Autonomy Corporation Limited

Report and Financial Statements

31 October 2013

Directors
T Trower
J Shaikhali

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

Bankers
Barclays Bank plc
St Andrews Street
Cambridge CB2 3AA

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Amen Corner
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Strategic report

The directors present their strategic report for the year ended 31 October 2013.

Introduction

On 3 October 2011, Hewlett-Packard Company ("HP") acquired Autonomy Corporation plc (Autonomy Group). The acquisition was effected through the acquisition of the Autonomy Group by Hewlett-Packard Vision B.V., a wholly-owned subsidiary of HP. Subsequent to the acquisition; Autonomy Corporation plc deregistered as a public company and changed its name to Autonomy Corporation Limited ("ACL"). The ownership of ACL ("the Company") was then transferred from Hewlett-Packard Vision B.V. to Hewlett-Packard Vision Limited.

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.

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

In its financial statements for the year ended 31 October 2012 the Company disclosed that the outcome of these investigations into the past accounting practices of the Company and its group could not be determined and that the investigations could result in potential future claims, fines or other penalties being imposed on or asserted against the Company. At the time of approving those financial statements, it was not possible to estimate the outcome of any such actions against the Company.

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

The Directors considered the claim and found its basis to be consistent with the results of the Company's own analysis which revealed extensive misstatements in the Company's published information (including its audited financial statements) for the periods from Q1 2009 to and including Q2 2011. As a result and in accordance with a resolution of the board, the Company accepted liability for the claim on 30 September 2014. The Directors have examined the basis for the loss claimed by HP Vision BV of at least $4.55 billion and agree with the methodology used and that the amount claimed is owed. The Directors have further concluded that it is probable that the Company's operating results will be materially adversely impacted for the reporting periods in which the HP Vision BV claim is either resolved or it becomes possible to make a reliable estimate.

Strategic report (continued)

HP Vision BV recognised that the Company does not have the means to discharge its estimated liability to HP Vision BV and requested that the Company take steps (including litigation) to recover its losses from the parties responsible for the publication of the information described above. Accordingly, on 30 September 2014 the Company sent a pre-action letter to its former auditors, Deloitte LLP, in respect of losses suffered by the Company (including its liability to HP Vision BV under FSMA). At the date of approval of these financial statements, a standstill agreement exists between the Company and Deloitte LLP. On 12 December 2014 the Company sent further pre-action letters to certain former key directors of the Company. On 30 March 2015 a Claim Form in respect of losses suffered by the Company (namely its liability to HP Vision BV under FSMA) was issued against such former directors in the Chancery Division of the High Court of Justice in London. That Claim Form, together with Particulars of Claim, was served on those former directors on 17 April 2015. The amount and timing of any recoveries by the Company from its former directors or Deloitte are subject to significant uncertainty due to the complexity and length of the legal process and the ability of such parties to satisfy any judgments in favour of the Company.

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

Review of business

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

The profit for the year after taxation amounted to £36,220,000 (year ended 31 October 2012 – £620,107,000).

At the balance sheet date Autonomy Corporation Limited had net assets of £1,183,390,000 (31 October 2012 – net assets of £1,171,367,000).

The directors do not recommend a final dividend (year ended 31 October 2012 – £nil).

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

	Year ended 31 October 2013 *£000*	*Year ended 31 October 2012* *£000*
Investments in subsidiary undertakings	21,238	21,622
Net assets	1,183,390	1,171,367
Profit before tax	35,118	620,107

The reduction in profit before tax is principally due to a large one off gain of £673,989,000 recorded in the prior year on the disposal of a subsidiary not being repeated in the current year and a foreign exchange loss of £9,108,000 being recorded in the current year being partially offset by a lower interest expense of £56,860,000 as a result of the settlement of the convertible loans in the prior year.

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 realising a gain of £45,401,000.

Strategic report (continued)

Principal risks and uncertainties

The key uncertainty affecting the future earnings of the Company is the outcome of the claims received from Hewlett-Packard Vision B.V. and raised against certain key former directors of the Company and Deloitte LLP and of any other potential actions by or against other third parties.

In addition the Company is exposed to business risks, including fluctuations in the revenues and operating results of subsidiary undertakings, adversely impacting the carrying value of the Company's investments in subsidiary undertakings.

The key risks to which the business is exposed are summarised as follows:

- Our business depends on our core technology, currently marketed under the brand IDOL Server, and our strategy has been, and for the foreseeable future will continue to be, to concentrate our efforts on developing and marketing software based on our proprietary technology. Technology which significantly competes with the Company's technology, or material legal claims against our 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 our products could decrease rapidly, which may negatively impact revenues and gross margins;
- Errors or defects in our products could negatively affect our revenues and the market acceptance of our products and increase our costs;
- Potential adverse impact to the Company's brand and reputation as a result of conduct that preceded Hewlett-Packard's acquisition of the Company in October 2011.

