

Autonomy Corporation Limited

Report and Financial Statements

31 October 2012

TUESDAY



L3B8LVCB

LD6

01/07/2014

#54

COMPANIES HOUSE

Directors

S E Letelier
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
Berkshire RG12 1HN

(Registered office changed on 6 September 2012 from Autonomy House, Cambridge Business Park, Cowley Road, Cambridge, Cambridgeshire, CB4 0WZ).

Registered No. 03175909

Directors' report

The directors present their report and financial statements for the year ended 31 October 2012. These financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union.

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 was then transferred from Hewlett-Packard Vision B.V. to Hewlett-Packard Vision Limited.

In fiscal 2012, HP began the process of integrating the Autonomy Group into HP. Certain integration activities included the sale of ACL and certain ACL subsidiaries between entities within HP and the payment of certain purported intercompany dividends. Those integration activities were executed based on information consistent with the information obtained or derived in conjunction with the acquisition of the Autonomy Group by HP.

When an entity is sold within the group structure, a gain or loss is recognized based on the difference between the entity's carrying amount and its fair value at the time of the transaction. In accordance with applicable accounting principles, for transactions completed as part of the integration activities of the Autonomy Group, the entity carrying amounts did not reflect the push down of purchase accounting adjustments recorded by HP.

These statutory financial statements include the effect of the intercompany sale of the share capital of Autonomy Europe Holdings Limited for £1.06 billion and as a result, the then-estimated fair values of the entities exceeded their carrying values at the time of sale, resulting in intercompany gains of £674 million. This intercompany gain was eliminated in HP's consolidated financial statements.

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 as HP recorded impairment charges related to the Autonomy Group in its fiscal 2012 financial statements, 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.

Further, the issues identified in the historic financial statements and reported in the 31 October 2011 financial statements approved on 31 January 2014 caused the directors to reconsider the interim accounts used as the basis for approving the purported intercompany dividends declared and paid in March 2012 as these were based on the historic financial statements previously published by Autonomy. The directors have concluded that these interim accounts were not properly prepared in accordance with the Companies Act 2006 which invalidated the approval and payment of any dividend and accordingly the purported dividends have instead been treated as intercompany loans.

The purported intercompany dividend payments were also eliminated in HP's consolidated financial statements.

In preparing these accounts the directors have addressed a number of issues arising from prior years, and also their consequential impacts on the current year as described above. Although the current period financial statements are subject to a qualified opinion this is as a result of one residual matter relating to the prior period.

Directors' report (continued)

Principal activities and review of the business

The principal activity of the company is that of the principal parent undertaking for a number of Autonomy Group entities which trade in software development and distribution.

On 18 August 2011, the Board of Hewlett-Packard Company and the Board of the company announced the terms of a recommended cash offer (the "Offer") by Hewlett-Packard Vision B.V. to acquire the entire issued and to be issued share capital of the Company. The Offer was declared wholly unconditional on 3 October 2011 and following sufficient acceptances under the Offer having been received, cancellation of listing and trading of the Company's shares took effect on 14 November 2011. On 5 January 2012, the Company was acquired by Hewlett-Packard Vision B.V. (the Hewlett-Packard group) as part of its acquisition of the Autonomy Group. Through a series of integration activities (discussed in more detail below) the current parent of the Company is Hewlett-Packard Vision Limited.

The profit before tax for the year has increased from a loss of £313,651,000 to a profit of £620,107,000. At the balance sheet date Autonomy Corporation Limited had net assets of £1,171,367,000 (10 months ended 31 October 2011 – £587,532,000).

As a result of the findings of an on-going investigation, Hewlett-Packard, the Company's ultimate parent, has provided information to the U.K. Serious Fraud Office, the U.S. Department of Justice and the SEC related to accounting improprieties, disclosure failures and misrepresentations in the wider Autonomy group, of which the Company is a subsidiary, that occurred prior to and in connection with Hewlett-Packard's acquisition of Autonomy. On 21 November 2012, representatives of the U.S. Department of Justice advised Hewlett-Packard that they had opened an investigation relating to Autonomy. On 6 February 2013, representatives of the U.K. Serious Fraud Office advised Hewlett-Packard that they had also opened an investigation relating to Autonomy. Hewlett-Packard and the Company are cooperating with the three investigating agencies.

The extensive investigations undertaken by Hewlett-Packard, and by the current Directors, into the past accounting practices of the group, revealed extensive errors (including misstatements) in the previously issued financial statements. The errors found as a result of these investigations led to restatements to the previously issued financial statements of the Company for the year ending 31 December 2010. These restatements and their causes have been described in the financial statements for the 10 month period ended 31 October 2011, which were prepared by the current Directors.

The outcome of ongoing investigations cannot be determined and it should be noted that the investigations could result in fines, other penalties or claims being imposed on or asserted against the Company. It is not possible at this time to estimate the outcome of any such actions taken against the Company.

As of 31 October 2012 the company held a 13% (10 months ended 31 October 2011 – 13%) share in Blinkx Plc. which is carried at its fair value at each reporting date, based on the market price of its shares. During the year, the share price decreased from 150.25p to 71.5p, resulting in a reduction in the carrying value of the investment from £69.3 million to £33.0 million, which was recorded in other comprehensive income through a revaluation reserve. On 25 June 2013 the Company disposed of its holding of 45.7m shares in Blinkx Plc. for £54,840,000 at a share price of 120.00p through an accelerated offering to institutional investors.

Hewlett-Packard Integration activities:

During the year a number of activities were completed associated with the integration of the Company and its Group into the wider Hewlett-Packard Group and the proper management of the combined financial resources. These are discussed below:

On 10 January 2012 the Company was re-registered from a public to a private Company, limited by shares under the Companies Act 2006. Accordingly the Company changed its name from Autonomy Corporation plc to Autonomy Corporation Limited. The Company de-listed its shares from the London Stock Exchange on 14 November 2011.

On 20 January 2012 Hewlett-Packard Vision B.V. transferred all of its holding in the convertible loans to Hewlett-Packard Leman B.V., a fellow subsidiary undertaking.

Directors' report (continued)

Principal activities and review of the business (continued)

On 29 February 2012 the Company filed a written resolution modifying the terms of the convertible loan notes in issue. The modification allowed for the redemption of the convertible loan notes by the Company on 5 March 2012 for their par value, plus accrued interest not yet paid.

On 5 March 2012 the Company redeemed the convertible loan notes for the total consideration of £504,974,000, being the par value plus interest accrued and not paid. This resulted in an exceptional charge being recorded of £46,494,000 (note 8).

On 22 March 2012 the Company filed a solvency statement under s643 of the Companies Act 2006 stating that the directors believe there to be no grounds on which the Company could not settle its existing commitments as they fall due, and that the Company will be able to settle its on-going liabilities as they fall due for 12 months following signing of the solvency statement.

On 22 March 2012 written resolutions supported by the solvency statement were filed with Companies House to reduce the equity capital of the Company to £160,059,000 under s641 of the Companies Act 2006. Accordingly, the share premium of the Company was reduced resulting in £593,129,000 being released to retained earnings.

On 28 March 2012 the Company sold 100% of the share capital of Autonomy Europe Holdings Limited (AEHL) to a fellow group Company Hewlett-Packard Leman B.V. for £1.06 billion, at a valuation then considered reasonable by the directors and determined prior to their knowledge of the accounting improprieties, disclosure failures and misrepresentations in the wider Autonomy group that occurred prior to and in connection with Hewlett-Packard's acquisition of Autonomy. This resulted in an exceptional gain being recorded of £673,989,000 (note 11). It should be noted that, as a transaction amongst fellow group undertakings of Hewlett Packard Inc, the exceptional gain on the sale of AEHL is not recorded in the Hewlett Packard Group consolidated results.

