Autonomy Corporation Limited

Report and Financial Statements

31 October 2016

Company information

Directors
T Trower
J Shaikhali

Auditors
Ernst and Young LLP
Apex Plaza
Forbury Road
Reading
Berkshire RG1 1YE

Bankers
Barclays Bank plc
St Andrews Street
Cambridge CB2 3AA

Registered Office
Amen Corner
Cain Road
Bracknell
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Company registration
No. 03175909

Strategic report

The directors present their strategic report for the year ended 31 October 2016.

Introduction

On 3 October 2011, Hewlett-Packard Company ("HP") acquired Autonomy Corporation plc (Autonomy Group). The acquisition was effected through the acquisition of the Autonomy Group by Hewlett-Packard Vision B.V., a wholly-owned subsidiary of HP. Subsequent to the acquisition; Autonomy Corporation plc deregistered as a public company and changed its name to Autonomy Corporation Limited ("ACL"). The ownership of ACL ("the Company") was then transferred from Hewlett-Packard Vision B.V. to Hewlett-Packard Vision Limited. Following the split of HP on 1 November 2015, into two independent companies (HP Inc. and Hewlett Packard Enterprise Company), the ultimate parent of the company became Hewlett Packard Enterprise Company ("HPE")

As previously reported, HP identified accounting improprieties, disclosure failures and misrepresentations in the financial statements of the Autonomy Group that occurred prior to and in connection with HP's acquisition of the Autonomy Group. These findings resulted in HP recording $8.8 billion of impairment charges in its fiscal 2012 consolidated financial statements. For the same reasons, Hewlett-Packard Vision Limited, ACL's parent company, recorded an impairment charge in its fiscal 2012 statutory financial statements resulting from the decrease in the estimated fair value originally used in the integration activities.

As a result of the findings of an internal investigation HP provided information to the UK Serious Fraud Office ("SFO"), the US Department of Justice ("DOJ") and the US Securities Exchange Commission ("SEC") related to accounting improprieties, disclosure failures and misrepresentations at the Company that occurred prior to and in connection with HP's acquisition of the Company in 2011. On 21 November 2012, representatives of the DOJ advised HP that they had opened an investigation relating to the Company. On 6 February 2013, representatives of the SFO advised HP that they had also opened an investigation relating to the Company. On 19 January 2015, the SFO notified HP that it was closing its investigation and had decided to cede jurisdiction of the investigation to the U.S. authorities. HPE continues to co-operate with the DOJ, whose investigations are ongoing.

On 10 November 2016 the DOJ filed a criminal indictment against a former key director of the company (one of the defendants in the Chancery Division proceedings referred to below). The indictment, filed in the United States District Court for the Northern District of California, alleged offences connected with the sale of Autonomy to HP. The director in question has pleaded not guilty. The trial date is due has been set at 28 January 2018. The DOJ has also indicated that it is continuing its investigation of the Company's historical pre-acquisition accounting practices. HPE continues to cooperate with the DOJ.

On 15 November 2016 the SEC announced that the former CEO of Autonomy, Inc. in the US had agreed to a cease and desist administrative settlement with the SEC concerning matters relating to the Company prior to its acquisition by HP. Without admitting or denying the findings, the former executive agreed to pay to the SEC $800,669 in disgorgement, with prejudgment interest of $122,722.

On 26 September 2014 the Company received a claim ("the claim") by letter from Hewlett-Packard Vision B.V. ("HP Vision BV"), which was the wholly owned subsidiary of HP that acquired the Company in 2011. The claim was asserted under the Financial Services and Markets Act 2000 ("FSMA") and pertains to the loss suffered by HP Vision BV as a result of its reliance on misleading published information (including the previously audited financial statements) of the Company in connection with its acquisition of the Company. The claim asserted that the losses sustained by HP Vision BV were at least $4.55 billion USD (£2.84 billion) as at 31 October 2013.

The Directors considered the claim and found its basis to be consistent with the results of the Company's own analysis which revealed extensive misstatements in the Company's published information (including its audited financial statements) for the periods from Q1 2009 to and including Q2 2011. As a result and in accordance with a resolution of the board, the Company accepted liability for the claim on 30 September 2014. The Directors examined the basis for the loss claimed by HP Vision BV which was estimated to be at least $4.55 billion and agreed with the methodology used and that the amount claimed is owed. The precise quantification of such losses is ongoing.

HP Vision BV recognised that the Company does not have the means to discharge its estimated liability to HP Vision BV and requested that the Company take steps (including litigation) to recover its losses from the parties responsible for the publication of the information described above. Accordingly, on 30 September

Strategic report (continued)

2014 the Company sent a pre-action letter to its former auditors, Deloitte LLP, in respect of losses suffered by the Company (including its liability to HP Vision BV under FSMA). On 27 April 2016 the Company reached a satisfactory settlement with Deloitte LLP, including a payment by Deloitte LLP of $45,000,000 (£31,245,660). Following the settlement with Deloitte, the Company reimbursed HPE for legal costs of $8,741,549 (£6,069,677) previously funded by HPE. Also, on 31 August 2016, the Company made a partial settlement of the claim from HP Vision BV, in the amount of $35,293,502 (£26,576,432).