The risks described above are managed within the wider Hewlett-Packard group rather than at a legal entity level such as Autonomy Corporation Limited. The directors of the Company regularly review the overall performance of the Autonomy business as a proxy for monitoring the financial performance of Autonomy Corporation Limited.

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 20.

Future developments

The Company expects its principal activity to continue to be that of a holding company.

On behalf of the Board

Tara Trower

15 July 2015

Registered No. 03175909

Directors' report

The directors present their report and financial statements for the year ended 31 October 2013. These financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union.

Strategic report

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

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

Directors

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

S E Letelier	– director (resigned 10 September 2014)
J Shaikhali	– director
T Trower	– director (appointed 10 September 2014)

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.

Events since the balance sheet

On 17 December 2013 the Company disposed of its £2,607,000 investment in Realise Limited to Realise Holdings Limited for cash consideration of £2,607,000.

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.

Directors' report (continued)

Events since the balance sheet (continued)

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

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

Also as noted in the Strategic report, on 30 September 2014 the Company sent a pre-action letter to its former auditors, Deloitte LLP, in respect of losses suffered by the Company (including its liability to HP Vision BV under FSMA). At the date of approval of these financial statements, a standstill agreement exists between the Company and Deloitte LLP. On 12 December 2014 the Company sent further pre-action letters to certain former key directors of the Company. On 30 March 2015 a Claim Form in respect of losses suffered by the Company (namely its liability to HP Vision BV under FSMA) was issued against such former directors in the Chancery Division of the High Court of Justice in London. That Claim Form, together with Particulars of Claim, was served on those former directors on 17 April 2015.

On 21 October 2014 the amount owed by the Company to Autonomy Systems Limited of £191,508,000 in respect of the purported dividend was converted into a formal loan between the two companies. The loan agreement reflects an interest rate of 2.4% per annum and has a term of 80 years.

On 21 October 2014 the amount owed to the Company by Hewlett-Packard Vision Ltd of £1,061,493,000 in respect of the purported dividend was converted into a formal loan between the two companies. The loan agreement reflects an interest rate of 2.4% per annum and has a term of 80 years.

Going concern

At 31 October 2013 the Company had cash balances of £9.1 million and net assets of £1,183.4 million.

In making their assessment as to whether or not the Company is a going concern, the Directors have considered the implications of accepting the claim raised against the Company by Hewlett-Packard Vision BV ("HP Vision BV") as set out in the Strategic Report. The Company has accepted the validity of the claim against it and tthat the amount claimed is owed. At the time of issuing this report there is significant uncertainty pertaining to any further actions which may be taken against the Company by HP Vision BV, including the timing and amount of demands for payment of the claim. Furthermore the successful realisation of claims asserted or to be asserted by the Company against third parties may materially affect future cashflows. As a result there is a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The Directors of HP have undertaken to ensure that the Company continues to receive the support of Hewlett Packard The Hague B.V. to allow it to meet its liabilities, other than those relating to the claim, as they fall due for 12 months from the date of this report. Furthermore, HP Vision BV is not currently seeking payment to settle the obligation under the claim and exact quantification and terms of payment will be agreed at an undetermined future date. The Directors have considered the expected timing of progress in respect of the claim made on the Company and on the claims made against third parties and do not expect there to be any material impact on the Company's cashflows for the next 12 months. Accordingly, the Directors have reasonable expectations that the Company will have adequate resources to continue in operational existence for the foreseeable future and as a result continue to adopt the going concern basis in preparing the annual report and financial statements. The financial statements do not contain the adjustments that would result if the Company was unable to continue as a going concern.

Directors' report (continued)

Disclosure of information to the auditors

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

Auditors

In accordance with s.487 of the Companies Act 2006, Ernst & Young LLP shall be deemed to be re-appointed as auditors of the Company.

On behalf of the Board

Tara Trower
Director

15 July 2015

Statement of directors' responsibilities in respect of the financial statements

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

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

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for 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 2013 which comprise the Statement of profit or loss and other comprehensive income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cashflows, and the related notes 1 to 22. 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 Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Basis for qualified opinion on the financial statements

In the 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 judgments 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.

Our audit opinion on the financial statements for the year ended 31 October 2012 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Independent auditor's report

to the members of Autonomy Corporation Limited

Qualified opinion on financial statements

In our opinion, except for the possible effects of the matter 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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Uncertain outcome of litigation

In addition to our qualified opinion on the financial statements we have considered the adequacy of the disclosure made in note 22 which describes the uncertainty related to the outcome of the claim filed against the company by Hewlett-Packard Vision B.V. Our opinion is not modified in respect of this matter.

