant to the terms of the agreement, SiRF shareholders will receive 0.741% of an ordinary share in CSR for each SiRF share, which as at close of business on 9 February 2009 values SiRF at approximately £91 million ($136 million). The completion of the transaction is subject to shareholder consent of both SiRF and CSR and to regulatory clearance. Assuming all conditions are satisfied, the Group expects the transaction to complete in the second quarter of 2009.

At the time of approval of the Financial Statements, it is too early to give an indication of the financial impact likely to arise as a result of this transaction. This is because the date of the combination has not yet passed.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY For the 53 weeks ended 2 January 2009

	Notes	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
At beginning of period		104,787	97,330
Loss for the period		(51,671)	(7,637)
Issue of share capital	25	1,524	5,819
Share-based payments		7,586	9,275
At end of period		62,226	104,787

COMPANY BALANCE SHEET 2 January 2009

	Notes	2 January 2009 $'000	28 December 2007 $'000
Non-current assets			
Subsidiaries	41	132,822	174,555
Current assets			
Other receivables	42	29,429	20,313
Treasury deposits	42	81,000	52,065
Cash and cash equivalents	42	64,000	85,000
		174,429	157,378
Total assets		307,251	331,933
Current liabilities			
Trade and other payables	43	227,525	201,158
Contingent consideration	44	753	25,988
		228,278	227,146
Net current liabilities		(53,849)	(69,768)
Non-current liabilities			
Contingent consideration	44	16,747	–
		16,747	–
Total liabilities		245,025	227,146
Net assets		62,226	104,787
Equity			
Share capital	25	238	236
Share premium account	26	91,448	89,926
Capital redemption reserve	26	950	950
Share-based payment reserve	26	27,864	20,278
Retained losses	45	(58,274)	(6,603)
Total equity		62,226	104,787

These financial statements were approved by the Board of directors and authorised for issue on 9 February 2009.
They were signed on its behalf by:

Will Gardiner	Ron Mackintosh
9 February 2009	9 February 2009

	Notes	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Net cash from operating activities	46	9,255	111,611
Investing activities			
Interest received		4,111	4,454
Purchase of treasury deposits		(28,935)	(22,065)
Acquisition of subsidiary		(11,689)	(81,946)
Net cash used in investing activities		(36,513)	(99,557)
Financing activities			
Proceeds on issue of share capital		1,524	5,824
Net cash from financing activities		1,524	5,824
Net (decrease) increase in cash and cash equivalents		(25,734)	17,878
Cash and cash equivalents at beginning of period		85,000	65,000
Effect of foreign exchange rate changes		4,734	2,122
Cash and cash equivalents at end of period		64,000	85,000

NOTES TO THE COMPANY FINANCIAL STATEMENTS For the 53 weeks ended 2 January 2009

36 Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards.

The Financial Statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements.

37 Loss attributable to CSR plc

The loss for the financial year dealt with in the Financial Statements of the parent Company, CSR plc, was $51,671,000 (2007 : $7,637,000). As permitted by s230(3) of the Companies Act 1985, no separate income statement is presented in respect of the parent Company.

Loss is stated after charging (crediting):

	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Net foreign exchange (gains) losses	(4,739)	301
Auditors' remuneration for audit services	93	92

The Company had three employees during the 53 weeks ended 2 January 2009 (2007: one) who were the Directors of CSR plc. The Directors' remuneration in both years was borne by Cambridge Silicon Radio Limited. Details of the directors' remuneration is given between pages 58 and 60.

38 Investment income

	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Income from bank deposits	4,084	4,503

39 Finance costs

	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Interest payable on acquisition loan notes	8	100
Unwinding of discount on deferred consideration	1,141	1,602
Interest on intercompany balance	5,663	6,749
Foreign exchange gains	(6)	(2,122)
	6,806	6,329

40 Taxation

	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Total tax charge	–	–

Corporation tax is calculated at 28.5% (2007: 30%) of the estimated assessable profit for the year.

The charge for the year can be reconciled to the loss per the income statement as follows:

	53 weeks ended 2 January 2009 $'000	53 weeks ended 2 January 2009 %	52 weeks ended 28 December 2007 $'000	52 weeks ended 28 December 2007 %
Loss before tax	(51,671)	(100.0)	(7,637)	100.0
Tax at the UK corporation tax rate of 28.5% (2007: 30%)	(14,726)	28.5	(2,291)	(30.0)
Impairment of investment (note 40)	14,056	(27.2)	–	–
Non-deductible expenses	324	(0.6)	–	–
Group relief surrendered to other Group companies for nil consideration	346	(0.7)	2,291	30.0
Tax expense and effective tax rate for the period	–	–	–	–

In March 2007, the UK Government announced that they would introduce legislation that reduced the corporation tax rate to 28% from 1 April 2008. This legislation is fully enacted. The deferred tax and liabilities, previously stated at 30% of the temporary differences were remeasured to 28% of those amounts. In addition, the blended current tax rate for the period reduced to 28.5%.