Results and dividends

The profit for the year after taxation amounted to £620,107,000 (2011 – loss of £315,749,000). The directors do not recommend a final dividend (2011 – £nil).

Dividends

On 28 March 2012 the directors of a subsidiary undertaking, Autonomy Systems Limited approved a dividend of £191,508,000 to be paid to the Company. The purported dividend was approved by the directors of Autonomy Systems Limited based on interim accounts for Autonomy Systems Limited, prepared at the time that showed sufficient distributable earnings. The interim accounts were prepared based on the then latest filed accounts for Autonomy Systems Limited at the time of approval of the purported dividend (for the year ending 31 December 2010) and reflected changes to retained earnings from that date, to the date of the interim accounts. The purported dividend was received on 28 March 2012.

As a result of the subsequent investigations into the past financial reporting of Autonomy, as described in the director's report and the financial statements for the period ended 31 October 2011, the previously reported performance of Autonomy Systems Limited, and therefore the March 2012 interim accounts on which the purported dividend was approved by the directors of Autonomy Systems Limited, are now considered to have been fundamentally misstated. Accordingly the directors have concluded, consistent with their legal advice, that those interim accounts were not properly prepared in accordance with s838 (1) of the Companies Act 2006 which invalidated the approval and payment of any dividend. The directors of the Company and of Autonomy Systems Limited have considered these circumstances and agreed that the purported dividend is repayable by the Company to Autonomy Systems Limited. The amounts received have therefore been treated as a payable to Autonomy Systems Limited rather than as dividend income.

Directors' report (continued)

Dividends (continued)

Also on 28 March 2012 the directors of the Company approved a dividend of £1,061,493,000 to be paid to the Company's immediate parent undertaking Hewlett-Packard Vision Limited. The purported dividend was approved based on interim accounts, prepared at the time that showed sufficient distributable earnings. The interim accounts were prepared based on the latest filed accounts at the time of approval (for the year ending 31 December 2010) and reflected changes to retained earnings from that date to the date of the interim accounts. The purported dividend was paid on 28 March 2012.

As a result of the subsequent investigations into the past financial reporting of Autonomy, as described in the directors report and the financial statements for the period ended 31 October 2011, the previously reported performance of the company, and therefore the March 2012 interim accounts on which the purported dividend was approved, are now considered to have been fundamentally misstated. The directors therefore consider that the interim accounts were not properly prepared in accordance with s838 (1) of the Companies Act 2006 and accordingly were not "relevant accounts" for the purposes of approving the purported dividend. The directors of the Company and the directors of Hewlett-Packard Vision Limited have considered the circumstances and have agreed that the purported dividend is repayable by Hewlett-Packard Vision Limited to the Company. The amounts paid have therefore been treated as a receivable rather than as a dividend.

Future developments

The directors expect the Company to maintain its operations as an investment parent undertaking. The ownership of certain subsidiaries has been transferred following the integration of the Autonomy operation into the Hewlett-Packard business as described in the post balance sheet events note below.

Principal risks and uncertainties

The risks related to financial instruments which impact the business and the Company's policies to mitigate those risks are set out in note 21 to the financial statements. In addition the key risk to which the business is exposed is fluctuations in the revenues and operating results of subsidiary undertakings adversely impacting the carrying value of the Company's investments in subsidiary undertakings. Fluctuations in the results of the subsidiaries may be caused by:

- The Autonomy business depends on core technology, currently marketed under the brand IDOL Server. Technology which significantly competes with the Group's technology, or material legal claims against the technology, would present a material risk to the Company.
- Expenditures increasing without a commensurate increase in revenues, and rapid changes in market conditions, could result in poor operating results.
- The average selling prices of products could decrease rapidly, which may negatively impact revenues and gross margins.
- Errors or defects in products could negatively affect revenues and the market acceptance of products and increase costs.
- Potential actions as a result of ongoing investigations.
- Potential adverse impact to the Autonomy Group's brand and reputation as a result of conduct that preceded Hewlett-Packard's acquisition of the Autonomy Group in October 2011.

Financial instruments and treasury policy

Details of the financial risk management objectives and policies of the Company and its exposures to risks from financial instruments are in note 21.

Directors' report (continued)

Key performance indicators

The key performance indicators for the Company are:

	<i>Year ended 31 October 2012 £000</i>	<i>10 months ended 31 October 2011 £000</i>
Investments in subsidiary undertakings	21,622	403,198
Net assets	1,171,367	587,532
Profit/(loss) before tax	620,107	(313,651)

The reduction in the investment value in subsidiary undertakings is principally driven by the disposal in the year of Autonomy Europe Holdings Limited to Hewlett-Packard Leman B.V. The increase in the profit before tax is principally driven by the gain recorded on the disposal of Autonomy Europe Holdings Limited and a non-recurring impairment charge recorded in the prior period. The gain in net assets is principally caused by the gain recorded on the disposal of Autonomy Europe Holdings Limited.

Events since the balance sheet

On 25 June 2013 the Company disposed of its holding of 45.7m shares in Blinkx plc for £54,840,000 at a share price of 120.00p through an accelerated offering to institutional investors.

On 17 July 2013 the Company disposed of Global Linx GmbH to Compaq Computer Deutschland GmbH for £300,000.

On 25 July 2013 the Company disposed of its investments in Trust You to TWiY Holding GmbH.

On 17 December 2013 the Company disposed of its holding in Realise Limited for £2,607,000 through a sale of its shares to Realise Holdings Limited.

In 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.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors' report (continued)

Directors

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

S E Letelier – executive director	(Appointed 30 November 2011)
J Shaikhali – executive director	(Appointed 30 November 2011)
J Bloomer – non executive director	(Resigned 14 November 2011)
R Gaunt – non executive director	(Resigned 14 November 2011)
F Kelly – non executive director	(Resigned 14 November 2011)
J McMonigall – non executive director	(Resigned 14 November 2011)
R Webb – non executive director	(Resigned 14 November 2011)
S Hussain – executive director	(Resigned 30 November 2011)
M Lynch – executive director	(Resigned 30 November 2011)

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.

Political and charitable contributions

The Company did not make any political or charitable contributions during the period (10 months ended 31 October 2011 – £nil).

Policy and practice on payment of creditors

The Company's policy is to settle payment terms with all suppliers when agreeing a transaction, to ensure that suppliers are aware of the terms and to abide by such terms. Generally the Company pays suppliers at the end of the month following that in which the supplier's invoice is received. Creditor days outstanding as at 31 October 2012 for the Company was 27 days (10 months ended 31 October 2011 – 35 days).

Directors' report (continued)

Disclosure of information to the auditors

The directors in office at the date of signature of these accounts were not directors of the Company for all of the periods reported in these accounts, having been appointed during the current year and prior to the approval of the accounts for the period ended 31 October 2011. The directors therefore consider that there remains a risk that not all information relevant to the production of those accounts is available to the current directors and consequently therefore not available to the auditors. The current directors have executed all reasonable efforts to mitigate these circumstances and, notwithstanding these limitations, each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



Director

30 June 2014

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom 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 that period. 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 2012 which comprise the Income statement, Statement of comprehensive income/(expense), the Statement of financial position, the Statement of changes in equity, the Statement of Cashflows and the related notes 1 to 23. 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.