Emphasis of matter - Going concern

In addition to our qualified opinion on the financial statements we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. The conditions described in note 2 indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to the matter referred to in the qualified opinion paragraph 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.

Ernst & Young LLP

David Hales (Senior statutory auditor)

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

Reading

15 July 2015

Statement of profit or loss and other comprehensive income

for the year ended 31 October 2013

	Notes	Year ended 31 October 2013 £000	Year ended 31 October 2012 £000
Administrative expenses:			
Foreign exchange (loss)/gain		(9,108)	3,668
Other administrative expenses		(1,184)	(1,918)
Gain on disposal of available for sale investments		45,401	–
(Loss)/gain on disposal of subsidiary	11	(95)	673,989
Operating profit	3	35,014	675,739
Analysed between:			
(Loss)/ profit from operations before exceptional items		(10,387)	1,750
Exceptional items		45,401	673,989
Finance income	7	107	1,231
Finance costs	8	(3)	(10,369)
Exceptional finance costs	8	–	(46,494)
Total finance costs	8	(3)	(56,863)
Profit before taxation		35,118	620,107
Income tax credit	9	1,102	–
PROFIT FOR THE YEAR		36,220	620,107
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Gain/(loss) on revaluation of available for sale financial assets	12	463	(36,272)
Reclassification adjustment for available for sale financial assets	12	(24,660)	–
Other comprehensive income for the year, net of tax		(24,197)	(36,272)
Total comprehensive income for the year		12,023	583,835

All amounts relate to continuing activities.

Statement of financial position

at 31 October 2013

	Notes	*Year ended 31 October 2013 £000*	*Year ended 31 October 2012 £000*
Non-current assets			
Investments	11	21,238	21,622
Other non-current financial assets	12	819	33,019
		22,057	54,641
Current assets			
Other receivables: due within one year	13	1,349,379	1,280,040
Cash and cash equivalents (including restricted cash of £8,197,000 (31 October 2012 – £8,181,000)		9,109	36,692
		1,358,488	1,316,732
Total assets		1,380,545	1,371,373
Current liabilities			
Trade and other payables	14	(195,069)	(197,920)
Current tax creditor		(2,086)	(2,086)
Total current liabilities		(197,155)	(200,006)
Net current assets		1,161,335	1,116,726
Non-current liabilities			
Convertible loan notes	15	–	–
Total non-current liabilities		–	–
Total liabilities		(197,155)	(200,006)
Net assets		1,183,390	1,171,367
Shareholders' equity			
Called up share capital	16	831	831
Share premium account	17	160,059	160,059
Capital redemption reserve	17	70	70
Merger reserve	17	13,207	13,207
Revaluation reserve	17	772	24,969
Stock compensation reserve	17	32,653	32,653
Retained earnings	17	975,798	939,578
Total equity	17	1,183,390	1,171,367

The financial statements on pages 11 to 41 were approved by the board of directors on 15 July 2015 and signed on its behalf by:

Tara Trower, Director, Company registration: 03175909

Statement of changes in equity

for the year ended 31 October 2013

	Share capital (number)	*Share capital*	*Share premium*	*Other reserves*	*Capital redemption reserve*	*Merger reserve*	*Revaluation reserve*	*Stock-compensat-ion reserve*	*Retained earnings*	*Total*
		£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Note:		16	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 changes in equity

for the year ended 31 October 2013

	Share capital (number)	*Share capital £000*	*Share premium £000*	*Other reserves £000*	*Capital redemption reserve £000*	*Merger reserve £000*	*Revaluation reserve £000*	*Stock-compensation reserve £000*	*Retained earnings £000*	*Total £000*
Note:		16	17	17	17	17	17	17	17	
At 1 November 2012	249,296,949	831	160,059	–	70	13,207	24,969	32,653	939,578	1,171,367
Net profit	–	–	–	–	–	–	–	–	36,220	36,220
Other comprehensive income	–	–	–	–	–	–	(24,197)	–	–	(24,197)
Total comprehensive income	–	–	–	–	–	–	(24,197)	–	36,220	12,023
At 31 October 2013	249,296,949	831	160,059	–	70	13,207	772	32,653	975,798	1,183,390