41 Subsidiaries

Details of the Company's subsidiaries at 2 January 2009 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment
Direct ownership				
Cambridge Silicon Radio Limited	UK	100	100	Acquisition
UbiNetics VPT Limited	UK	100	100	Acquisition
Cambridge Positioning Systems Limited	UK	100	100	Acquisition
NordNav Technologies Aktiebolag	Sweden	100	100	Acquisition
Indirect ownership				
Cambridge Silicon Radio Inc.	USA	100	100	Acquisition
CSR China (Shanghai) Co. Limited	China	100	100	Acquisition
CSR KK	Japan	100	100	Acquisition
CSR Korea Limited	Korea	100	100	Acquisition
CSR Sweden AB	Sweden	100	100	Acquisition
Cambridge Silicon Radio Sarl	France	100	100	Acquisition
Cambridge Silicon Radio (UK) Limited	UK	100	100	Acquisition
Cambridge Silicon Radio Holdings Inc.	Delaware	100	100	Acquisition
Clarity Technologies, Inc.	Michigan	100	100	Acquisition
CSR (India) Private Limited	India	100	100	Acquisition
UbiNetics Wireless Technologies (Shenzen) Company Limited	China	100	100	Acquisition
UbiNetics (Cayman Islands) Ltd	Cayman Islands	100	100	Acquisition
UbiNetics (Hong Kong) Limited	Hong Kong	100	100	Acquisition
UbiNetics (North America) Inc.	USA	100	100	Acquisition
UbiNetics (IP) Limited	UK	100	100	Acquisition
UbiNetics 3G Limited	UK	100	100	Acquisition
UbiNetics Module Limited	UK	100	100	Acquisition
UbiNetics Technology Limited	UK	100	100	Acquisition
UbiNetics Designs Limited	UK	100	100	Acquisition
Coverge Limited	UK	100	100	Acquisition
C.P.S. Ltd	UK	100	100	Acquisition

41 Subsidiaries (continued)

Investments in subsidiary undertakings

Cost and net book value	2 January 2009 $'000	28 December 2007 $'000
At the beginning of the period	174,555	61,314
Acquisition of subsidiaries	–	103,966
Capital contributions arising from IFRIC 11 charges	7,586	9,275
Impairment of investment in UbiNetics VPT Limited	(49,319)	–
At the end of the period	132,822	174,555

During 2008, the investment in UbiNetics VPT Limited was written down to $nil. This resulted from the decision to discontinue investment in the UbiNetics protocol software development programme following the recommendations of the Operational Assessment carried out to determine future strategy. The impairment is charged to Administrative Expenses in the Company only income statement.

42 Financial assets

Other receivables	2 January 2009 $'000	28 December 2007 $'000
Prepayments and accrued income	405	432
Amounts receivable from other Group undertakings	29,024	19,881
	29,429	20,313

The directors consider that the carrying amount of other receivables approximates their fair value.

Amounts receivable from other Group undertakings are neither past due or impaired as management considers that the CSR Employee Benefit Trust has sufficient assets to fulfil its future obligations.

Cash and cash equivalents

Bank balances and cash comprise cash held by the Company and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Treasury deposits

Treasury deposits represent bank deposits with an original maturity of over three months.

43 Financial liabilities

Trade and other payables	2 January 2009 $'000	28 December 2007 $'000
Amounts owed to subsidiary undertakings	227,515	199,049
Accruals and deferred income	10	44
Other payables	–	2,065
	227,525	201,158

The directors consider that the carrying amount of trade and other payables approximates their fair value.

44 Contingent consideration

	2 January 2009 $'000	28 December 2007 $'000
Amounts included within current liabilities	753	25,988
Amounts included within non-current liabilities	16,747	–
	17,500	25,988

The contingent consideration relates to milestone payments for the acquisition of NordNav Technologies AB. The consideration is due to be settled in instalments once certain performance criteria have been achieved. In the previous reporting period, it was believed these performance criteria would be met within one year from the balance sheet date and the liability was included within current liabilities.

45 Reserves

	Retained earnings $'000
Balance at 29 December 2006	1,034
Net loss for the period	(7,637)
Balance at 28 December 2007	(6,603)
Net loss for the period	(51,671)
Balance 2 January 2009	(58,274)

The movements on the other reserves are disclosed in note 26 to the consolidated financial statements.

46 Notes to the cash flow statement

	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Operating loss from continuing operations	(48,947)	(5,812)
Adjustments for:		
Impairment of investment in subsidiary	49,319	–
Operating cash flows before movements in working capital	372	(5,812)
Increase in receivables	(8,995)	(19,970)
Increase in payables	17,878	137,393
Cash generated by operations being net cash from operating activities	9,255	111,611

Cash and cash equivalents (which are presented as a single class of asset on the face of the balance sheet) comprise cash at bank and other short term highly liquid investments with a maturity of three months or less.