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 Statement of directors' responsibilities set out on page 9, 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for qualified opinion on the financial statements

In the prior period ended 31 October 2011, the Directors recorded an impairment charge of £237 million relating to a reduction in the value of investments in subsidiaries. Although the impairment charge is based on an external valuation completed in November 2012, at that time the Directors had to make a number of judgements and estimates relating to the future performance of the relevant businesses which might reflect facts that would not have been available to the Directors at 31 October 2011. Although the evidence was sufficient to determine that there was impairment in the recorded cost of the investment, due to the limitations over the completeness of information available to the Directors we were unable to determine whether some or all of the charge should have been allocated to the period ended 31 October 2011 or should have been allocated to other periods including the year ended 31 October 2012.

Since any error in the period of recording the impairment could affect the determination of the current year results, we are unable to determine whether adjustments to the results might be necessary for the year ended 31 October 2012.

Independent auditor's report

to the members of Autonomy Corporation Limited

Qualified opinion on the Financial Statements

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion on 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 2012 and of the Company's 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 investigations and potential claims

In addition to our qualified opinion on the financial statements, which is not modified in this respect, we have considered the adequacy of the disclosures made in Note 23 to the financial statements relating to the ongoing investigations and the potential for any fines, penalties or claims that may arise as a result of any actions that might be taken against the Company. It is not possible at this time either to determine whether any actions will be taken against the Company, or to estimate the quantum of any fines, penalties or claims were the Company to be subject to such actions, and no provision for any liability that may result has been made in the financial statements.

Opinion on other matters prescribed by the Companies Act 2006

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

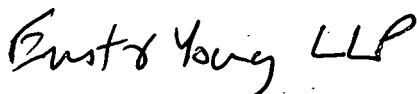
Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to the impairment charge described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

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:

- 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.



David Hales (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

30 June 2014

Income statement

for the year ended 31 October 2012

		Year ended 31 October 2012 £000	10 months ended 31 October 2011 £000
	Notes		
Administrative expenses:			
Foreign exchange gain/(loss)		3,668	(10,763)
Other administrative expenses		(1,918)	(4,896)
Distribution expenses		–	(32)
Impairment of investments in subsidiaries	11	–	(237,258)
Gain on disposal of subsidiary	11	673,989	–
Disposal costs associated with sale of Autonomy	5	–	(42,208)
Other operating income		–	619
Operating profit/(loss)	3	675,739	(294,538)
Analysed between:			
Profit/(loss) from operations before exceptional items		1,750	(15,072)
Exceptional items	11	673,989	(279,466)
Finance income	7	1,231	4,783
Finance costs	8	(10,369)	(23,896)
Exceptional finance costs	8	(46,494)	–
Total finance costs	8	(56,863)	(23,896)
Profit/(loss) before taxation		620,107	(313,651)
Income tax expense	9	–	(2,098)
Profit/(loss) for the period		620,107	(315,749)

All amounts relate to continuing activities.

Statement of comprehensive income/(expense)

for the year ended 31 October 2012

		Year ended 31 October 2012 £000	10 months ended 31 October 2011 £000
	Notes		
Net profit/(loss) for the period		620,107	(315,749)
(Loss)/gain on revaluation of available for sale financial assets	12	(36,272)	30,826
Total comprehensive income/(expense) for the period		583,835	(284,923)

Statement of financial position

at 31 October 2012

		Year ended 31 October 2012 £000	10 months ended 31 October 2011 £000
	Notes		
Non-current assets			
Investments	11	21,622	403,198
Other non-current financial assets	12	33,019	69,291
		<u>54,641</u>	<u>472,489</u>
Current assets			
Other receivables: due within one year	13	1,280,040	230,441
Cash and cash equivalents (including restricted cash of £8,181,000 (31 October 2011 – £8,211,000))		36,692	339,876
		<u>1,316,732</u>	<u>570,317</u>
Total assets		<u>1,371,373</u>	<u>1,042,806</u>
Current liabilities			
Trade and other payables	14	(197,920)	(4,734)
Current tax creditor		(2,086)	(2,169)
Net current assets		<u>1,116,726</u>	<u>563,414</u>
Non-current liabilities			
Convertible loan notes	15	–	(448,371)
Total non-current liabilities		<u>–</u>	<u>(448,371)</u>
Total liabilities		<u>(200,006)</u>	<u>(455,274)</u>
Net assets		<u>1,171,367</u>	<u>587,532</u>
Shareholders' equity			
Called up share capital	16	831	831
Share premium account	17	160,059	753,188
Other reserves	17	–	62,702
Capital redemption reserve	17	70	70
Own shares	17	–	–
Merger reserve	17	13,207	13,207
Revaluation reserve	17	24,969	61,241
Stock compensation reserve	17	32,653	32,653
Retained earnings	17	939,578	(336,360)
Total equity	17	<u>1,171,367</u>	<u>587,532</u>

The financial statements on pages 12 to 44 were approved by the board of directors on 30 June 2014 and signed on its behalf by:



Juzer Shaikhali, Director, Company registration: 03175909

Statement of changes in equity

for the year ended 31 October 2012

	Share capital (number)	Share capital £000	Share premium £000	Other reserves £000	Capital redemption reserve £000	Own shares £000	Merger reserve £000	Revaluation reserve £000	Stock- compensat- ion reserve £000	Retained earnings £000	Total £000
Note:		16	17	17	17	17	17	17	17	17	
At 1 January 2011	242,562,584	809	680,636	62,702	70	(500)	13,207	30,415	16,458	(27,483)	776,314
Net loss	—	—	—	—	—	—	—	—	—	(315,749)	(315,749)
Other comprehensive income	—	—	—	—	—	—	—	30,826	—	—	30,826
Total comprehensive income	—	—	—	—	—	—	—	30,826	—	(315,749)	(284,923)
Share options exercised	6,734,365	22	72,552	—	—	—	—	—	—	—	72,574
Credit in respect of share-based payment	—	—	—	—	—	—	—	—	16,195	—	16,195
Sale of EBT shares	—	—	—	—	—	500	—	—	—	6,872	7,372
At 1 November 2011	249,296,949	831	753,188	62,702	70	—	13,207	61,241	32,653	(336,360)	587,532

Statement of changes in equity

for the year ended 31 October 2012

	Share capital (number)	Share capital £000	Share premium £000	Other reserves £000	Capital redemption reserve £000	Own shares £000	Merger reserve £000	Revaluation reserve £000	Stock- compensat- ion reserve £000	Retained earnings £000	Total £000
Note:		16	17	17	17	17	17	17	17	17	
At 1 November 2011	249,296,949	831	753,188	62,702	70	—	13,207	61,241	32,653	(336,360)	587,532
Net profit	—	—	—	—	—	—	—	—	—	620,107	620,107
Other comprehensive income	—	—	—	—	—	—	—	(36,272)	—	—	(36,272)
Total comprehensive income	—	—	—	—	—	—	—	(36,272)	—	620,107	583,835
Capital reduction	—	—	(593,129)	—	—	—	—	—	—	593,129	—
Other reserves transferred to retained earnings on settlement of convertible loans	—	—	—	(62,702)	—	—	—	—	—	62,702	—
At 31 October 2012	249,296,949	831	160,059	—	70	—	13,207	24,969	32,653	939,578	1,171,367