Statement of cash flows

for the year ended 31 October 2013

	Notes	*Year ended 31 October 2013 £000*	*Year ended 31 October 2012 £000*
Operating activities			
Profit for the year		36,220	620,107
Adjustments to reconcile profit for the year to net cash flow from operating activities			
Tax credit for the year	9	(1,102)	–
Net finance costs		3	55,632
Gain on disposal of AFS assets	12	(45,401)	–
Loss/(gain) on disposal of subsidiaries	11	95	(673,989)
Working capital adjustments:			
Change in other receivables		(67,979)	11,387
Change in trade and other payables		(2,852)	1,678
Cash generated from operations		(81,016)	14,815
Income taxes paid		–	–
Net cash flow from operating activities		(81,016)	14,815
Investing activities			
Interest received	7	107	1,231
Payments received on disposal of AFS investments	12	53,329	–
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		53,436	(4,273)
Financing activities			
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	(3)	(260)
Net cash flow from financing activities		(3)	(313,726)
Net decrease in cash and cash equivalents		(27,583)	(303,184)
Cash and cash equivalents at 1 November		36,692	339,876
Cash and cash equivalents at 31 October		9,109	36,692

Notes to the financial statements

at 31 October 2013

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 UK group of companies (the "group").

2. Accounting policies

Basis of preparation

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

The financial statements have been prepared on the historical cost basis, except for the revaluation of equity investments. The 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 2013 the Company had cash balances of £9.1 million and net assets of £1,183.4 million.

In making their assessment as to whether or not the Company is a going concern, the Directors have considered the implications of accepting the claim raised against the Company by Hewlett-Packard Vision BV ("HP Vision BV"). The Company has accepted the validity of the claim against it and that the amount claimed is owed. At the time of issuing this report there is significant uncertainty pertaining to any further actions which may be taken against the Company by HP Vision BV, including the timing and amount of demands for payment of the claim. Furthermore the successful realisation of claims asserted or to be asserted by the Company against third parties may materially affect future cashflows. As a result there is a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The Directors of HP have undertaken to ensure that the Company continues to receive the support of Hewlett Packard The Hague B.V. to allow it to meet its liabilities, other than those relating to the claim, as they fall due for 12 months from the date of this report. Furthermore, HP Vision BV is not currently seeking payment to settle the obligation under the claim and exact quantification and terms of payment will be agreed at an undetermined future date. The Directors have considered the expected timing of progress in respect of the claim made on the Company and on the claims made against third parties and do not expect there to be any material impact on the Company's cashflows for the next 12 months. Accordingly, the Directors have reasonable expectations that the Company will have adequate resources to continue in operational existence for the foreseeable future and as a result continue to adopt the going concern basis in preparing the annual report and financial statements. The financial statements do not contain the adjustments that would result if the Company was unable to continue as a going concern.

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 2013

2. Accounting policies (continued)

Adoption of new and revised standards (continued)

		Effective for periods commencing after
IFRS 7	Disclosures–Offsetting Financial Assets and Financial Liabilities – Amendments	1 January 2013
IFRS 9	Financial Instruments	1 January 2018
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
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 2014
IFRIC 21	Levies	1 January 2014
IFRS 15	Revenue recognition	Expected 1 January 2018
	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 2013

2. Accounting policies (continued)

Judgements and key sources of estimation uncertainty (continued)

Legal claim

As discussed in the Strategic Report the Company received a claim ("the claim") by letter on 26 September 2014 from Hewlett-Packard Vision B.V. ("HP Vision BV") being the wholly owned subsidiary of HP that acquired the Company in 2011. See note 23 for further details.

Impairment of investments and other non-current financial assets

Determining whether investments are impaired requires an estimation of the fair value less cost to sell calculations of the associated cash generating unit (CGU) to which the investments have been allocated. The calculation requires the entity to estimate the future cash flows of the asset or CGU and a suitable discount rate in order to calculate present value. The carrying amount of investments in subsidiaries at the balance sheet date was £21.2 million (31 October 2012 – £21.6 million).

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.

Interest receivable

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

Share capital

Ordinary shares are classified as equity.

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

Notes to the financial statements

at 31 October 2013

2. Accounting policies (continued)

Income taxes

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

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

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

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

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

Financial instruments

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

Financial assets

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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

Effective interest method

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

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

Notes to the financial statements

at 31 October 2013

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 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 20. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income and shown as a movement in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss.

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

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

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

Loans and receivables

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

Notes to the financial statements

at 31 October 2013

2. Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

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

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

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

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

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

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

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

Cash and cash equivalents

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

De-recognition of financial assets

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

Notes to the financial statements

at 31 October 2013

2. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

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

Equity instruments

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

Financial liabilities

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

Compound instruments

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

Other financial liabilities

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

De-recognition of financial liabilities

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

Foreign currencies

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

Restricted cash

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

Notes to the financial statements

at 31 October 2013

3. Operating profit

This is stated after charging/(crediting):

	Year ended 31 October 2013	*Year ended 31 October 2012*
	£000	*£000*
Gain on disposal of available for sale investments (note 12)	(45,401)	–
Loss/(gain) on disposal of subsidiary (note 11)	95	(673,989)
Foreign exchange loss/(gain)	9,108	(3,668)

4. Auditors' remuneration

	Year ended 31 October 2013	*Year ended 31 October 2012*
	£000	*£000*
Fees payable to the company's auditor for the audit of the company's financial statements	79	99
Fees payable to the company's auditor for the audit of the company's subsidiaries' financial statements	630	814
Total audit fees	709	913
Other services:		
Tax compliance services	–	20
Total non-audit fees	–	20

Notes to the financial statements

at 31 October 2013

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 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 realising a gain of £45,401,000 (see note 12).