Acquisition of subsidiaries in the 53 weeks to 2 January 2009 represents payments of contingent consideration arising from prior period acquisitions.

47 Financial instruments

Capital risk management

The Company manages its capital to ensure that a strong capital base is maintained to sustain the future growth and development of the Group. The capital structure of the Company consists of debt in the form of contingent consideration disclosed in note 44, cash and cash equivalents, treasury deposits and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 45.

There are no externally imposed capital requirements on the Company.

Categories of financial instruments

	2 January 2009 $'000	28 December 2007 $'000
Financial assets		
Loans and receivables (including cash and cash equivalents and treasury deposits)	174,429	157,378
Financial liabilities		
Amortised cost	245,025	227,146

At the reporting date there are no loans and receivables designated at fair value through profit and loss. The carrying amount reflected above represents the Company's maximum exposure to credit risk for such loans and receivables.

47 Financial instruments (continued)

Financial risk management objectives

The Group Treasury function provides services to the Company, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Company.

The main risks the Company is exposed to are the currency risk component of market risk, credit risk, and liquidity risk.

Foreign currency risk management

The Company does not seek to manage the currency risk component of market risk as these risks are managed on a Group level. The Company does not enter into any financial derivative contracts. The Company does not enter into, or trade financial instruments, including derivative financial instruments, for speculative purposes.

Foreign currency sensitivity analysis

The sensitivity analysis below has been determined based on the exposure of the Company to foreign currency movements for its non-derivative financial instruments at the balance sheet date.

If the US Dollar had strengthened by ten percent against GBP Sterling, the Company's:

- loss for the 53 week period ended 2 January 2009 would have decreased by $1,017,000. The loss for the 52 week period ended 28 December 2007 would have decreased by $1,267,000. In both periods, this is mainly attributable to the Company's exposure to foreign exchange movements on Sterling denominated monetary assets and liabilities;

- there is no impact on other equity reserves (2007: $nil).

A ten percent weakening of the US Dollar against GBP Sterling would have had the equal but opposite effect, on the basis that all the other variables remain constant.

A thirty percent strengthening of the US Dollar against GBP as at 2 January 2009 would have had a $3,559,000 decrease in loss for the period and no impact on equity reserves.

In management's opinion, this is a reasonably possible change in currency rates given current market conditions. This analysis assumes all other variables, in particular interest rates and other foreign currencies, remain constant. The analysis is performed on the same basis for 2007.

Although Management believes a ten percent movement is the most representative movement in the US Dollar to GBP Sterling rate, given market conditions, a thirty percent movement has been shown to aid understanding of the Company's market risk.

Interest rate risk management

The company has no significant direct exposures to fluctuations in interest rates other than those on interest bearing cash balances. The majority of cash balances are held at fixed rates of interest and the effective rate of interest on those balances in the period was 4.67% (2007: 5.16%).

Credit risk management

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss. This information is supplied by independent rating agencies where available and if not available, the Company uses other publicity available financial information and trading records. For cash and cash equivalents and treasury deposits, the Company only transacts with entities that are equivalent to investment grade and above. Other financial assets consist of amounts receivable from related parties. The Company's exposure to significant concentration of credit risk on receivables from related parties is detailed in note 48.

Liquidity risk management

Ultimate responsibility for the liquidity risk management of the Company rests with the Board of Directors which manages the liquidity requirements of the Company in terms of short, medium and long-term funding requirements. The Company manages liquidity risk via the Group's Treasury function using sources of financing from other Group entities and investing liquidity. The Company manages excess reserves by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

47 Financial instruments (continued)

Liquidity risk management (continued)

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

2008	Less than one month $'000	1 – 2 months $'000	2-3 months $'000	3-6 months $'000	More than 6 months $'000	Total $'000
Contingent consideration (undiscounted)	–	–	–	–	17,500	17,500
Amounts owed to subsidiary undertakings	–	–	–	–	227,515	227,515
	–	–	–	–	245,015	245,015

2007	Less than one month $'000	1 – 2 months $'000	2-3 months $'000	3-6 months $'000	More than 6 months $'000	Total $'000
Contingent consideration (undiscounted)	–	9,625	–	–	17,500	27,125
Unsecured loan notes issued on acquisition	–	1,865	–	257	–	2,122
Amounts owed to subsidiary undertakings	–	–	–	–	199,049	199,049
	–	11,490	–	257	216,549	228,296

Management do not expect amounts owed to subsidiary undertakings to be repaid in the next operating cycle.

Fair value of financial instruments

Details of the methods of determining the fair values of the Company's financial assets and financial liabilities are discussed in notes 42 and 43.

The carrying amounts of financial assets and liabilities are recorded at amortised cost in the Financial Statements which approximates their fair values in the opinion of the Directors'.