On 12 December 2014 the Company also sent pre-action letters to certain former key directors of the Company. On 30 March 2015 a Claim Form in respect of losses suffered by the Company (namely its liability to HP Vision BV under FSMA) was issued against such former directors in the Chancery Division of the High Court of Justice in London. That Claim Form, together with Particulars of Claim, was served on those former directors on 17 April 2015. On 1 October 2015, Autonomy's former directors filed their defences alongside a counter claim by one of the former directors, against the Company seeking $160 million in damages, among other things, for alleged misstatements. On 11 March 2016 the Company filed a response to these defences. At the same time the Company filed a defence to the counterclaim and a reply to this defence was filed on 16 May 2016. Following a hearing that took place in mid-January 2017, the Company was granted permission by the Court to serve Amended Particulars of Claim. The Amended Particulars of Claim were served on 13 February 2017. Amended defences and counterclaim and amended replies were served on 4 April 2017 and 12 May 2017 respectively. The case is currently scheduled to be heard by the Chancery Division of the High Court of Justice in London in late January 2019, with an estimated trial length of 29 weeks. The amount and timing of any recoveries, under the claims issued in the Chancery Division of the High Court of Justice in London, are subject to significant uncertainty due to the complexity and length of the legal process and the ability of the parties to satisfy any such judgments.

Whilst the Company still has a present legal obligation to HP Vision BV and it is probable that an additional outflow of resources embodying economic benefits will be required to settle the obligation, the amount of the payment that the Company will ultimately make with respect to its present obligation cannot, at this time, be estimated with sufficient reliability to recognise a provision in accordance with IAS 37.

Review of business

The principal activity of the company is that of the principal parent undertaking for a number of Autonomy Group entities which distribute software through sublicensing to fellow members of the Hewlett Packard Enterprise group.

The profit for the year after taxation amounted to £76,622,000 (year ended 31 October 2015 – £19,281,000).

At the balance sheet date Autonomy Corporation Limited had net assets of £1,369,973,000 (31 October 2015 – net assets of £1,293,351,000).

The directors do not recommend a final dividend (year ended 31 October 2015 – £nil).

The Company has several key performance measures used internally to monitor and challenge performance and to assist investment decisions. The key performance indicators are:

	Year ended 31 October 2016 £000	*Year ended 31 October 2015 £000*
Investments in subsidiary undertakings	10,016	10,785
Net assets	1,369,973	1,293,351
Profit before tax	99,306	30,309

Strategic report (continued)

The increase in profit before tax is principally due to a foreign exchange gain recorded on net loans made to other group companies. In the current year the total amount of foreign exchange recorded was £77,544,000, in contrast to the prior year where £10,583,000 was recorded.

On 7 September 2016 HPE announced plans for a spin-off and merger of HPE's non-core software assets with Micro Focus International plc ("Micro Focus") in a transaction valued at approximately $8.8 billion. The combination of these HPE software assets which includes HPE's Application Delivery Management, Big Data, Enterprise Security, Information Management & Governance and IT Operations Management businesses and Micro Focus' highly complementary portfolio will create one of the world's largest pure-play software companies. The principal subsidiaries of the Company form part of HPE's software business described above and as a result will be sold by the Company as part of this transaction.

Future developments

The directors intend that Autonomy Corporation Limited ("the Company") enters into a cross-border merger (within the meaning of Directive 2005/56/EC of the European Parliament and Council of 26 October 2005 on cross-border mergers of limited liability companies) with its sole shareholder, ACL Netherlands B.V. ("ACLN"), a legal entity incorporated in the Netherlands (the "Proposed Merger"). Completion of the Proposed Merger is subject to a number of conditions precedent, including receipt of an order of the High Court of Justice of England and Wales that the Company has properly complied with the relevant provisions of The Companies (Cross-Border Mergers) Regulations 2007. If the conditions are satisfied and the Proposed Merger completes the Company will transfer all its assets and liabilities to ACLN and the Company will then be dissolved without going into liquidation and will cease to exist.

Up until the date of this transaction, the directors expect the Company's principal activity to continue to be that of a holding company. In the case that court approval is not given, the merger will not be permitted to complete and the Company shall continue.

Principal risks and uncertainties

Leading up to the intended merger date the key uncertainty affecting the future earnings of the Company is the outcome of the claims received from HP Vison B.V, the claims raised against certain key former directors, and of any other potential actions by or against other third parties.

The Company is managed on a group basis and with the exception of that noted above, the principal risks and uncertainties facing it are therefore integrated with those facing the Hewlett Packard Enterprise group as a whole. There are a range of risks and uncertainties facing the company and the list below is not intended to be exhaustive. The focus is on those specific risks and uncertainties that the directors believe could have a significant impact on the company's position, performance and future developments.

Reliance on financial support

The Company is an indirect subsidiary of Hewlett Packard Enterprise Company and is dependent on the continued support of the group. As a result the risks impacting the ultimate parent company cascade to Autonomy Corporation Limited. A full description of the risks and uncertainties impacting Hewlett Packard Enterprise Company and how they are mitigated can be found in the Hewlett Packard Enterprise group financial statements.

Interest rates and foreign currency

The financing structure of the company gives rise to interest rate and foreign currency risks. Hewlett Packard Enterprise Company, the Company's ultimate parent company, has a centralised treasury function which manages the overall group's Treasury policy, risks and requirements, including Autonomy Corporation Limited.

Strategic report (continued)

Carrying value of investments

The valuation and performance of subsidiary undertakings is impacted by the current market conditions and the level of competitive pressure within the market. A weak economy and highly competitive market could have an unfavourable impact on the level of customer spending on Hewlett Packard Enterprise products and services and therefore the performance of subsidiary undertakings. This could lead to the indication of an impairment as their valuation could fall below the carrying value of investments held.

The directors assess the performance and position of the subsidiary undertakings in which Autonomy Corporation Limited holds an investment at least once per year and at the balance sheet date.

On behalf of the Board

Tara Trower

Date: Jul 20, 2017

Registered No. 03175909

Directors' report

The directors present their report and financial statements for the year ended 31 October 2016. These financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union.

Strategic report

In accordance with Section 414C(1) of the Companies Act 2006, the following information has been included in the Company's strategic report which would otherwise be required by Schedule 7 of the "Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008" to be contained in the directors' report:

- The review of the business for the year
- The financial risk management objectives and policies of the company and exposure of the company to risk in relation to the use of financial instruments; and
- Future developments of the company.