Prior 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 at that time 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 therefore created a large gain on disposal of £673,989,000 in the Company's financial statements for the year ended 31 October 2012 (see 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 in the Company's financial statements for the year ended 31 October 2012 being the difference between the par value of the liability and its carrying value (see notes 8 and 15).

6. Directors' remuneration and staff costs

At 31 October 2013 the Company had no employees other than the 2 directors (31 October 2012 – 2 executive directors).

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.

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

The total number of directors who served during the year was 2 (2012 – 9) and who exercised share options during the period was nil (2012 – nil).

Pension contributions of £nil and bonuses of £nil were accrued at the year-end (2012 – pensions £nil, bonuses £nil).

In the year ended 31 October 2012 directors' emoluments for directors whose services are more than incidental to the Company 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.

Notes to the financial statements

at 31 October 2013

7. Finance income

	Year ended 31 October 2013	*Year ended 31 October 2012*
	£000	*£000*
Interest income on bank deposits	107	1,231

8. Finance costs

	Year ended 31 October 2013	*Year ended 31 October 2012*
	£000	*£000*
Interest on convertible loan notes	–	10,109
Exceptional finance cost arising on the early settlement of convertible loans	–	46,494
Other interest	3	260
Total interest expense	3	56,863

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 (credit)/charge in the Statement of profit or loss and other comprehensive income is:

	Year ended 31 October 2013	*Year ended 31 October 2012*
	£000	*£000*
UK corporation tax on the profit for the period	–	–
Total current tax charge (note 9(b))	–	–
Deferred tax		
Recognition of previously unrecognised DT assets	(1,102)	–
Income tax credit reported in the statement of profit or loss (note 9(b))	(1,102)	–

Notes to the financial statements

at 31 October 2013

9. Income tax (continued)

(b) Reconciliation of the total tax charge

The income tax charge in the Statement of profit or loss and other comprehensive income for the period differs from the standard rate of corporation tax in the UK of 23.42% (year ended 31 October 2012 – 24.83%). The differences are reconciled below:

	Year ended 31 October 2013	*Year ended 31 October 2012*
	£000	*£000*
Accounting profit before taxation	35,118	620,107
Accounting profit before taxation multiplied by standard rate of UK of 23.42% (year ended 31 October 2012 – 24.83%):	8,224	153,973
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	–	12
Imputed interest on intercompany balances	7,092	4,287
Non-taxable gain on disposal of subsidiaries	-	(167,347)
Non-taxable gain on disposal of investments	(10,568)	–
Unrecognised tax losses carried forward	–	4,803
Group relief surrendered for nil payment	235	4,272
Utilisation of previously unrecognised tax losses	(4,983)	–
Recognition of previously unrecognised deferred tax assets	(1,102)	–
Total income tax credit reported in the statement of profit or loss (note 9(a))	(1,102)	–

(c) Deferred tax

	£000
At 1 November 2012	–
Effect of changes in tax rates	(188)
Recognition of previously unrecognised deferred tax assets	1,290
At 31 October 2013	1,102

Notes to the financial statements

at 31 October 2013

9. Income tax (continued)

The recognised deferred tax asset in the current period is £1,102,000 (year ended 31 October 2012 – £nil). This comprises:

	Year ended 31 October 2013	*Year ended 31 October 2012*
	£000	*£000*
Losses	1,102	-
At 31 October 2013	1,102	-

The recognised deferred tax asset is being recognised to the extent that management have forecast future taxable income against which these assets can be utilised.

The unrecognised deferred tax asset in the current period is £nil (year ended 31 October 2012 – £4,906,000). This comprises:

	Year ended 31 October 2013	*Year ended 31 October 2012*
	£000	*£000*
Losses	-	4,906
	-	4,906

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.

(e) Factors affecting current and 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 23.42%.

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 also substantively enacted at the balance sheet date and therefore are recognised in these financial statements.

Notes to the financial statements

at 31 October 2013

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, were considered to be fundamentally misstated. Accordingly the directors 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 considered these circumstances and agreed that the purported dividend is repayable by the Company to Autonomy Systems Limited. The amounts received were therefore treated as a payable to Autonomy Systems Limited rather than as dividend income (see note 14).