Statement of cash flows

for the year ended 31 October 2012

		Year ended 31 October 2012 £000	10 months ended 31 October 2011 £000
	Notes		
Operating activities			
Profit/(loss) for the period		620,107	(315,749)
Adjustments to reconcile profit/(loss) for the period to net cash flow from operating activities			
Tax charge for the period	9	–	2,098
Net finance costs		55,632	19,113
Gain on disposal of intangibles		–	(388)
Gain on disposal of subsidiaries	11	(673,989)	–
Amortisation of intangible assets		–	370
Impairment of investments	11	–	237,258
Working capital adjustments:			
Increase in other receivables		11,387	(185,893)
Increase in trade and other payables		1,678	1,933
Cash generated from operations		<u>14,815</u>	<u>(241,258)</u>
Income taxes paid		–	–
Net cash flow from operating activities		14,815	(241,258)
Investing activities			
Interest received	7	1,231	4,783
Purchases to acquire intangible assets		–	(327)
Loan to immediate parent regarding purported dividends	10	(1,061,493)	–
Receipts on disposal of subsidiaries	11	1,055,989	–
Net cash flow from investing activities		<u>(4,273)</u>	<u>4,456</u>
Financing activities			
Proceeds from issuance of shares, net of issuance costs		–	72,574
Proceeds from sale of EBT shares		–	7,372
Interest paid on convertible loan notes	15	–	(16,150)
Payment made to settle convertible loans and accrued interest	15	(504,974)	–
Loan from immediate subsidiary undertaking regarding purported dividends	10	191,508	–
Other interest	8	(260)	(65)
Net cash flow from financing activities		<u>(313,726)</u>	<u>63,731</u>
Net decrease in cash and cash equivalents		(303,184)	(173,071)
Cash and cash equivalents at 1 November		339,876	512,947
Cash and cash equivalents at 31 October		<u>36,692</u>	<u>339,876</u>

Notes to the financial statements

at 31 October 2012

1. General information

Autonomy Corporation Limited is a Company incorporated in England and Wales under the Companies Act 2006. The registered office is at Amen Corner, Cain Road, Bracknell, Berkshire, RG12 1HN, UK. Autonomy Corporation Limited is the parent undertaking of the Autonomy 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 (IFRSs as adopted by 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 going concern basis has been adopted in preparing the financial statements, 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

At 31 October 2012 the Company had cash balances of £36.7 million and net assets of £1,171.3 million.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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 2012

2. Accounting policies (continued)

Adoption of new and revised standards (continued)

		Effective for periods commencing after
IAS 1	Amendment – Presentation of Items of Other Comprehensive Income	1 July 2012
IFRS 7	Disclosures—Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7	1 January 2013
IFRS 9	Financial Instruments (classification and measurement)	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 32	Financial Instruments: presentation – Amendment	1 January 2014
IAS 27	Revised – Separate Financial Statements	1 January 2013
IAS 28	Revised – Investments in Associates and Joint Ventures	1 January 2013
IAS 19	Revised – Employee Benefits	1 January 2013
IFRIC 21	Levies	1 January 2014
IFRS 15	Revenue recognition	1 January 2017
	Improvements to IFRSs 2009 – 2011	1 January 2013
	Improvements to IFRSs 2010 – 2012	1 July 2014
	Improvements to IFRSs 2011 – 2013	1 July 2014

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

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 period. 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 period and have a material impact on the carrying value of assets and liabilities recognised at the balance sheet date:

Notes to the financial statements

at 31 October 2012

2. Accounting policies (continued)

Judgements and key sources of estimation uncertainty (continued)

On-going investigations

The Company remains subject to the on-going investigations as described in the Directors' Report.

The extensive investigations undertaken by Hewlett-Packard, and by the Directors, into the past accounting practices of the group, revealed extensive errors (including misstatements) in the previously issued financial statements which have led to restatements to the previously issued financial statements of the Company for the year ending 31 December 2010. These restatements and their causes have been described in the financial statements for the 10 month period ended 31 October 2011.

The outcome of ongoing investigations cannot be determined and it should be noted that the investigations could result in fines, other penalties or claims being imposed on or asserted against the Company. It is not possible at this time to estimate the outcome of any such actions taken against the Company.

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 £21.6 million (31 October 2011 – £403.2 million).

Convertible loan notes

The liability and equity components of the convertible loan notes issued in the year ended 31 December 2010 were calculated on the date of issue based on market interest rates of similar nonconvertible loan notes. The market interest rate used in the calculation was based on information provided by independent financial institutions. During the year ended 31 October 2012 the convertible loan notes were settled.

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. Additional details in relation to the exceptional items in the period are provided in notes 5, 8 and 11.

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.

Notes to the financial statements

at 31 October 2012

2. Accounting policies (continued)

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.

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 income statement.

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.

Notes to the financial statements

at 31 October 2012

2. Accounting policies (continued)

Financial instruments (continued)

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.

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 21.

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 21. 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.

Notes to the financial statements

at 31 October 2012

2. Accounting policies (continued)

Financial instruments (continued)

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 equity.

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.

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.

Notes to the financial statements

at 31 October 2012

2. Accounting policies (continued)

Financial instruments (continued)

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.

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.

Notes to the financial statements

at 31 October 2012

2. Accounting policies (continued)

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.

Share-based payment

The grant by the Company, in the prior period, of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The share based payment expense representing fair value of employee services received, measured by reference to the grant date fair value, recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Fair value is determined by an external valuer using the Black-Scholes pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in investments, with a corresponding entry in equity. Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is accelerated. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as statement movement in investments.

On transition to IFRS, the Group did not apply the measurement rules of IFRS 2 to equity settled awards granted before 7 November 2002 or granted after that date and vested before 1 January 2005. However later modifications of such equity instruments are measured under IFRS 2.

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 2012

3. Operating profit/(loss)

This is stated after charging/(crediting):

	<i>Year ended 31 October 2012 £000</i>	<i>10 months ended 31 October 2011 £000</i>
Amortisation of intangible assets	–	370
Exceptional group disposal costs (note 5)	–	42,208
Exceptional impairment of investment in subsidiaries (note 11)	–	237,258
Exceptional gain on disposal of subsidiary (note 11)	(673,989)	–
Foreign exchange (gain)/loss	<u>(3,668)</u>	<u>10,763</u>

4. Auditors' remuneration

	<i>Year ended 31 October 2012 £000</i>	<i>10 months ended 31 October 2011 £000</i>
Current auditor:		
Fees payable to the company's auditor for the audit of the company's financial statements	99	300
Fees payable to the company's auditor for the audit of the company's subsidiaries' financial statements	814	1,700
Total audit fees	<u>913</u>	<u>2,000</u>
Other services:		
Tax compliance services	20	166
Total non-audit fees	<u>20</u>	<u>166</u>

Notes to the financial statements

at 31 October 2012

4. Auditors' remuneration (continued)

Deloitte LLP resigned as auditor of the Autonomy group in December 2012, prior to the issuance of the financial statements for the period ended 31 October 2011. The analysis of the previous auditor's remuneration for the completed audits for the period ended 31 October 2011 is as follows:

Previous auditor's remuneration:

	<i>Year ended 31 October 2012 £000</i>	<i>10 months ended 31 October 2011 £000</i>
Fees payable to the company's auditor for the audit of the company's financial statements	–	140
Fees payable to the company's auditor for the audit of the company's subsidiaries' financial statements	–	790
Total audit fees	–	930
Other services:		
Other assurance services	–	239
Other services	–	84
Total non-audit fees	–	323

Total auditor's remuneration (current and previous):

	<i>Year ended 31 October 2012 £000</i>	<i>10 months ended 31 October 2011 £000</i>
Fees payable to the company's auditor for the audit of the company's financial statements	99	440
Fees payable to the company's auditor for the audit of the company's subsidiaries' financial statements	814	2,490
Total audit fees	913	2,930
Other services:		
Due diligence	–	239
Other services	20	250
Total non-audit fees	20	489

Notes to the financial statements

at 31 October 2012

5. 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.