Directors

The directors who served the company during the year were as follows:

J Shaikhali	– director
T Trower	– director

Directors' liabilities

The current Articles of Association of the Company provide for third party indemnification of directors, which is in place for the current directors. A copy of the Company's Articles of Association is available for inspection at the Company's office and from Companies House.

Going concern

As it is the directors' intention that the Company be dissolved as part of the cross border merger process, these financial statements have been prepared on a basis other than Going Concern. Given that ACLN is to be regarded as a continuation of the Company and that the Company's assets and liabilities will be transferred at their carrying amounts, no restatement or reclassification of assets or liabilities has been considered necessary. Furthermore operations have not been presented as discontinued in these financial statements given that post-completion of the Proposed Merger the Company's activities are planned to be continued through ACLN and the criteria under IFRS 5 were not met, as at the balance sheet date.

In the case that the conditions precedent to the Proposed Merger are not satisfied, the Proposed Merger will not complete and the Company shall continue.

Directors' report (continued)

Disclosure of information to the auditors

At the date of approving this report the directors are not aware of any relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. The directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the Board

Tara Trower
Director
Date: Jul 20, 2017

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare such financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the year. In preparing these financial statements the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- state whether the Company's financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of Autonomy Corporation Limited

We have audited the financial statements of Autonomy Corporation Limited for the year ended 31 October 2016 which comprise the Statement of profit or loss and other comprehensive income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cashflows, and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

As disclosed in note 2, the financial statements have been prepared on a basis other than going concern as the directors intend that the Company enters into a cross-border merger with ACL Netherlands BV, a transaction that is subject to certain conditions precedent.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Uncertain outcome of litigation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 17 which describes the uncertainty related to the outcome of the claim filed against the company by Hewlett-Packard Vision B.V.

Independent auditor's report (continued)

to the members of Autonomy Corporation Limited

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

David Hales (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
24 JULY 2017

Statement of profit or loss and other comprehensive income

For the year ended 31 October 2016

	Notes	*Year ended 31 October 2016* *£000*	*Year ended 31 October 2015* *£000*
Administrative expenses:			
Foreign exchange gain	4	75,418	10,583
Other administrative expenses		(218)	(343)
Impairment of investments in subsidiaries	11	(769)	(8,357)
Dividends received from subsidiaries	11	2,833	7,437
Operating profit:		77,264	9,320
Exceptional items			
Settlement income	7	31,246	-
Exceptional legal expenses	7	(6,070)	-
Foreign exchange gains on settlement proceeds	7	2,126	-
Partial settlement expense	7	(26,576)	-
		726	-
Finance income	8	26,120	26,189
Finance costs	9	(4,804)	(5,200)
Profit before taxation		99,306	30,309
Tax on profit on ordinary activities	10	(22,684)	(11,028)
Profit for the year		76,622	19,281

Statement of comprehensive income

	Year ended 31 October 2016 *£000*	*Year ended 31 October 2015* *£000*
Profit for the year	76,622	19,281

All amounts relate to continuing activities.

Statement of financial position

at 31 October 2016

	Notes	*Year ended 31 October 2016 £000*	*Year ended 31 October 2015 £000*
Non-current assets			
Investments	11	10,016	10,785
Current assets			
Debtors: due within one year	12	539,511	449,351
Debtors: due after more than one year	12	1,061,493	1,061,493
Cash and cash equivalents (including restricted cash of £8,788,000 (31 October 2015 – £9,278,000))		9,045	9,495
		1,610,049	1,520,339
Total assets		1,620,065	1,531,124
Current liabilities			
Trade and other payables	13	(40,850)	(42,019)
Current tax creditor	13	(17,734)	(4,246)
Total current liabilities		(58,584)	(46,265)
Net current assets		1,551,465	1,474,074
Total assets less current liabilities		1,561,481	1,484,859
Non-current liabilities			
Creditors: amounts falling due after more than one year	13	(191,508)	(191,508)
Total non-current liabilities		(191,508)	(191,508)
Total liabilities		(250,092)	(237,773)
Net assets		1,369,973	1,293,351
Shareholders' equity			
Called up share capital	14	831	831
Share premium account	14	160,059	160,059
Capital redemption reserve	14	70	70
Merger reserve	14	13,207	13,207
Revaluation reserve	14	–	–
Stock compensation reserve	14	32,653	32,653
Retained earnings	14	1,163,153	1,086,531
Total equity	14	1,369,973	1,293,351

The financial statements on pages 11 to 35 were approved by the board of and signed on its behalf by:

Tara Trower, Director,
Company registration: 03175909

Date: Jul 20, 2017

Statement of changes in equity
for the year ended 31 October 2016

	Share capital (number)	*Share capital*	*Share premium*	*Other reserves*	*Capital redemption reserve*	*Merger reserve*	*Revaluation reserve*	*Stock-compensat-ion reserve*	*Retained earnings*	*Total*
		£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Note:		14	14	14	14	14	14	14	14	
At 1 November 2014	249,296,949	831	160,059	–	70	13,207	–	32,653	1,067,250	1,274,070
Net profit	–	–	–	–	–	–	–	–	19,281	19,281
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	–	–	19,281	19,281
At 31 October 2015	249,296,949	831	160,059		70	13,207	-	32,653	1,086,531	1,293,351