48 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, are disclosed below:

	53 weeks ended 2 January 2009 $'000	52 weeks ended 28 December 2007 $'000
Cambridge Silicon Radio Limited		
- Funding received from Cambridge Silicon Radio Limited	9,086	118,779
- Services received from Cambridge Silicon Radio Limited	13,725	14,149
- Interest charged on intercompany balance	5,663	6,749
CSR Employee Benefit Trust		
- Funding provided	(9,143)	(19,881)

Balances between the Company and its subsidiaries, which are related parties, are disclosed below:

	2 January 2009 $'000	28 December 2007 $'000
Cambridge Silicon Radio Limited	(227,515)	(199,041)
CSR Employee Benefit Trust	29,024	19,881

	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000
Results					
Turnover	253,146	486,531	704,695	848,622	694,865
Underlying operating profit*	58,457	112,851	151,801	171,986	65,244
Operating profit (loss)	58,457	111,936	148,995	150,098	(8,515)
Profit (loss) before tax	58,980	114,366	154,397	155,599	(6,451)
Taxation	2,579	(31,210)	(43,200)	(42,795)	(488)
Profit (loss) for the financial year	61,559	83,156	111,197	112,804	(6,939)
Assets employed					
Non-current assets	20,937	118,883	140,442	249,296	181,773
Net current assets	137,314	160,133	269,000	267,717	307,810
Non-current liabilities	(1,160)	(1,979)	(3,233)	(8,350)	(22,837)
Long term provisions	(1,606)	–	–	–	–
Net assets	155,485	277,037	406,209	508,663	466,746
Key statistics	$	$	$	$	$
Earnings (loss) per share	0.53	0.67	0.86	0.86	(0.05)
Underlying diluted earnings per share*	0.48	0.63	0.83	0.94	0.43
Diluted earnings (loss) per share	0.48	0.62	0.82	0.83	(0.05)

*Excluding the amortisation of acquired intangible assets, in 2008, the asset impairment charge of $52.9 million, the restructuring charge of $14.4 million and the deferred tax adjustment to goodwill of $1.0 million (2007: $0.3 million; 2006: $0.7 million) and, in 2007, the patent dispute settlement of $15.0 million.

The principal differences between UK GAAP and IFRS that resulted in a restatement of the 2004 financial statements on transition were as follows:

- A charge was recognised in respect of share options falling under the scope of IFRS 2;
- The deferred tax asset was increased as a result of the additional tax benefit in the year from the recording of share-based payment charges;
- Computer software was reclassified on the balance sheet so as to be intangible assets;
- Amounts were reclassified on the balance sheet between treasury deposits and cash and cash equivalents;
- Tax liabilities were shown separately on the balance sheet;
- Liabilities related to the purchase of intangible licences under payment plans were reclassified as finance leases;
- Provisions were split between those greater than one year and less than one year.

The only period effected by the transition was 2004; 2005 was presented under IFRS.

Detailed disclosures for the effect of the transition to IFRS were given in the 2005 financial statements.

CSR plc
Unit 400
Cambridge Science Park
Milton Road
Cambridge
CB4 0WH
Registered in England and Wales number 4187346
www.csr.com

Advisors

Auditors	Deloitte LLP
Corporate brokers	JPMorgan Cazenove Limited, UBS Limited
Solicitors	Slaughter and May
Bank	Lloyds TSB Bank plc

Share information at 17 March 2009

Shares outstanding	133,326,572
Trading symbol	CSR
Country of register	Great Britain
Market	London Stock Exchange
SEDOL	3414738
Registrar	Equiniti Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

Shareholder information

	Disclosed holding†	% of issued ordinary share capital
Schroders Plc	16,100,819	12.08%
The BlackRock Group	12,751,403	9.56%
Lazard Asset Management	8,552,425	6.41%
Aberforth Partners LLP	7,454,010	5.59%
Fidelity	6,665,681	5.00%
Legal & General Group PLC and its subsidiaries	5,973,594	4.48%

†at 17 March 2009

Share capital structure

Holding	Number of shareholders	% age of total shareholders
1 – 1,000	555	44.87
1,001 – 5,000	304	24.58
5,001 – 10,000	92	7.44
10,001 – 50,000	134	10.83
50,001 – 100,000	32	2.59
100,001 – 250,000	42	3.40
Over 250,000	78	6.31
Total	**1,237**	**100.00**

A-GPS: assisted GPS: an augmentation to GPS where the mobile phone network can provide the almanac and ephemeris data. By using the mobile phone network, the GPS receiver does not need to decode data from the satellites, thus both speeding up acquisition of a fix and allowing fixes to be made in areas where GPS signals are too weak to allow decoding of data but are nonetheless strong enough to be used to measure time of arrival (see also 'GPS')