Current year exceptional items:

On 28 March 2012 the Company sold 100% of the share capital of Autonomy Europe Holdings Limited (AEHL) to a fellow group Company Hewlett-Packard Leman B.V. for £1.06 billion, at a valuation then considered reasonable by the directors and determined prior to their knowledge of the accounting improprieties, disclosure failures and misrepresentations in the wider Autonomy group that occurred prior to and in connection with Hewlett-Packard's acquisition of Autonomy. This transaction has therefore created a large gain on disposal of £673,989,000 compared to the valuation ascribed to Autonomy Europe Holdings Limited in the 2011 financial statements signed on 5 February 2014 (note 11).

On 5 March 2012 the Company redeemed the convertible loan notes for the total consideration of £504,974,000, being the par value plus interest accrued and not paid. This resulted in an exceptional finance charge being recorded of £46,494,000 being the difference between the par value of the liability and its carrying value (see note 8 and 15).

Prior period exceptional items:

In the period ended 31 October 2011 the investigations, regarding accounting improprieties, disclosures failures and misrepresentations at Autonomy with respect to Autonomy's pre-acquisition business, identified the need for an impairment assessment to be performed by the directors. In accordance with applicable accounting standards, an impairment assessment was performed on the investments held by the Company. This assessment compared the recoverable amounts for the respective investments, as determined from fair value less cost to sell calculations, with their carrying values. This exercise has resulted in an impairment charge of £237,258,000 being recognised in the prior period. The impairment assessment used discounted cash flows under the income method of valuation based on a revised forecast. Management projected cash-flows over a 10 year period and determined a terminal value. The forecast reflected the organic revenue growth rates, current market trends, business mix, cost structure and other expectations about the anticipated short-term and long-term operating results of the Autonomy business.

Additionally, during the prior period to 31 October 2011 exceptional costs of £42,208,000 were incurred relating to the sale of the Autonomy Group to Hewlett-Packard Company on 3 October 2011.

Notes to the financial statements

at 31 October 2012

6. Directors' remuneration and staff costs

At 31 October 2012 the Company had no employees other than the 2 executive directors and nil non-executive directors (10 months ended 31 October 2011 – two executive directors and five non-executive directors).

Directors' emoluments for directors whose services are more than incidental to the Company in the year ending 31 October 2012 and the period ending 31 October 2011 are shown below. These directors of the Company were also directors of other Autonomy Group companies. It is not practicable to apportion these amounts between the directors' services as directors of the Company and their services as directors of other Autonomy Group companies. Accordingly the information shown below reflects the directors total emoluments, all of which were borne by fellow group undertakings.

Directors received salary, fees, bonus and benefits of £159,000 and pension contributions of £2,000 (2011 – salary, fees, bonus and benefits – £1,381,000, pension contributions of £18,000, gains on exercise of share options of £7,980,000 and deferred bonus share gains of £1,028,000).

The number of directors to whom defined contribution retirement benefits are accruing at the end of the year was nil (2011 – 1).

The total number of directors who served during the year was 9 (2011 – 7) and who exercised share options during the period was nil (2011 – 2).

Pension contributions of £nil and bonuses of £nil were accrued at the year-end (2011 – pensions £nil, bonuses £159,000).

The services provided by S Letelier 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 group and provide services to entities throughout the whole Hewlett-Packard group. Directors' emoluments for S Letelier and J Shaikhali have been borne by fellow group undertakings.

7. Finance income

	<i>Year ended 31 October 2012 £000</i>	<i>10 months ended 31 October 2011 £000</i>
Interest income on bank deposits	<u>1,231</u>	<u>4,783</u>

Notes to the financial statements

at 31 October 2012

8. Finance costs

	<i>Year ended 31 October 2012 £000</i>	<i>10 months ended 31 October 2011 £000</i>
Interest on convertible loan notes	10,109	23,831
Exceptional finance cost arising on the early settlement of convertible loans	46,494	–
Other interest	260	65
Total interest expense	<u>56,863</u>	<u>23,896</u>

On 5 March 2012 the Company redeemed the convertible loan notes for the total consideration of £504,974,000, being the par value plus interest accrued and not paid. This resulted in an exceptional finance charge being recorded of £46,494,000 being the difference between the par value of the liability and its carrying value.

9. Income tax

(a) Income tax on loss on ordinary activities

The total income tax charge in the income statement is:

	<i>Year ended 31 October 2012 £000</i>	<i>10 months ended 31 October 2011 £000</i>
UK corporation tax on the loss for the period	–	2,098
Adjustment in respect of prior periods	–	–
Total current tax charge	<u>–</u>	<u>2,098</u>
Deferred tax		
Origination and reversal of timing difference	–	–
Income tax charge in the income statement (note 9(b))	<u>–</u>	<u>2,098</u>

Notes to the financial statements

at 31 October 2012

9. Income tax (continued)

(b) Reconciliation of the total income tax charge

The income tax charge in the income statement for the period differs from the standard rate of corporation tax in the UK of 24.83% (10 months ended 31 October 2011 – 26.6%). The differences are reconciled below:

	<i>Year ended 31 October 2012 £000</i>	<i>10 months ended 31 October 2011 £000</i>
Accounting profit/(loss) before taxation	620,107	(313,651)
Accounting profit/(loss) before taxation multiplied by standard rate of UK of 24.83% (10 months ended 31 October 2011 – 26.6%):	153,973	(83,431)
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	12	275
Impairment of investments	–	63,111
Imputed interest on intercompany balances	4,287	8,196
Non-taxable gain on disposal of subsidiaries	(167,347)	–
Exceptional group restructuring costs disallowed	–	11,227
Capital allowances in excess of depreciation	–	(8)
Unrecognised tax losses carried forward	4,803	552
Group relief surrendered for nil payment	4,272	78
Provision for tax penalties in respect of prior years	–	2,098
Income tax charge in the income statement (note 9(a))	–	2,098

Notes to the financial statements

at 31 October 2012

9. Income tax (continued)

(c) Deferred tax

The movement in unrecognised deferred tax in the year is as follows:

	£000
At 1 November 2011	555
Effect of changes in tax rates	(386)
Origination and reversal of timing differences	4,737
At 31 October 2012	<u>4,906</u>

The unrecognised deferred tax asset in the current period is £4,906,000 (10 months ended 31 October 2011 – £555,000). This comprises:

	Year ended 31 October 2012 £000	10 months ended 31 October 2011 £000
Losses	4,906	519
Accelerated capital allowances	–	36
	<u>4,906</u>	<u>555</u>

The gross tax losses carried forward at the balance sheet date are £21,330,000. The deferred tax asset is not being recognised on the basis that management are uncertain of the future taxable income against which these assets can be utilised.

The impact of the rate reduction to 20% would be to reduce the unrecognised deferred tax asset by £640,000 to £4,266,000.

No deferred tax has been provided on the revaluation of the Blinkx Plc. shares as any gain on future sale should not be chargeable to tax under the substantial shareholding exemption.

(d) 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 group relief surrendered in 2010 has reduced by £2,687,000 (tax effected £752,000) due to a reduction in losses available for surrender to group companies. This is subject to agreement with HMRC.