Statement of changes in equity

for the year ended 31 October 2016

	Share capital (number)	*Share capital £000*	*Share premium £000*	*Other reserves £000*	*Capital redemption reserve £000*	*Merger reserve £000*	*Revaluation reserve £000*	*Stock-compensation reserve £000*	*Retained earnings £000*	*Total £000*
Note:		14	14	14	14	14	14	14	14	
At 1 November 2015	249,296,949	831	160,059	–	70	13,207	–	32,653	1,086,531	1,293,351
Net profit	–	–	–	–	–	–	–	–	76,622	76,622
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	–	–	76,622	76,622
At 31 October 2016	249,296,949	831	160,059	–	70	13,207	–	32,653	1,163,153	1,369,973

Statement of cash flows

for the year ended 31 October 2016

	Notes	*Year ended 31 October 2016 £000*	*Year ended 31 October 2015 £000*
Operating activities			
Profit for the year		76,622	19,281
Adjustments to reconcile profit for the year to net cash flow from operating activities:			
Tax charge for the year	10	22,684	11,028
Net finance income		(21,316)	(20,989)
Impairment charge	4,11	769	920
Change in other receivables		(103,220)	(37,634)
Change in trade and other payables		(138)	(539)
Net cash used in operating activities		(24,599)	(27,933)
Income taxes paid		–	–
Net cash flow from operating activities		(24,599)	(27,933)
Investing activities			
Interest received	8	42	43
Dividend income	11	2,833	7,437
Investments in subsidiaries	11	-	(511)
Net cash flow from investing activities		2,875	6,969
Financing activities			
Other interest		21,274	20,947
Net cash flow from financing activities		21,274	20,947
Net (decrease)/increase in cash and cash equivalents		(450)	(17)
Cash and cash equivalents at beginning of year		9,495	9,512
Cash and cash equivalents at end of year		9,045	9,495

Notes to the financial statements

at 31 October 2016

1. General information

Autonomy Corporation Limited is a company incorporated in England and Wales. The registered office is at Amen Corner, Cain Road, Bracknell, Berkshire, RG12 1HN, UK. Autonomy Corporation Limited is the parent undertaking of certain Autonomy UK group of companies (the "group").

2. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS as adopted by the EU.

The financial statements have been prepared on the historical cost basis, except for the revaluation of equity investments. The accounts have been prepared on a basis other than going concern, as described in more detail below.

These financial statements are presented in sterling as that is the currency of the primary economic environment in which the Company operates and are rounded to thousands.

Going concern

The directors intend that Autonomy Corporation Limited ("the Company") enters into a cross-border merger (within the meaning of Directive 2005/56/EC of the European Parliament and Council of 26 October 2005 on cross-border mergers of limited liability companies) with its sole shareholder, ACL Netherlands B.V. ("ACLN"), a legal entity incorporated in the Netherlands (the "Proposed Merger"). Completion of the Proposed Merger is subject to a number of conditions precedent, including receipt of an order of the High Court of Justice of England and Wales that the Company has properly complied with the relevant provisions of The Companies (Cross-Border Mergers) Regulations 2007. If the conditions are satisfied and the Proposed Merger completes the Company will transfer all its assets and liabilities to ACLN and the Company will then be dissolved without going into liquidation and will cease to exist.

As it is the directors' intention that the Company be dissolved as part of the cross border merger process, these financial statements have been prepared on a basis other than Going Concern. Given that ACLN is to be regarded as a continuation of the Company and that the Company's assets and liabilities will be transferred at their carrying amounts, no restatement or reclassification of assets or liabilities has been considered necessary. Furthermore operations have not been presented as discontinued in these financial statements given that post-completion of the Proposed Merger the Company's activities are planned to be continued through ACLN and the criteria under IFRS 5 were not met, as at the balance sheet date.

In the case that the conditions precedent to the Proposed Merger are not satisfied, the Proposed Merger will not complete and the Company shall continue.

Adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial year. New standards and interpretations which came into force during the year did not have a significant impact on the Group's financial statements.

New standards and interpretations not yet effective

The IASB and IFRIC have issued the following standards (although in some cases not yet adopted by the EU) which are expected to have implications for the reporting of the financial position or performance of the Company or which will require additional disclosures in future financial years:

Notes to the financial statements

at 31 October 2016

2. Accounting policies (continued)

Adoption of new and revised standards (continued)

		Effective for periods commencing after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue recognition	1 January 2018

The Company intends to adopt this standard in the first accounting period after the effective date but the Directors do not anticipate that the adoption of the standard above will have a material effect on the financial statements in the period of initial application.

No other announced new or revised standards are expected to be applicable to the Company.

Exceptional items

Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Company's financial performance.

Investments in subsidiaries

A subsidiary is an entity over which the Company is in a position to exercise control. 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.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

The carrying value of investments is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Interest receivable

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

Share capital

Ordinary shares are classified as equity.

Where the Company purchases the Company's equity share capital (own shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Notes to the financial statements

at 31 October 2016

2. Accounting policies (continued)

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements only where it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the group to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Other income tax is recognised in the Statement of profit or loss and other comprehensive income.

Financial instruments

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

Financial assets

Investments are recognised and derecognised on a trade date where the 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, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Notes to the financial statements

at 31 October 2016

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Company 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 as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 16.

Available for sale financial assets ("AFS")

Unlisted shares and listed redeemable notes held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in note 16. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income and shown as a movement in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

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 amortized cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the financial statements

at 31 October 2016

2. Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

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

For shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including redeemable notes classified as AFS, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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 uncollectable, 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.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

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 convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

De-recognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes to the financial statements

at 31 October 2016

2. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company 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

All financial liabilities are classified as 'other financial liabilities'.

Compound instruments

The component parts of compound instruments (convertible loan notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instruments maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

De-recognition of financial liabilities

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

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at operating profit.

Restricted cash

The Company includes restricted cash within cash at bank and in hand. The restricted cash stems from cash held in the Autonomy Corporation Limited employee share trust and is considered restricted as it can only be used to satisfy future obligations to employees.