AMP: stands for Alternate MAC/PHY, which is an architecture being specified by the Bluetooth SIG to allow faster throughput of a Bluetooth link. PHY and MAC refer to the PHYsical and the Media Access Control that are two parts of a multi-tiered system comprising the communication system between devices. Within AMP, Bluetooth is used firstly to create the wireless communication link between two devices in the normal way. Bluetooth then decides whether the form of connection between the two devices needs to change from Bluetooth to a higher data rate wireless connectivity such as 802.11 or UWB, based on the size of the data file being transmitted between the devices (where for example the file is a video sequence). The Bluetooth seamlessly uses the AMP architecture to switch to a higher data rate channel such as 802.11 or UWB, which the two devices share without the need for the consumer to make the decision. The AMP specification is expected to be published in mid 2009

analogue: a continuous representation of phenomena in terms of points along a scale, each point merging imperceptibly into the next; analogue signals vary continuously over a range of values; real world phenomena, such as sound, light and touch, are analogue

application software: software that is written specifically to address a real-world problem or task

attach rate: represents the rate of adoption of additional products or technologies on to the primary or 'hosting' product

audio router: a phone can incorporate a number of different features for receiving and transmitting sound, be it voice or music which can be routed by various systems, including for example, the phone network, Wi-Fi or Bluetooth. The audio router is the management system within a phone which ensures that sound received by the mobile device is routed via the correct system and is received by the appropriate application (for example the phone loudspeaker, a connected headset or wired headphones)

baseband: describing that part of a radio telecommunication system in which information is processed before modulating on to, or after demodulating off, a radio frequency (RF) carrier wave

baseband processor: that part of a chip which is designed to implement in a digital format the algorithms, protocols and logic required to implement, for example, a standard such as the Bluetooth wireless standard

bit: a unit of information; a computational quantity that can take one of two values, such as true and false or 0 and 1; also the smallest unit of storage sufficient to hold one bit, kbt or Mbt

bill of materials: a list of the individual parts (or material) which comprise a finished product and the cost of each of those individual parts

BlueCore: means the CSR family of single chip CMOS based (see below) Bluetooth solutions which integrate onto one chip the Radio Frequency (RF), baseband and communications protocol stack

Bluetooth low energy: is designed to work side-by-side with and complement Bluetooth. It operates in 2.4 GHz ISM band. Devices using Bluetooth low energy will be smaller and more energy-efficient than their Bluetooth counterparts

Bluetooth protocol stack: the communications software which is required together with the baseband processor and other subsystems, to implement the Bluetooth standard

Bluetooth qualified: certified by one of a number of organisations approved by the SIG as meeting the Bluetooth specification and 'Bluetooth qualified products' are end products and modules which are Bluetooth qualified

Bluetooth specification: the specification determined by the SIG which defines the parameters which a device providing a Bluetooth system must meet; different versions of the Bluetooth specification are designated v1.0, v1.1, v1.2 and v2.0

CDMA: code division multiple access is the means by which many users of radio waves can communicate using the same frequency but different (unique) codes so that the only people able to understand the communication are the sender and receiver

cellular/cellular device: derives from 'cellphone' and means a mobile phone or other device which communicates through a network of radio 'cells'

CMOS: Complementary Metal Oxide Semiconductor technology: a semiconductor process technology that uses planar transistors to make chips that consume relatively low power and permit a high level of integration

chip: short for a microchip; semiconductor device or integrated circuit

chipset: the term chipset is commonly used to refer to a set of specialised chips that work together on a host platform, such as the 'motherboard' of a PC

co-exist/co-existence: means the ability of two systems to operate in parallel without interfering with the other

communications protocol stack: communications software, which is required, together with the baseband processor and other subsystems, to implement a wireless communications standard

connectivity: enabling two electronic devices to communicate with each other and transfer data (voice /audio/music/picture/word files) using radio waves

connectivity centre: a term first promulgated by CSR in its application to wireless connectivity solutions; the Connectivity Centre brings together many aspects of short range wireless connectivity products with excellent co-existence capable of operating concurrently without degradation in optimum performance of each of the individual functions. Bluetooth, FM radio, Wi-Fi, UWB high quality audio for music, GPS location finding technology and Near Field Communications can all ultimately co-exist alongside each other

converged phones: phones capable of switching between fixed broadband and wireless telecommunications networks automatically without interruption in the reception or transmission of voice or data

CSP: Chip-Scale Package: a semiconductor package which is as small as the semiconductor chip and is used for small form factor applications such as mobile phones, PDAs and wireless devices

customer applications software: software that is not generic and which is written to specifically address a customer-defined problem or task

DSP: Digital Signal Processor: a device which enables computer manipulation using processing elements or stored programmes of analogue signals which have been sampled and converted to digital form

designed-in: where an ODM or OEM adopts into its product design a solution provided by a third party supplier

design win: CSR records a design win when a product using one of its IC's becomes Bluetooth qualified

die: another word for chip: often used to refer to the 'chips' whilst they are still an integral part of the silicon 'wafer' or where they have been cut from the 'wafer' but are, as yet, unpackaged

digital: the representation of data by a series of bits or discrete values such as 0s and 1s

dongle: an electronic device that is usually plugged into the USB port of a computer in order to provide added functionality

download: to receive data from a remote or central system. A download is any file that is offered for downloading or that has been downloaded

DRM: digital rights management: the process which controls access to music files only to those who have paid the required subscription fee