On 21 October 2014 the amount owed by the Company to Autonomy Systems Limited in respect of the purported dividend was converted into a formal loan between the two companies. The loan agreement reflects an interest rate of 2.4% per annum and has a term of 80 years.

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, were considered to be fundamentally misstated. The directors therefore considered 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 considered the circumstances and agreed that the purported dividend is repayable by Hewlett-Packard Vision Limited to the Company. The amounts paid were therefore treated as a receivable rather than as a dividend (see note 13).

On 21 October 2014 the amount owed to the Company by Hewlett-Packard Vision Limited in respect of the purported dividend was converted into a formal loan between the two companies. The loan agreement reflects an interest rate of 2.4% per annum and has a term of 80 years.

Notes to the financial statements

at 31 October 2013

11. Fixed asset investments

	2013	*2012*
	£000	*£000*
Investments in subsidiary undertakings	18,631	19,015
Other investments	2,607	2,607
	21,238	21,622

(a) Investments in subsidiary undertakings

	2013	*2012*
	£000	*£000*
Cost:		
At beginning of period	19,015	400,591
Disposal of subsidiary	(384)	(382,000)
Additions	–	424
At end of period	18,631	19,015

On 17 July 2013 the Company disposed of Global Linxs GmbH to a fellow group undertaking Compaq Computer Deutschland GmbH (Holding) for £289,000. This resulted in a loss on disposal being recorded of £95,000.

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 at that time 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. This transaction therefore created a large gain on disposal in the Company's financial statements for the year ended 31 October 2012.

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 a promissory note to Autonomy Systems Limited.

Notes to the financial statements

at 31 October 2013

11. Fixed asset investments (continued)

Group companies

The companies within the group's operations at 31 October 2013 are set forth below.

Company	Country of Incorporation	Activity	Percentage ownership
Autonomy Systems Limited	England	Software distribution through sublicensing	100%
Meridio Holdings Limited	Northern Ireland	Holding company	100%
Longsand Limited *	England	Software development and distribution through sublicensing	100%
Softsound Limited*	England	Dormant	100%
Nholdings Limited*	England	Dormant	100%
Ncorp Limited*	England	Dormant	100%
Neurodynamics Limited*	England	Dormant	100%
Dremedia Limited*	England	Dormant	100%
Autonomy Promote Limited*	England	Dormant	100%
Autonomy Digital Limited*	England	Inactive	100%
Autonomy Systems Pte. Limited*	Singapore	Inactive	100%
Autonomy Italy SRL*	Italy	Inactive	100%
Autonomy Australia Pty. Limited*	Australia	Inactive	100%
Autonomy Systems (Beijing) Limited*	Japan	Inactive	100%
Autonomy Nordic A.S.*	Norway	Inactive	100%

Notes to the financial statements

at 31 October 2013

11. Fixed asset investments (continued)

Group companies

Company	Country of Incorporation	Activity	Percentage ownership
Autonomy Sweden A.B.*	Sweden	Inactive	100%
Meridio Inc.*	United States	Inactive	100%
Meridio Management Limited*	Northern Ireland	Dormant	100%
Meridio Limited*	England	Inactive	100%
Meridio Trustees Limited*	Northern Ireland	Dormant	100%

* Held indirectly.

(b) Other investments – unlisted trade investments

	£000
Cost:	
At beginning of period	2,607
Additions	–
At end of period	2,607

Notes to the financial statements
at 31 October 2013

12. Other non-current financial assets

	2013	*2012*
	£000	*£000*
At 1 November	33,019	69,291
Partial disposal of investment	(32,663)	–
Net profit/(loss) recognised in other comprehensive income	463	(36,272)
At 31 October	819	33,019

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.

As a result of the partial disposal, £24,660,000 (31 October 2012 – £nil) has been transferred from other comprehensive income and recognised in the Statement of profit or loss for the period.

The investment at 31 October 2013 represents the Company's remaining interest in Blinkx Plc. This available for sale financial asset therefore consists solely of listed UK equity securities denominated in pound sterling.

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 to other comprehensive income during the period.

13. Other receivables

	2013	*2012*
	£000	*£000*
Amounts due within one year:		
Amounts owed by group undertakings	286,611	218,373
Amounts owed by immediate parent undertaking in respect of the purported dividend (note 10)	1,061,493	1,061,493
Deferred tax asset (note 9)	1,102	–
VAT receivable	168	37
Prepayments and other receivables	5	137
	1,349,379	1,280,040

The amounts owed by the Company's immediate parent undertaking in respect of the purported dividend have been classified as repayable on demand as they were not governed by a loan agreement at 31 October 2013.