Notes to the financial statements

at 31 October 2016

3. Judgements and key sources of estimation uncertainty

Critical judgements in applying the Company's accounting policies:

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However the estimation means that actual outcomes could differ from those estimates.

Key sources of estimation uncertainty:

The following estimates are dependent upon assumptions which could change in the next financial year and have a material impact on the carrying value of assets and liabilities recognised at the balance sheet date:

Legal claim

As discussed in the Strategic Report the Company received a claim ("the claim") by letter on 26 September 2014 from Hewlett-Packard Vision B.V. ("HP Vision BV") being the wholly owned subsidiary of HP that acquired the Company in 2011. See note 17 for further details.

Impairment of investments and other non-current financial assets

Determining whether investments are impaired requires an estimation of the fair value less cost to sell calculations of the associated cash generating unit (CGU) to which the investments have been allocated. The calculation requires the entity to estimate the future cash flows of the asset or CGU and a suitable discount rate in order to calculate present value. The carrying amount of investments in subsidiaries at the balance sheet date was £10.0 million (31 October 2015 – £10.8 million).

4. Operating profit

This is stated after charging/(crediting):

	Year ended 31 October 2016	*Year ended 31 October 2015*
	£000	*£000*
Impairment charges (note 11)	(769)	(8,357)
Foreign exchange gain excluding exceptional items, (note 7)	75,418	10,583

5. Auditors' remuneration

	Year ended 31 October 2016	*Year ended 31 October 2015*
	£000	*£000*
Fees payable to the company's auditor for the audit of the company's financial statements	35	35
Fees payable to the company's auditor for the audit of the company's subsidiaries' financial statements	166	100
Total audit fees	201	135
Other services:	-	-
Total non-audit fees	–	–

Notes to the financial statements

at 31 October 2016

6. Directors' remuneration and staff costs

At 31 October 2016 the Company had no employees. There were 2 directors (31 October 2015 – 2 directors).

The services provided by T Trower and J Shaikhali as Directors of the Company do not occupy a significant amount of their time and are considered to be incidental, consequently no disclosure has been made in respect of emoluments for these directors. These directors of the Company are also directors of other Companies within the Hewlett Packard Enterprise group and provide services to entities throughout the whole group. Directors' emoluments for T Trower and J Shaikhali have been borne by fellow group undertakings.

The number of directors to whom defined contribution retirement benefits are accruing at the end of the year was nil.

The total number of directors who served during the year was 2 (2015 – 2) and who exercised share options during the year was nil (2015 – nil).

Pension contributions of £nil and bonuses of £nil were accrued at the year-end (2015 – pensions £nil, bonuses £nil).

7. Exceptional gain/loss

	Year ended 31 October 2016	*Year ended 31 October 2015*
	£000	*£000*
Exceptional gains/(losses)		
Settlement income	31,246	-
Exceptional legal expenses	(6,070)	-
Foreign exchange gains on settlement proceeds	2,126	-
Partial settlement expense	(26,576)	
	726	-

On 27 April 2016 the Company reached a satisfactory settlement with Deloitte LLP, the former auditors of the Autonomy Group, in regard to the pre-action letter sent by the Company to Deloitte LLP on 30 September 2014. The settlement included a payment by Deloitte LLP of $45,000,000 (£31,245,660). Following the settlement, the Company reimbursed HPE for legal costs of $8,741,549 (£6,069,677), previously funded by HPE. Also, on 31 August 2016, the Company made a partial settlement of the claim from HP Vision BV, in the amount of $35,293,502 (£26,576,432).

In addition the company has recorded a net foreign exchange gain of £2,126,000 as a result of this event due to the strengthening of the US Dollar against GBP Sterling prior to the proceeds being reimbursed to HP Vision BV, and provision for taxes related to the above settlements and foreign exchange gains, of £726,000.

The exceptional items described above generated a net cash inflow of £726,000 in the year which is presented as an operating cash flow in the Statement of Cash Flows.

Notes to the financial statements

at 31 October 2016

8. Finance income

	Year ended 31 October 2016	*Year ended 31 October 2015*
	£000	*£000*
Interest income on bank deposits	42	43
Other interest	26,078	26,146
	26,120	26,189

Other interest relates to intercompany interest received on loans and other outstanding balances. Intercompany agreements were formalised in the prior year which resulted in retrospective interest charges on balances outstanding in prior years. Interest rates have been calculated on an arms-length basis.

9. Finance costs

	Year ended 31 October 2016	*Year ended 31 October 2015*
	£000	*£000*
Other interest	4,804	5,200

Other interest relates to intercompany interest paid on loans and other outstanding balances. Intercompany agreements were formalised in the prior year which resulted in retrospective interest charges on balances outstanding in prior years. Interest rates have been calculated on an arms-length basis.

Notes to the financial statements

at 31 October 2016

10. Income tax

(a) Income tax on profit on ordinary activities

The total income tax charge in the Statement of profit or loss and other comprehensive income is:

	Year ended 31 October 2016	*Year ended 31 October 2015*
	£000	*£000*
Current year tax	21,668	8,585
Adjustment in respect of prior years	1,016	2,443
Total current tax charge (note 10(b))	22,684	11,028
Deferred tax		
Recognition of previously unrecognised DT assets	–	–
Utilisation of previously recognised deferred tax assets	–	–
Income tax charge reported in the statement of profit or loss (note 10(b))	22,684	11,028

(b) Reconciliation of the total tax charge

The income tax charge in the Statement of profit or loss and other comprehensive income for the year differs from the standard rate of corporation tax in the UK of 20.00% (year ended 31 October 2015 – 20.41%). The differences are reconciled below:

	Year ended 31 October 2016	*Year ended 31 October 2015*
	£000	*£000*
Accounting profit before taxation	99,306	30,309
Accounting profit before taxation multiplied by standard rate of UK of 20.00% (year ended 31 October 2015 – 20.41%):	19,861	6,187
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	23	1
Impairment of subsidiaries less dividends received from subsidiaries	154	188
Imputed interest on intercompany balances	1,616	2,209
Adjustment in respect of prior year tax return submission	1,016	2,443
Dividend income	(567)	–
Exceptional item	581	–
Impact of rate change	–	–
Total income tax charge/(credit) reported in the statement of profit or loss (note 10(a))	22,684	11,028

Notes to the financial statements

at 31 October 2016

10. Income tax (continued)

(c) Factors affecting prior tax charges

As disclosed in the financial statements for the period ending 31 October 2011, the Company booked a number of prior year adjustments in respect of the years ended 31 December 2009 and 31 December 2010. As a result of this the Company has submitted a claim for overpayment of tax of £835,500 in December 2013 in respect of the tax return for the year ended 31 December 2009. At the date of signing the financial statements HMRC have not agreed the claim and therefore no benefit has been recognised as it is not possible to reliably estimate the final value of the repayment.

The adjustment in respect of prior years in the financial year ended 31 October 2015 includes a charge of £2,159,096 related to the early redemption of convertible loan notes in the year ended 31 October 2012 and for which the Company has made a provision at the balance sheet date. After balance sheet date the enquiry was closed and the company recognized an additional £1,219,257 tax charge in the financial year ended 31 October 2016. The whole adjustment is presented as inter-company group relief liability in the financial statements ended 31 October 2016.

(d) Factors affecting current and future tax charges

The Finance Bill 2016 left the United Kingdom corporation tax rate at 20% from 1 April 2016 and 19% effective from 1 April 2017. The bill also further reduced the rate to 17% effective from 1 April 2020. These rates were substantively enacted on 15 September 2016.

Notes to the financial statements

at 31 October 2016

11. Fixed asset investments

Investments in subsidiary undertakings

	2016	2015
	£000	£000
Cost:		
At beginning of year	10,785	18,631
Additions	-	511
Impairments	(769)	(8,357)
At end of year	10,016	10,785

During the financial year a number of transactions were completed with the Company's sub group to facilitate the liquidation of entities no longer required.

Total dividends received from subsidiaries received was £2,833,000. Which comprises of the following transactions:

On 11 May 2016 Meridio Limited approved a dividend of £2,829,912 to its parent company ACL. Following receipt of the dividend from Meridio Limited the directors assessed the carrying value of Meridio Limited and impaired its carrying value of £117,209 to £1,887. It is intended to liquidate Meridio Limited on or around the date of the accounts.

On 22 March 2016 Meridio Holdings Limited approved a final dividend of £3,292 to its parent company ACL as part of the liquidation process. Meridio Holdings Limited was then dissolved on 26 August 2016.

On 28 October 2016 Autonomy Nordic A.S. was placed into liquidation. The directors assessed the carrying value of Autonomy Nordic A.S. and impaired its carrying value of £703,152 to £49,011. The company was formally liquidated on 20 December 2016.

The following group entities were dissolved during the year:

- Softsound Limited - dissolved 7 September 2016
- Nholdings Limited - dissolved 9 September 2016
- Ncorp Limited - dissolved 7 September 2016
- Neurodynamics Limited - dissolved 7 September 2016
- Meridio Management Limited - dissolved 26 August 2016
- Meridio Trustees Limited - dissolved 26 August 2016
- Autonomy Promote Limited - dissolved 7 September 2016
- Meridio Holdings Limited - dissolved 26 August 2016
- Dremedia Limited - dissolved 7 September 2016
- Autonomy Sweden A.B. – dissolved 20 October 2016

The following group entities were placed into liquidation during the year:

- Autonomy Nordic A.S.
- Autonomy Digital Limited
- Verity GB Limited

Notes to the financial statements

at 31 October 2016

11. Fixed asset investments (continued)

Group companies

The companies within the group's operations at 31 October 2016 are set forth below.

Company	Country of Incorporation	Activity	Percentage Ownership
Autonomy Systems Limited	England	Software distribution through sublicensing	100%
Longsand Limited *	England	Software development and distribution through sublicensing	100%
Autonomy Systems Pte. Limited*	Singapore	Inactive	100%
Autonomy Italy SRL*	Italy	Inactive	100%
Autonomy Australia Pty. Limited*	Australia	Inactive	100%
Autonomy Digital Limited *	England	Inactive/In Liquidation	100%
Autonomy Systems (Beijing) Limited*	China	Inactive	100%
Autonomy Nordic A.S.*	Norway	Inactive/In Liquidation	100%
Autonomy Netherlands B.V. *	Holland	Inactive	100%
Autonomy Belgium BVBA *	Belgium	Inactive	100%
Iron Mountain Digital K.K. *	Japan	Inactive	100%
Meridio Limited	England	Inactive	100%
Verity GB Limited *	England	Inactive/In Liquidation	100%

* Held indirectly.

Notes to the financial statements

at 31 October 2016

12. Other receivables

	2016	*2015*
	£000	*£000*
Amounts due within one year:		
Amounts owed by group undertakings	539,467	449,309
VAT receivable	44	42
Total due within one year	539,511	449,351
Amounts due after more than one year:		
Loan to parent undertaking	1,061,493	1,061,493
Total due after more than one year	1,061,493	1,061,493
Total debtors	1,601,004	1,510,844

The loan note is due from the Company's parent undertaking, Hewlett-Packard Vision Limited, reflects an interest rate of 2.4% per annum and has a term of 80 years from 21 October 2014.

At the balance sheet date amounts receivable from group companies were £1,601.0 million (31 October 2015 – £1,510.8 million). The carrying amount of these assets approximates their fair value. There are no past due or impaired receivable balances (31 October 2015 – nil).