EDR: Enhanced Data Rate is an extension of the Bluetooth standard enabling faster communication of larger files (videos and music) by a rate of up to three times faster than conventional methods

E-GPS: enhanced GPS: as the name suggests an enhancement to GPS whereby measurements are made by the GPS receiver on the signals received from the mobile phone network which allow both fine time and frequency assistance to the GPS receiver. This further accelerates acquisition of a fix, as well as allowing, when GPS signals are unavailable, fall-back to a fix made solely from the measurements made on the cellular network (see also 'GPS')

embedded solution: a system in which all processing is carried out on-chip without the need for an external host processor

end products: products from a manufacturer which are in their final form and ready for the user, examples include PCs and mobile phones

fab: short for silicon fabrication facility, manufacturing plant or foundry

fabless: short for fabricationless, a business model used in the semiconductor industry, where the manufacture (or fabrication) of IC's is subcontracted to a foundry

fabless semiconductor company: company that uses a third party semiconductor fabrication service to manufacture silicon chips as opposed to fabrication facilities owned directly

feature phone: a mobile phone which has added functionality over and above a base model designed specifically to meet the requirements of a particular market segment. Typically these 'features' can include a digital camera, Bluetooth connectivity, FM radio or MP3 player. These phones are intended to occupy the mid-market segment

firmware: software which interfaces with and typically configures and manages the hardware in a system

flash memory: electronic memory where the contents (usually an applications programme) may be programmed prior to use and which retains its contents irrespective of applied power

FM: frequency modulation: a technique of broadcasting radio signals which modulates (adjusts) the pitch of the radio wave to communicate the wanted signal

foundry: a semiconductor manufacturing site that makes integrated circuits

GHz: giga-Hertz

GPS: Global Positioning Systems: a satellite based radio navigation system that allows receiving devices to take an accurate location fix of the device on the surface of the earth. Positions are derived by measuring the time of arrival of signals broadcast from the constellation of satellites, and knowledge of the instantaneous positions of the satellites. (The information required to calculate this being broadcast at a very low data rate by the satellites themselves, and is known as almanac and ephemeris data)

GSM/GPRS: GSM (Global System for Mobile Communications) the most common digital mobile standard; GPRS (General Packet Radio Service) a digital mobile standard designed to send and receive voice and data such as email information from the web and which is able to transmit data at higher rates than the GSM standard

hardware solution: a solution where data is manipulated by a series of gates and registers whose function is not modified through programmable instructions

host software: software running on the system in which the device is embedded

IC or integrated circuit: a semiconductor device consisting of many thousands or millions of interconnected transistors and other components

ISO: International Standards Organisation: the international organisation responsible for developing and maintaining worldwide standards for manufacturing, environmental management systems, computers, data communications, and many other fields

ISO 9000: a series of international standards for quality assurance in business practices, ratified by the ISO beginning in 1987. Certification of ISO 9000 compliance is important for selling many types of goods and services including data-communications equipment and services

internet protocols: the communications protocols used over the Internet

kbs: 1kbs is a unit of 1024 'bits' per second

location-based service (LBS): is an information and entertainment service, accessible with mobile devices through the mobile network and utilising the ability to make use of the geographical position of the mobile device. LBS services include services to identify a location of a person or object, such as discovering the nearest banking cash machine or the whereabouts of a friend or employee

low latency: refers to the period of delay (usually measured in milliseconds) required for the conversion between analog and digital representations of the sound data. Devices such as computers can only process digital data. Thus, the analog data it receives on microphone or line-in inputs must be converted to digital data. After processing of data, the processed data must be converted back to an analog signal before it can be output to speakers and played back. Low latency thus means a lower period of delay for this process to take place

Mb or Mega Byte: 1024 times 1024 bytes where 1 byte is equal to 8 'bits'

memory: any device that can store data in machine-readable format which may include RAM, ROM and Flash

microcontroller: often defined as being a microprocessor together with its memory and a means of allowing input and output

microprocessor: a computer with its entire CPU contained on one integrated circuit

modem: A device that enables electronic equipment to transmit and receive data over a network

mono-headset: a mobile headset which connects to a mobile phone, PDA, MP3 player or other device using Bluetooth and sits in one ear of the user

motherboard: the principal printed circuit board embedded within an electronic product

MP3: a file format which compresses or 'shrinks' voice and music files for transfer between one electronic device to another whilst retaining CD quality audio

NAND or NAND Flash architecture: is one of two flash technologies used in memory cards such as the CompactFlash cards and is also used in MP3 players. NAND is best suited to flash devices requiring high capacity data storage. NAND flash devices offer storage space of up to 512-MB and offers fast erase, write, and read capabilities

non-cellular /non-cellular device: as used by CSR means an electronic device which uses Bluetooth but is not a cellular device

NFC or Near Field Communication: is a short-range high frequency wireless communication technology which enables the exchange of data between devices over a distance of about four centimetres. Its application includes secure payment transactions using the customers mobile phone or transfer of files for example photo images from a digital camera to a PC