On 21 October 2014 this receivable was converted into a formal loan between Autonomy Corporation Limited and Hewlett-Packard Vision Limited. The loan agreement reflects an interest rate of 2.4% per annum and has a term of 80 years.

At the balance sheet date amounts receivable from group companies were £1,348.1 million (31 October 2012 – £1,279.9 million). The carrying amount of these assets approximates their fair value. There are no past due or impaired receivable balances (31 October 2012 – nil).

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at 31 October 2013

14. Trade and other payables

	2013	*2012*
	£000	*£000*
Amounts due within one year:		
Amounts owed to immediate subsidiary undertaking in respect of the purported dividend (note 10)	191,508	191,508
Trade payables	190	134
Accrued expenses	3,370	6,278
	195,068	197,920

The amounts owed to the Company's immediate subsidiary undertaking in respect of the purported dividend have been classified as repayable on demand as they were not governed by a loan agreement at 31 October 2013.

On 21 October 2014 this liability was converted into a formal loan agreement between Autonomy Corporation Limited and Autonomy Systems Limited. The loan agreement reflects an interest rate of 2.4% per annum and has a term of 80 years.

At the balance sheet date amounts due to fellow group companies were £191.5 million (31 October 2012 – £191.5 million). The carrying amount of these liabilities approximates their fair value.

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

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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.

The equity component of £62,702,000 was credited to other reserves at the time the convertible loans were issued and was 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 November 2012	448,371
Interest charged	10,109
Exceptional finance charge	46,494
Settlement of loan	(504,974)
Liability component at 31 October 2012	–
Interest charged	–
Liability component at 31 October 2013	–

Notes to the financial statements

at 31 October 2013

16. Issued share capital

		2013		2012
Allotted, called up and fully paid	*No.*	*£000*	*No.*	*£000*
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.

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 it owns shares, reducing its share capital.

Revaluation reserve

This reserve records fair value changes on AFS financial assets.

Stock compensation reserve

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

Notes to the financial statements

at 31 October 2013

18. Events since the balance sheet date

On 17 December 2013 the Company disposed of its £2,607,000 investment in Realise Limited to Realise Holdings Limited for cash consideration of £2,607,000.

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.

On 26 September 2014 the Company received a claim ("the claim") by letter from Hewlett-Packard Vision B.V. ("HP Vision BV"), which was the wholly owned subsidiary of HP that acquired the Company in 2011. The claim was asserted under the Financial Services and Markets Act 2000 ("FSMA") and pertains to the loss suffered by HP Vision BV as a result of its reliance on misleading published information (including the previously audited financial statements) of the Company in connection with its acquisition of the Company. The claim asserted that the losses sustained by HP Vision BV were at least $4.55 billion USD (£2.84 billion) as at 31 October 2013. The Directors considered the claim and found its basis to be consistent with the results of the Company's own analysis which revealed extensive misstatements in the Company's published information (including its audited financial statements) for the periods from Q1 2009 to and including Q2 2011. As a result and in accordance with a resolution of the board, the Company accepted liability for the claim on 30 September 2014. The Directors have examined the basis for the loss claimed by HP Vision BV of at least $4.55 billion and agree with the methodology used and that the amount claimed is owed.

On 30 September 2014 the Company sent a pre-action letter to its former auditors, Deloitte LLP, in respect of losses suffered by the Company (including its liability to HP Vision BV under FSMA). At the date of approval of these financial statements, a standstill agreement exists between the Company and Deloitte LLP. On 12 December 2014 the Company sent further pre-action letters to certain former key directors of the Company. On 30 March 2015 a Claim Form in respect of losses suffered by the Company (namely its liability to HP Vision BV under FSMA) was issued against such former directors in the Chancery Division of the High Court of Justice in London. That Claim Form, together with Particulars of Claim, was served on those former directors on 17 April 2015. See note 22 for further details.

On 21 October 2014 the amount owed by the Company to Autonomy Systems Limited of £191,508,000 in respect of the purported dividend (note 10) was converted into a formal loan between the two companies. The loan agreement reflects an interest rate of 2.4% per annum and has a term of 80 years.

On 21 October 2014 the amount owed to the Company by Hewlett-Packard Vision Limited of £1,061,493,000 in respect of the purported dividend (note 10) was converted into a formal loan between the two companies. The loan agreement reflects an interest rate of 2.4% per annum and has a term of 80 years.

Notes to the financial statements

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19. Related party transactions

During the year the Company provided funding to group undertakings of £68,238,000 (31 October 2012 – £1,050,946,000). These funding balances were unsecured. The amounts owed by 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 group undertakings of £nil (31 October 2012 – £191,508,000). These funding balances were unsecured. The amounts owed to group undertakings are disclosed in note 14 and relate to the purported dividend income (see note 10).