Notes to the financial statements

at 31 October 2016

13. Trade and other payables

	2016 £000	2015 £000
Amounts due within one year:		
Current corporation tax	17,734	4,246
Amounts owed to group undertakings	40,372	41,403
Accrued expenses	478	616
	58,584	46,265
Amounts due after more than one year:		
Loan amount owed to immediate parent undertaking	191,508	191,508
Total due after more than one year	191,508	191,508
Total creditors	250,092	237,773

The loan note is due to the Company's subsidiary, Autonomy Systems Limited, reflects an interest rate of 2.4% per annum and has a term of 80 years from 28 March 2012.

At the balance sheet date amounts due to fellow group companies were £231.9 million (31 October 2015 – £232.9 million). The carrying amount of these liabilities approximates their fair value.

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

14. Issued share capital

Allotted, called up and fully paid	*No.*	*2016* *£000*	*No.*	*2015* *£000*
Ordinary shares of 1/3p each	249,296,949	831	249,296,949	831

The Company has one class of ordinary shares which carry no rights to fixed income.

The balances classified as share capital, share premium and merger reserve include the total net proceeds (nominal value, share premium and any merger reserve in lieu of premium, where merger relief is applied) on issue of the Company's equity share capital, comprising 1/3p ordinary shares.

Capital redemption reserve

The capital redemption reserve is a reserve created when the Company buys it owns shares, reducing its share capital.

Revaluation reserve

This reserve records fair value changes on AFS financial assets.

Stock compensation reserve

The stock compensation reserve relates to share based payments to employees of the Company and its subsidiaries prior to the acquisition of the Company by HP.

Notes to the financial statements

at 31 October 2016

15. Related party transactions

During the year the Company provided funding to group undertakings of £539,466,000 (31 October 2015 – £449,309,000). These funding balances were unsecured. The amounts owed by group undertakings are disclosed in note 12.

During the year the Company received funding from group undertakings of £27,564,000 (31 October 2015 – £41,404,000). These funding balances were unsecured. The amounts owed to group undertakings are disclosed in note 13.

16. Financial instruments

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern (up to the date of the intended merger as described in note 2). The capital structure of the Company consists of cash and cash equivalents and equity attributable to the Company's equity holder, comprising issued capital, reserves and retained earnings as shown in the Balance Sheet.

For the purposes of risk management, the Company has identified the following classes of financial assets and liabilities:

		Carrying value	
	Note	*2016*	*2015*
		£000	*£000*
Financial assets			
Cash and cash equivalents		9,045	9,495
Amounts owed by fellow group undertakings	12	1,600,960	1,510,802
Financial liabilities			
Amounts owed to fellow group undertakings	13	(231,880)	(232,912)
Accrued expenses	13	(478)	(616)

There is no difference between the carrying value and fair value of the above financial assets and liabilities in either period.

Notes to the financial statements

at 31 October 2016

16. Financial instruments (continued)

Financial risk objectives

The Company is subject to market risk (including price risk and foreign currency risk) and liquidity and interest risk.

Foreign exchange risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates as the ultimate parent company manages foreign exchange risk for the Hewlett Packard Enterprise group primarily at a group level rather than the subsidiary level.

Foreign currency risk management

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		*Assets*	
	2016	*2015*	*2016*	*2015*
	£000	*£000*	*£000*	*£000*
US Dollar	–	(12,515)	386,469	300,859
Euro	–	–	115	91
Pound Sterling	(231,880)	(220,397)	1,213,060	1,209,852

Foreign currency sensitivity analysis

The Company is mainly exposed to movements in US dollar. The following table details the Company's sensitivity to a 10% increase and decrease in the functional currency of the entity concerned against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to group entities where the denomination of the loan is in a currency other than the currency of the lender or the borrower. The below table shows the profit or loss and other equity impact if the Sterling exchange rate strengthened 10% against US Dollar. A positive number indicates a positive impact on profit and other equity. For a 10% weakening of the functional currency against the US Dollar, there would be an equal and opposite impact on the profit and other equity.

	US Dollar currency impact	
	2016	*2015*
	£000	*£000*
Profit or loss		
Cash and cash equivalents	(22)	(3)
Amounts owed by fellow group undertakings	(38,658)	(30,095)

The movements above arise where the Company has financial assets or liabilities in currencies other than Sterling.

Notes to the financial statements

at 31 October 2016

16. Financial instruments (continued)

Liquidity and interest risk tables

During the current and preceding year the company did not have any contractual obligation for its non-derivative financial liabilities with unrelated parties.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows.

The fair value of non-derivative financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The carrying amounts of other financial assets and financial liabilities (see notes 12 and 13) are materially the same as their fair values given their short-term nature.

Fair value measurements recognised in the balance sheet

During the current and preceding years the company did not hold any non-derivative financial assets or financial liabilities traded on active liquid markets.

17. Contingent liabilities

As a result of the findings of an internal investigation HP provided information to the UK Serious Fraud Office ("SFO"), the US Department of Justice ("DOJ") and the US Securities Exchange Commission ("SEC") related to accounting improprieties, disclosure failures and misrepresentations at the Company that occurred prior to and in connection with HP's acquisition of the Company in 2011. On 21 November 2012, representatives of the DOJ advised HP that they had opened an investigation relating to the Company. On 6 February 2013, representatives of the SFO advised HP that they had also opened an investigation relating to the Company. On 19 January 2015, the SFO notified HP that it was closing its investigation and had decided to cede jurisdiction of the investigation to the U.S. authorities. HPE continues to co-operate with the DOJ, whose investigations are ongoing.