ODM: or Original Design Manufacturer: a manufacturer that designs and manufactures equipment for another company who will, in turn sell this to the end-user

OEM: or Original Equipment Manufacturer: a manufacturer that sells equipment to retail and wholesale outlets

PAN: Personal Area Network: a short distance wireless network specifically designed to support portable and mobile computing devices

PC: personal computer

PDA: personal digital assistant: a pocket-sized personal computer

Personal Navigation Device or PND: is a portable electronic product which combines a positioning capability (such as GPS) and navigation functions and enables the user to find out where they are located and get directions to move from one place to another

package: the package of a semiconductor is the physical and electrical interface between the chip and the system in which it operates

playback: the characteristic of a device to be able to play selected music or video tracks which are stored on that device

PMP or Portable Music Player: describes any digital portable music player which allows users to download or save digital music files (in MP3 format) from their computer to play on their PMP. Some examples of a PMP would be the iPod, iRiver, and the NOMAD to name a few

product qualification: the approval of a product or process for use by an ODM or OEM

profile: a set of specifications defined by the SIG aimed at facilitating communication between classes of Bluetooth-enabled devices; examples include the headset and hands-free profiles

protocol: a method by which two dissimilar systems can communicate

push to fix: used in conjunction with PND to represent the act of making an ad hoc estimate of a users' location ie to obtain a location 'fix'

RAM: random access memory

RF: radio frequency: frequencies of electromagnetic waves between approximately 3 kHz and 300 GHz

ROM: read only memory

radio modulation: dynamic modification of the characteristics of a radio (electromagnetic) wave in order to convey information

SIG: the Bluetooth Special Interest Group

sampling: the process of shipping small quantities of a new IC to a customer in order to allow the customer to test the IC in its product prior to adoption of that IC into the customers finished product

semiconductor: a material, typically crystalline, that can be altered to allow electrical current to flow or not flow in a pattern; common semiconductors are silicon, germanium and gallium-arsenide and the term is also used to apply to IC's made from these materials

silicon: a semiconducting material used to make wafers, widely used in the semiconductor industry as the basic material for integrated circuits

short range: Bluetooth is principally used for communicating over ranges of up to ten metres

sniffer: software that is combined with hardware for monitoring data and voice traffic on a network over the air

smartphones: a mobile phone using an advanced Operating System such as Windows Mobile, Symbian or Android and usually offering 3rd generation (3G) data network connectivity. Beyond the features of a typical mobile phone these 'devices' offer PC-like functionality and enhanced applications such as e-mail and web-browsing. They also provide the user with additional capabilities such as a digital still and video camera, MP3 & media playback and can include GPS & Wi-Fi connectivity. A smartphone allows more than one such function to be operating at the same time. Generally smartphones are regarded as being at the 'high end' of the market

skype: is a software programme that allows users to make telephone calls over the internet

stereo headset: a mobile headset which connects to a mobile phone, PDA, MP3 player or other device using Bluetooth and sits on both ears of the user

SOC: System on chip is a technology that takes all the necessary electronic circuits and parts for a complete system and integrates them into a single circuit (Silicon chip)

software solution: a solution where instructions and data are read from memory (or memories) and then the instructions interpreted and executed by a microprocessor to modify the data in the intended way

software stack: software required to implement the Bluetooth standard

tape out: in electronics design tape-out is the final stage of the design cycle of integrated circuits or printed circuit boards, the point at which the description of a circuit is sent for manufacture. The roots of the term are traced back to early ways of printed circuit board design, when the enlarged (for higher precision) 'artwork' of PCBs was manually 'taped out' of tape and adhesive-covered PCB footprints

tier one: a description of a leading, normally global manufacturer that supplies products in high volume to end user markets

total addressable market: the size of a potential market for a given product, normally assessed in potential financial value or the number of units of a product which could be sold to that market

transistor: the basic building block of modern semiconductor microelectronics; a transistor regulates current flow or voltage

Unlicensed Mobile Access: (UMA – also known as GAN Generic Access Network) is the technology that enables GSM voice and GPRS data services to be provided over unlicensed radio interfaces such as Wi-Fi

urban canyon: is a built up urban environment similar to a natural canyon which interrupts radio signals. It is caused by streets cutting through dense blocks of structures, especially skyscrapers or other tall buildings

USB: Universal Serial Bus: an interface between a computer and add-on devices

UWB: Ultra wideband, a wireless technology for transmitting large amounts of digital data over a wide spectrum of frequency bands with very low power for a short distance

VoIP: Voice over Internet Protocol: The technology used to transmit voice conversations over the packet based protocol at the heart of the internet

Wi-Fi: Wi-Fi short for 'wireless fidelity' (also known as IEEE 802.11a/b/g/n) is an 1155 Mbs raw radio bit rate data centric wireless communication standard typically associated with wireless computer networks at home and in the office and public spaces

wafer: a disc made of a semiconducting material such as silicon, usually between 150mm (6') and 300mm (12') in diameter, in which integrated circuits are manufactured; a wafer may contain several thousand individual integrated circuits