Notes to the financial statements

at 31 October 2012

9. Income tax (continued)

(e) Factors that may affect future tax charges

In March 2012, the UK Government announced a reduction in the standard rate of UK corporation tax from 26% to 24% effective 1 April 2012 and to 23% effective 1 April 2013. These rate reductions became substantively enacted in March 2012 and July 2012 respectively. As these changes were substantively enacted at the balance sheet date they have been recognised in these financial statements. Accordingly, the Company's profit for this accounting period is taxed at an effective rate of 24.83%.

Further reduction in the main rate of corporation tax in the UK to 21% effective from 1 April 2014 and to 20% from 1 April 2015 were substantively enacted on 2 July 2013. These subsequent changes were not substantively enacted at the balance sheet date and therefore are not recognised in these financial statements.

10. Dividends

On 28 March 2012 the directors of a subsidiary undertaking, Autonomy Systems Limited approved a dividend of £191,508,000 to be paid to the Company. The purported dividend was approved by the directors of Autonomy Systems Limited based on interim accounts for Autonomy Systems Limited, prepared at the time that showed sufficient distributable earnings. The interim accounts were prepared based on the then latest filed accounts for Autonomy Systems Limited at the time of approval of the purported dividend (for the year ending 31 December 2010) and reflected changes to retained earnings from that date, to the date of the interim accounts. The purported dividend was received on 28 March 2012.

As a result of the subsequent investigations into the past financial reporting of Autonomy, as described in the directors report and the financial statements for the period ended 31 October 2011, the previously reported performance of Autonomy Systems Limited, and therefore the March 2012 interim accounts on which the purported dividend was approved by the directors of Autonomy Systems Limited, are now considered to have been fundamentally misstated. Accordingly the directors have concluded, consistent with their legal advice, that those interim accounts were not properly prepared in accordance with s838 (1) of the Companies Act 2006 which invalidated the approval and payment of any dividend. The directors of the Company and of Autonomy Systems Limited have considered these circumstances and agreed that the purported dividend is repayable by the Company to Autonomy Systems Limited. The amounts received have therefore been treated as a payable to Autonomy Systems Limited rather than as dividend income (see note 14).

Also on 28 March 2012 the directors of the Company approved a dividend of £1,061,493,000 to be paid to the Company's immediate parent undertaking Hewlett-Packard Vision Limited. The purported dividend was approved based on interim accounts, prepared at the time that showed sufficient distributable earnings. The interim accounts were prepared based on the latest filed accounts at the time of approval (for the year ending 31 December 2010) and reflected changes to retained earnings from that date to the date of the interim accounts. The purported dividend was paid on 28 March 2012.

As a result of the subsequent investigations into the past financial reporting of Autonomy, as described in the directors report and the financial statements for the period ended 31 October 2011, the previously reported performance of the Company, and therefore the March 2012 interim accounts on which the purported dividend was approved, are now considered to have been fundamentally misstated. The directors therefore consider that the interim accounts were not properly prepared in accordance with s838 (1) of the Companies Act 2006 and accordingly were not "relevant accounts" for the purposes of approving the purported dividend. The directors of the Company and the directors of Hewlett-Packard Vision Limited have considered the circumstances and have agreed that the purported dividend is repayable by Hewlett-Packard Vision Limited to the Company. The amounts paid have therefore been treated as a receivable rather than as a dividend. (see note 13).

Notes to the financial statements

at 31 October 2012

11. Fixed asset investments

	2012	2011
	£000	£000
Investments in subsidiary undertakings	19,015	400,591
Other investments	2,607	2,607
	<u>21,622</u>	<u>403,198</u>

(a) Investments in subsidiary undertakings

	2012	2011
	£000	£000
Cost:		
At beginning of period	400,591	621,654
Impairment of subsidiary	–	(237,258)
Capital contribution relating to share-based payment	–	16,195
Disposal of subsidiary	(382,000)	–
Additions	424	–
At end of period	<u>19,015</u>	<u>400,591</u>

On 28 March 2012 the Company sold 100% of the share capital of Autonomy Europe Holdings Limited to a fellow group undertaking Hewlett-Packard Leman B.V. for \$1.68 billion (£1.06 billion). This resulted in an exceptional gain being recorded of £673,989,000.

The Company disposed of Autonomy Europe Holdings Limited at a valuation then considered reasonable by the directors on 28 March 2012 and determined prior to their knowledge of the accounting improprieties, disclosure failures and misrepresentations in the wider Autonomy group that occurred prior to and in connection with Hewlett-Packard's acquisition of Autonomy (as discussed further in the Directors' Report). This transaction has therefore created a large gain on disposal compared to the valuation ascribed to Autonomy Europe Holdings Limited in the 2011 financial statements signed on 5 February 2014.

On 25 April 2012, Autonomy Corporation Limited subscribed to 1 ordinary share in Autonomy Systems Limited at a premium equal to the face value of a promissory note (face value: £424,000) between Autonomy Corporation Limited and Longsand Limited in return for transferring the promissory note to Autonomy Systems Limited.

In the period ended 31 October 2011 the investigations, regarding accounting improprieties, disclosures failures and misrepresentations at Autonomy with respect to Autonomy's pre-acquisition business, identified the need for an impairment assessment to be performed by the directors. In accordance with applicable accounting standards, an impairment assessment was performed on the investments held by the Company. This assessment compared the recoverable amounts for the respective investments, as determined from fair value less cost to sell calculations, with their carrying values. This exercise has resulted in an impairment charge of £237,258,000 being recognised in the period. The impairment assessment used discounted cash flows under the income method of valuation based on a revised forecast. Management projected cash-flows over a 10 year period and determined a terminal value. The forecast reflected the organic revenue growth rates, current market trends, business mix, cost structure and other expectations about the anticipated short-term and long-term operating results of the Autonomy business.

Notes to the financial statements

at 31 October 2012

11. Fixed asset investments (continued)

Principal group companies

The principal companies within the group's operations at 31 October 2012 are set forth below.

<i>Company</i>	<i>Country of incorporation</i>	<i>Activity</i>	<i>Percentage ownership</i>
Autonomy Systems Ltd	England	Software development and distribution	100%
Meridio Holdings Ltd	Northern Ireland	Software development and distribution	100%
Longsand Ltd	England	Software development	100%

The Company has taken advantage of the exemption under section 410 (2) of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements. The subsidiary undertakings listed above are therefore the main entities within the group.

(b) Other investments – unlisted trade investments

	<i>£000</i>
Cost:	
At beginning of period	2,607
Additions	–
At end of period	<u>2,607</u>

12. Other non-current financial assets

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
At 1 November	69,291	38,465
Net (loss)/profit recognised in other comprehensive income	<u>(36,272)</u>	<u>30,826</u>
At 31 October	<u>33,019</u>	<u>69,291</u>

The investment above represents the Company's 13% interest in Blinkx Plc. following the demerger in May 2007. This available for sale financial asset therefore consists solely of listed UK equity securities denominated in pound sterling.

At 31 October 2012 the Company's interest in Blinkx Plc. remained at 13% (31 October 2011 – 13%). The reduction in value is attributable to the movement in the Blinkx Plc. share price to 71.5p (31 October 2011 – 150.25p).

Quoted investments are subject to market risk and can increase or decrease in value depending on the share price of the relevant instruments. This investment has been classified as available for sale under IAS 39, and all changes in fair value have been recognised directly in equity during the period.

No amounts (31 October 2011 – £nil) have been transferred from other comprehensive income and recognised in the income statement for the period.