On 10 November 2016 the DOJ filed a criminal indictment against a former key director of the company (one of the defendants in the Chancery Division proceedings referred to below). The indictment, filed in the United States District Court for the Northern District of California, alleged offences connected with the sale of Autonomy to HP. The director in question has pleaded not guilty. The trial date is has been set at 29 January 2018. The DOJ has also indicated that it is continuing its investigation of the Company's historical pre-acquisition accounting practices. HPE continues to cooperate with the DOJ.

On 15 November 2016 the SEC announced that the former CEO of Autonomy, Inc. in the US had agreed to a cease and desist administrative settlement with the SEC concerning matters relating to the Company prior to its acquisition by HP. Without admitting or denying the findings, the former executive agreed to pay to the SEC $800,669 in disgorgement, with prejudgment interest of $122,722.

On 26 September 2014 the Company received a claim ("the claim") by letter from Hewlett-Packard Vision B.V. ("HP Vision BV"), which was the wholly owned subsidiary of HP that acquired the Company in 2011. The claim was asserted under the Financial Services and Markets Act 2000 ("FSMA") and pertains to the loss suffered by HP Vision BV as a result of its reliance on misleading published information (including the previously audited financial statements) of the Company in connection with its acquisition of the Company. The claim asserted that the losses sustained by HP Vision BV were at least $4.55 billion USD (£2.84 billion) as at 31 October 2013.

The Directors considered the claim and found its basis to be consistent with the results of the Company's own analysis which revealed extensive misstatements in the Company's published information (including its audited financial statements) for the periods from Q1 2009 to and including Q2 2011. As a result and in accordance with a resolution of the board, the Company accepted liability for the claim on 30 September 2014. The Directors examined the basis for the loss claimed by HP Vision BV which was estimated to be at least $4.55 billion and agreed with the methodology used and that the amount claimed is owed. The precise quantification of such losses is ongoing.

Notes to the financial statements

at 31 October 2016

17. Contingent liabilities (continued)

HP Vision BV recognised that the Company does not have the means to discharge its estimated liability to HP Vision BV and requested that the Company take steps (including litigation) to recover its losses from the parties responsible for the publication of the information described above. Accordingly, on 30 September 2014 the Company sent a pre-action letter to its former auditors, Deloitte LLP, in respect of losses suffered by the Company (including its liability to HP Vision BV under FSMA). On 27 April 2016 the Company reached a satisfactory settlement with Deloitte LLP, including a payment by Deloitte LLP of $45,000,000 (£31,245,660). Following the settlement with Deloitte, the Company reimbursed HPE for legal costs of $8,741,549 (£6,069,677) previously funded by HPE. Also, on 31 August 2016, the Company made a partial settlement of the claim from HP Vision BV, in the amount of $35,293,502 (£26,576,432).

On 12 December 2014 the Company also sent pre-action letters to certain former key directors of the Company. On 30 March 2015 a Claim Form in respect of losses suffered by the Company (namely its liability to HP Vision BV under FSMA) was issued against such former directors in the Chancery Division of the High Court of Justice in London. That Claim Form, together with Particulars of Claim, was served on those former directors on 17 April 2015. On 1 October 2015, Autonomy's former directors filed their defences alongside a counter claim by one of the former directors, against the Company seeking $160 million in damages, among other things, for alleged misstatements. On 11 March 2016 the Company filed a response to these defences. At the same time the Company filed a defence to the counterclaim and a reply to this defence was filed on 16 May 2016. Following a hearing that took place in mid-January 2017, the Company was granted permission by the Court to serve Amended Particulars of Claim. The Amended Particulars of Claim were served on 13 February 2017. Amended defences and counterclaim and amended replies were served on 4 April 2017 and 12 May 2017 respectively. The case is currently scheduled to be heard by the Chancery Division of the High Court of Justice in London in late January 2019, with an estimated trial length of 29 weeks. The amount and timing of any recoveries, under the claims issued in the Chancery Division of the High Court of Justice in London, are subject to significant uncertainty due to the complexity and length of the legal process and the ability of the parties to satisfy any such judgments.

Whilst the Company still has a present legal obligation to HP Vision BV and it is probable that an additional outflow of resources embodying economic benefits will be required to settle the obligation, the amount of the payment that the Company will ultimately make with respect to its present obligation cannot, at this time, be estimated with sufficient reliability to recognise a provision in accordance with IAS 37

As disclosed in Note 2, the directors have announced their intention to enter the Company into a cross-border merger with ACL Netherlands BV. This intended transaction is not expected to impact the above litigation, which will continue to be litigated through the merged entity.

18. Post Balance Sheet Events

On 7 September 2016 Hewlett Packard Enterprise Company (HPE) announced plans for a spin-off and merger of HPE's non-core software assets with Micro Focus International plc ("Micro Focus") in a transaction valued at approximately $8.8 billion. The combination of these HPE software assets which includes HPE's Application Delivery Management, Big Data, Enterprise Security, Information Management & Governance and IT Operations Management businesses and Micro Focus' highly complementary portfolio will create one of the world's largest pure-play software companies. The principal subsidiaries of the Company form part of HPE's software business described above and as a result will be sold by the Company as part of this transaction.

Notes to the financial statements

at 31 October 2016

19. Ultimate parent undertaking and controlling party

At the balance sheet date the directors regard Hewlett Packard Enterprise Company, a corporation registered in the United States of America, as the ultimate parent undertaking and controlling party of the Company. At the date of signing these financial statements the directors regard Hewlett Packard Enterprise Company as the ultimate parent undertaking and controlling party of the Company.

At the balance sheet date and at the date of signing these financial statements Hewlett-Packard Vision Ltd is the immediate parent undertaking.

Hewlett Packard Enterprise Company is the parent undertaking of the largest and smallest group for which the group financial statements are drawn up. Copies of the group financial statements of Hewlett Packard Enterprise Company can be obtained from 3000 Hanover Street, Palo Alto, California, USA.