WLCSP: Wafer Level Chip Scale Packaging: the technology of packaging a chip at the wafer level instead of the traditional process of assembling the package after the wafer has been diced into individual chips (see CSP)

wireless modem: a modem that accesses a wireless network

yield: when used in connection with manufacturing, the ratio of the number of usable products to the total number of products on a wafer

United Kingdom
Cambridge Silicon Radio Limited
Unit 400
Cambridge Science Park
Milton Road
Cambridge
CB4 0WH
UK
Tel: +44 1223 692000
Fax:+44 1223 692001
www.csr.com

Churchill House
Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ
UK
Tel: +44 1223 692000
Fax:+44 1223 692001
www.csr.com

Selwyn House
Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ
UK
Tel: +44 1223 692000
Fax:+44 1223 692001
www.csr.com

St John's House
St John's Innovation Park
Cowley Road
Cambridge
CB4 0WS
UK
Tel: +44 1223 692000
Fax:+44 1223 692001
www.csr.com

Abbey Business Centre
Abbey House
83 Princes Street
Edinburgh
Mid Lothian
EH2 2ER
UK
Tel: +44 131 718 0850
Fax:+44 131 718 0851
www.csr.com

China
CSR (Shanghai) Co., Ltd
Rm 2201-05
Platinum Building
No. 233 Taicang Road
Luwan District
Shanghai
P.R.C. 200020
Tel: +86 21 6135 2100
Fax: +86 21 6135 2199
www.csr.com

UbiNetics Wireless Technologies (Shenzhen) Company Ltd
Unit 2, 12th Floor
Tower 2
Kerry Plaza
No.1 Zhong Xin Si Road
Futian District
Shenzhen
Guangdong Province
P.R.C.518048
Tel: +86 755 2151 6000
Fax: +86 755 2151 6019
www.csr.com

Denmark
CSR Denmark
NOVI Science Park
Niels Jernes Vej 10
9220 Aalborg East
Denmark
Tel: +45 99 324 100
Fax: +45 99 324 101
www.csr.com

France
Cambridge Silicon Radio SARL
Les Deux Arcs
Bâtiment B
1800 route des Crêtes
Sophia Antipolis
06560 Valbonne
France
Tel : +33 489 737 000
Fax : +33 489 737 001
www.csr.com

India
CSR India Pvt Ltd
11th Floor
Tower 'C'
IBC Knowledge Park
No. 4/1 Bannerghatta Main Road
Bangalore 560 029
Karnataka
India
Tel: +91 80 2518 3000
Fax:+91 80 2518 3001
www.csr.com

Japan
CSR KK
9F Kojimachi KS Square
5-3-3 Kojimachi
Chiyoda-ku
Tokyo 102-0083
Japan
Tel: +81 3 5276 2911
Fax: +81 3 5276 2915
www.csr.com

South Korea
Cambridge Silicon Radio Korea Ltd
15F West Wing POSCO Center
892 Daichi-Dong
Gangnam-Gu
Seoul 135-777
South Korea
Tel: +82 264 442 000
Fax:+82 264 442 001
www.csr.com

Cambridge Silicon Radio Korea Ltd
3F Sinwon Building
275-28 Hwangsang-Dong
Gumi 730-932
Gyungsangbuk-Do
South Korea
Tel: +82 544 709 400
Fax: +82 544 768 680
www.csr.com

Sweden
NordNav Technologies AB
Stadsgården 10
S-116 45
Stockholm
Sweden
Tel: +46 839 0000
Fax:+46 841 247 40
www.csr.com

Taiwan
CSR Taiwan
6F No.407 Ruey Kuang Road
Neihu
Taipei 11492
Taiwan
R.O.C.
Tel: +886 2 2650 2000
Fax: +886 2 2650 2099
www.csr.com

CSR Taiwan
11F, No.146 Jhongshan Road
Chungli
Taoyuan 32041
Taiwan
R.O.C
Tel: +886 3 426 7000
Fax:+886 3 426 7001
www.csr.com

USA
Cambridge Silicon Radio, Inc.
2425 N. Central Expressway
Suite 1000
Richardson
Dallas
Texas 75080
USA
Tel: +1 214 540 4300
Fax:+1 972 231 1440
www.csr.com

Clarity Technologies, Inc.
1740 Opdyke Court
Auburn Hills
Detroit
Michigan 48326
USA
Tel: +1 248 409 1400
Fax:+1 248 409 1401
www.csr.com

Forward looking statements

This Annual Report contains forward looking statements. These forward looking statements are not guarantees of future performance. Rather they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ from any future results or developments expressed or implied from the forward looking statements. Each forward looking statement speaks only as of the date of the particular statement.

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CSR plc
Unit 400
Cambridge Science Park
Milton Road
Cambridge
CB4 0WH

www.csr.com