On 17 July 2013 the Company disposed of Global Linxs GmbH to a group undertaking Compaq Computer Deutschland GmbH for £116,000.

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.

20. 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	*2013*	*2012*
		£000	*£000*
Financial assets			
Cash and cash equivalents		9,109	36,692
Other non-current financial assets	12	819	33,019
Amounts owed by fellow group undertakings	13	1,348,104	1,279,866
Financial liabilities			
Amounts owed to fellow group undertakings	14	(191,508)	(191,508)
Trade payables	14	(190)	(134)
Accrued expenses	14	(3,370)	(6,278)

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

Notes to the financial statements

at 31 October 2013

20. Financial instruments (continued)

Financial risk objectives

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

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.

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 £0.2 million (31 October 2012 – £8.3 million) for the Company as a result of the changes in fair value of available-for-sale shares.

Foreign currency risk management

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

		Liabilities		*Assets*
	2013	*2012*	*2013*	*2012*
	£000	*£000*	*£000*	*£000*
US Dollar	(77)	(87)	286,873	211,359
Euro	–	–	93	7
Pound Sterling	(191,622)	(191,554)	1,092,304	1,138,210

Notes to the financial statements

at 31 October 2013

20. Financial instruments (continued)

Foreign currency sensitivity analysis

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

	US Dollar currency impact	
	2013	*2012*
	£000	*£000*
Profit or loss		
Cash and cash equivalents	(26)	(2,830)
Trade payables	8	9
Amounts owed by fellow group undertakings	(28,661)	(18,306)

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

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.

	Weighted average interest rate	*Less than 6 months*	*6 months to 1 year*	*1 to 5 years*	*Total*
	%	*£000*	*£000*	*£000*	*£000*
At 31 October 2013					
Non-interest bearing					
Trade payables	–	190	–	–	190
	–	190	–	–	190
At 31 October 2012					
Non-interest bearing					
Trade payables	–	134	–	–	134
	–	134	–	–	134

Notes to the financial statements

at 31 October 2013

20. Financial instruments (continued)

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 carrying amounts of other financial assets and financial liabilities (see notes 13 and 14) are materially the same as their fair values given their short-term nature.

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:

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)

	Level 1	*Level 2*	*Level 3*	*Total*
	£000	*£000*	*£000*	*£000*
At 31 October 2013				
Available for sale financial assets				
Investments in shares	819	–	–	819
At 31 October 2012				
Available for sale financial assets				
Investments in shares	33,019	–	–	33,019

21. 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.

Notes to the financial statements

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22. Contingent liabilities

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

In its financial statements for the year ended 31 October 2012 the Company disclosed that the outcome of the investigations into the past accounting practices of the Company and its group could not be determined and that the investigations could result in potential future claims, fines or other penalties being imposed on or asserted against the Company. At the time of approving those financial statements, it was not possible to estimate the outcome of any such actions against the Company.

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

The Directors considered the claim and found its basis to be consistent with the results of the Company's own analysis which revealed extensive misstatements in the Company's published information (including its audited financial statements) for the periods from Q1 2009 to and including Q2 2011. As a result and in accordance with a resolution of the board, the Company accepted liability for the claim on 30 September 2014. The Directors have examined the basis for the loss claimed by HP Vision BV of at least $4.55 billion and agree with the methodology used and that the amount claimed is owed. The Directors have further concluded that it is probable that the Company's operating results will be materially adversely impacted for the reporting periods in which the HP Vision BV claim is either resolved or it becomes possible to make a reliable estimate.

HP Vision BV recognised that the Company does not have the means to discharge its estimated liability to HP Vision BV and requested that the Company take steps (including litigation) to recover its losses from the parties responsible for the publication of the information described above. Accordingly, on 30 September 2014 the Company sent a pre-action letter to its former auditors, Deloitte LLP, in respect of losses suffered by the Company (including its liability to HP Vision BV under FSMA). At the date of approval of these financial statements, a standstill agreement exists between the Company and Deloitte LLP. On 12 December 2014 the Company sent further pre-action letters to certain former key directors of the Company. On 30 March 2015 a Claim Form in respect of losses suffered by the Company (namely its liability to HP Vision BV under FSMA) was issued against such former directors in the Chancery Division of the High Court of Justice in London. That Claim Form, together with Particulars of Claim, was served on those former directors on 17 April 2015. The amount and timing of any recoveries by the Company from its former directors or Deloitte are subject to significant uncertainty due to the complexity and length of the legal process and the ability of such parties to satisfy any judgments in favour of the Company.

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