Notes to the financial statements

at 31 October 2012

12. Other non-current financial assets (continued)

At 31 October 2012 the share price of Blinkx plc of 71.5p resulted in a valuation of £33,019,000. On 25 June 2013 the Company disposed of its holding of 45.7m shares in Blinkx Plc. for £54,840,000 at a share price of 120.00p through an accelerated offering to institutional investors (see note 18). As this is a non-adjusting post balance sheet event this reduction in value has not been included within these financial statements.

13. Other receivables

	2012 £000	2011 £000
Amounts due within one year:		
Amounts owed by fellow group undertakings	218,373	228,920
Amounts owed by immediate parent undertaking in respect of the purported dividend (note 10)	1,061,493	–
Promissory note	–	424
VAT receivable	37	264
Prepayments and other receivables	137	833
	<u>1,280,040</u>	<u>230,441</u>

The amounts owed by the Company's immediate parent undertaking in respect of the purported dividend has been classified as repayable on demand as they are not governed by a loan agreement at the date of signing these accounts. However the directors of the Company and of its immediate parent undertaking do not envisage that the debt will be repaid in the foreseeable future.

At the balance sheet date amounts receivable from the fellow group companies were £1,279.9 million (31 October 2011 – £228.9 million). The carrying amount of these assets approximates their fair value. There are no past due or impaired receivable balances (31 October 2011 – nil).

On 25 April 2012, Autonomy Corporation Limited subscribed to 1 ordinary share in Autonomy Systems Limited at a premium equal to the face value of a promissory note (face value: £424,000) between Autonomy Corporation Limited and Longsand Limited in return for transferring the promissory note to Autonomy Systems Limited.

Notes to the financial statements

at 31 October 2012

14. Trade and other payables

	2012 £000	2011 £000
Amounts due within one year:		
Amounts owed to immediate subsidiary undertaking in respect of the purported dividend (note 10)	191,508	–
Trade payables	134	529
Accrued expenses	6,278	3,935
Other payables	–	270
	<u>197,920</u>	<u>4,734</u>

The amounts owed to the Company's immediate subsidiary undertaking in respect of the purported dividend has been classified as repayable on demand as they are not governed by a loan agreement at the date of signing these accounts. However the directors of the Company and of its immediate subsidiary undertaking do not envisage that the debt will be repaid in the foreseeable future.

At the balance sheet date amounts due to fellow group companies were £191.5 million (31 October 2011 – £nil). 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.

15. Convertible loan notes

On 4 March 2010 the Company raised £496,900,000 through the issuance of convertible loan notes. The convertible loan notes were issued at an issue price of £50,000 per loan note and were convertible into ordinary shares of the Company based on a share price of £20.6334 at the option of the bondholder, which is a 25% premium to the share price of the ordinary shares at the date the convertible loan notes were issued.

The loan notes carried an interest rate of 3.25% to be settled in cash semi-annually. The loan notes were payable in full on 4 March 2015 if not redeemed, converted or cancelled before that date.

The net proceeds received from the issue of the convertible loan notes were split between the financial liability element and an equity component, representing the fair value of the embedded option to convert the financial liability into equity of the Company as shown below.

On 5 March 2012 the Company redeemed the convertible loan notes for the total consideration of £504,974,000, being the par value plus interest accrued and not paid. This resulted in an exceptional finance charge being recorded of £46,494,000 being the difference between the par value of the liability (including interest accrued but not paid) and its carrying value.

Notes to the financial statements

at 31 October 2012

15. Convertible loan notes (continued)

The equity component of £62,702,000 (31 October 2011 – £62,702,000) was credited to other reserves at the time the convertible loans were issued. This reserve has been transferred to retained earnings in the year ending 31 October 2012 at the time the convertible loans were settled.

£000

Net proceeds on issue of convertible loan notes:

Net proceeds on 4 March 2010	488,303
Equity component	(62,702)
Liability component at date of issue	425,601
Liability component at 1 January 2011	440,690
Interest charged	23,831
Interest paid	(16,150)
Liability component at 31 October 2011	448,371
Interest charged	10,109
Exceptional finance charge	46,494
Settlement of loan	(504,974)
Liability component at 31 October 2012	-

16. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2012</i>	<i>No.</i>	<i>2011</i>
		<i>£000</i>		<i>£000</i>
249,296,949 ordinary shares of 1/3p each (31 October 2011 – 249,296,949 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. In the period ended 31 October 2011 6,734,365 ordinary shares were issued for a consideration of £72,574,000 relating to employee stock option exercises.

Notes to the financial statements

at 31 October 2012

17. Reserves

Share capital, Share premium, Merger reserve

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.

On 22 March 2012 written resolutions supported by a solvency statement were filed with Companies House to reduce the equity capital of the Company to £160,059,000 under s641 (1) of the Companies Act 2006. Accordingly, the share premium of the Company was reduced resulting in £593,129,000 being released to retained earnings.

Capital redemption reserve

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

Own shares reserve

The own shares reserve represented the cost of shares the Company purchased in the market, held by the Autonomy Corporation Limited Employee Benefit Trust to satisfy options under the group's UK share option scheme. All options held within the scheme were exercised during the prior period. At 31 October 2012 the Trust held nil shares (31 October 2011 – nil).

Revaluation reserve

This reserve records fair value changes on AFS financial assets.

Stock compensation reserve

The stock compensation reserve arises when the Company issues shares to settle obligations arising under its stock compensation plan for employees of the Company's subsidiaries.

Other reserves

The other reserves were created to record the equity component arising on the issue of convertible loan notes (note 15). The other reserves were transferred to retained earnings on the settlement of convertible loans in the year ending 31 October 2012.

18. Events since the balance sheet date

On 25 June 2013 the Company disposed of its holding of 45.7m shares in Blinkx Plc for £54,840,000 at a share price of 120.00p through an accelerated offering to institutional investors.

On 17 July 2013 the Company disposed of Global Linx GmbH to Compaq Computer Deutschland GmbH for £300,000.

On 25 July 2013 the Company disposed of its investments in Trust You to TWiY Holding GmbH for £400.

On 17 December 2013 the Company disposed of its holding in Realise Limited for £2,607,000 through a sale of its shares to Realise Holdings Limited.

In 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.

Notes to the financial statements

at 31 October 2012

19. Share based payments

For the period until 3 October 2011, the Autonomy Group's employees participated in two unapproved option plans, the UK Discretionary Option Scheme 1996 and the 2008 US Share Option Plan providing employees and executives with the opportunity to acquire a proprietary interest in Autonomy Corporation Limited as an incentive to attract and retain the services of employees. Under the terms of the plan, options were granted with exercise prices not less than the fair market value of Autonomy Corporation Limited shares, became exercisable over vesting periods as established by the Board of Directors (generally three to four years), and generally expired seven years from the date of grant. Vested options were forfeited following termination of employment. Options were valued using the Black-Scholes model. No performance conditions were included in the fair value calculations. The options were all exercised upon acquisition of the Company by the Hewlett-Packard Company. As a result of the acquisition of the Autonomy Group by Hewlett-Packard Company on 3 October 2011, these schemes ceased.

The following tables summarize options outstanding as at 31 October 2012 and 31 October 2011.

	2012		2011	
	<i>Number</i>	<i>Weighted average exercise price (£)</i>	<i>Number</i>	<i>Weighted average exercise price (£)</i>
Outstanding at 1 November	–	–	7,648,668	10.70
Granted during the year	–	–	3,359,628	16.65
Exercised during the year	–	–	(6,840,317)	10.61
Expired during the year	–	–	(4,167,979)	10.47
Outstanding at 31 October	–	–	–	–
Exercisable at 31 October	–	–	–	–

The weighted average share price at the date of exercise for share options exercised during the period ended 31 October 2011 was £24.31. No share options were exercised in the year ending 31 October 2012. There were no remaining options outstanding at 31 October 2012 or 31 October 2011.

During the period to 31 October 2011 103,344 shares were granted at £nil exercise price to directors as part of the deferred bonus plan, which subsequently vested on 3 October 2011, as part of the acquisition.

Notes to the financial statements

at 31 October 2012

19. Share based payments (continued)

The weighted average fair value of options granted in the period to 31 October 2011 £6.29 per option. The assumptions for the Black-Scholes model were as follows:

	2012	2011
	£000	£000
Weighted average share price	–	£15.08
Weighted average exercise price	–	£15.08
Expected volatility	–	51%
Expected life	–	3 years
Risk-free rate	–	2.5%
Expected dividends	–	–

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous three years. The expected life used in the model was adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Share option exercise prices were automatically adjusted to reflect the changes in Autonomy Corporation Limited's share capital structure arising in connection with the Company's December 2006 rights issue. The effect of the adjustment was to ensure that employees were not unfairly discriminated against as stakeholders following the dilution of Autonomy Corporation Limited's share price as a result of the rights issue. No fair value adjustments arose as a result of this transaction.

20. Related party transactions

During the year the Company provided funding to fellow group undertakings of £1,050,946,000 (31 October 2011 – £185,023,000). These funding balances were unsecured. The amounts owed by fellow group undertakings are disclosed in note 13 and principally relate to the purported dividend payable (see note 10).

During the year the Company received funding from fellow group undertakings of £191,508,000 (31 October 2011 – £nil). These funding balances were unsecured. The amounts owed to fellow group undertakings are disclosed in note 14 and relate to the purported dividend income (see note 10).

On 5 March 2012 the Company redeemed the convertible loan notes with Hewlett-Packard Leman B.V. for the total consideration of £504,974,000, being the par value plus interest accrued and not paid. This resulted in an exceptional finance charge being recorded of £46,494,000 being the difference between the par value of the liability (including interest accrued but not paid) and its carrying value.

On 28 March 2012 the Company sold 100% of the share capital of Autonomy Europe Holdings Limited to a fellow group Company Hewlett-Packard Leman B.V. for \$1.68 billion (£1.06 billion). This resulted in an exceptional gain being recorded of £673,989,000.

On 25 April 2012, Autonomy Corporation Limited subscribed to 1 ordinary share in Autonomy Systems Limited at a premium equal to the face value of a promissory note (face value: £424,000) between Autonomy Corporation Limited and Longsand Limited in return for transferring the promissory note to Autonomy Systems Limited.

Autonomy Corporation Limited issued shares in the prior period on behalf of employees of subsidiary companies. Additional detail is disclosed in note 19.

Notes to the financial statements

at 31 October 2012

21. Financial instruments

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern. 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	2012	2011
		£000	£000
Financial assets			
Cash and cash equivalents		36,692	339,876
Other non-current financial assets	12	33,019	69,291
Amounts owed by fellow group undertakings	13	1,279,866	228,920
Promissory note	13	–	424
Financial liabilities			
Convertible loan notes	15	–	(448,371)
Amounts owed to fellow group undertakings	14	(191,508)	
Trade payables	14	(134)	(529)
Accrued expenses	14	(6,278)	(3,935)
Other payables	14	–	(270)

There is no difference between the carrying value and fair value of the above financial assets and liabilities in either period with the exception of the convertible loan notes at 31 October 2011: the directors consider the fair value of the convertible loan notes at 31 October 2011 to be £761,271,000 which is based on the market value at 31 October 2011.

Financial risk objectives

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

The Company does not use derivative financial instruments to hedge foreign currency exposures as the foreign currency exposures across the Autonomy Group as a whole are limited.

Price risk

The Company is exposed to equity price risks arising from equity investments. The shares included above represent investments in listed equity securities that present the Company with opportunity for return through dividend income and trading gains. Equity investments designated as available for sale are held for strategic rather than trading purposes. The Company does not actively trade these investments.

Notes to the financial statements

at 31 October 2012

21. Financial instruments (continued)

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. If equity prices had been 25% higher/lower other equity reserves would increase/decrease by £8.3 million (31 October 2011 – £17.3 million) for the Company as a result of the changes in fair value of available-for-sale shares.

On 25 June 2013 the Company disposed of its holding of 45.7m shares in Blinkx Plc for £54,840,000 at a share price of 120.00p through an accelerated offering to institutional investors.

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:

	<i>Liabilities</i>		<i>Assets</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
US Dollar	(87)	(145,406)	211,359	352,754
Euro	–	(1,759)	7	73,282
Pound Sterling	<u>(191,554)</u>	<u>(606,939)</u>	<u>1,138,210</u>	<u>517,067</u>

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. A positive number below indicates an increase in profit and other equity where the Sterling strengthens 10% against the relevant currency. For a 10% weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	<i>US Dollar currency impact</i>	
	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Profit or loss		
Cash and cash equivalents	2,830	213
Trade payables	9	222
Amounts owed by fellow group undertakings	<u>18,306</u>	<u>14,518</u>

The movements above arise where the Company has financial assets or liabilities in currencies other than Sterling. There has not been any significant change in the Company's sensitivity to foreign currency during the period.

Notes to the financial statements

at 31 October 2012

21. Financial instruments (continued)

Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with unrelated parties. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. On 5 March 2012 the company redeemed the convertible loan notes for a total consideration of £504,974,000, being the par value plus interest accrued and not paid.

	<i>Weighted average interest rate %</i>	<i>Less than 6 months £000</i>	<i>6 months to 1 year £000</i>	<i>1 to 5 years £000</i>	<i>Total £000</i>
At 31 October 2012					
Non-interest bearing					
Trade payables	—	134	—	—	134
	—	134	—	—	134
At 31 October 2011					
Non-interest bearing					
Trade payables	—	529	—	—	529
Other payables	—	270	—	—	270
Fixed interest rate instruments					
Convertible loan notes	3.25%	8,075	8,075	537,273	553,423
	3.25%	8,874	8,075	537,273	554,222

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. Financial assets in this category include the quoted shares held in Blinkx Plc.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Notes to the financial statements

at 31 October 2012

21. Financial instruments (continued)

Fair value measurements recognised in the balance sheet (continued)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 31 October 2012				
Available for sale financial assets				
Investments in shares	33,019	–	–	33,019
At 31 October 2011				
Available for sale financial assets				
Investments in shares	69,291	–	–	69,291

22. Ultimate parent undertaking and controlling party

The directors regard Hewlett-Packard Company, a corporation registered in the United States of America, as the ultimate parent undertaking and controlling party of the Company as at the balance sheet date. Hewlett-Packard Vision Limited is the immediate parent undertaking at the year end.

Hewlett-Packard 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 Company can be obtained from 3000 Hanover Street, Palo Alto, California, USA.

23. Contingent liabilities

In relation to accounting improprieties, disclosure failures and misrepresentations at the wider Autonomy group that occurred prior to and in connection with Hewlett-Packard's acquisition of Autonomy, Autonomy is subject to on-going investigations in the United States and United Kingdom, as described in the Directors Report. Autonomy is co-operating with the various investigations. The outcome of these investigations cannot be determined and it should be noted that the investigations could result in fines, other penalties or claims being imposed on or asserted against the Company. It is not possible at this time to estimate the outcome of any such actions taken against the Company.