

4010010

ANNUAL REPORT

FOR THE YEAR ENDED 31 JULY 2003

Computer Patent Annuities International Limited



COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2003

The directors present their report and the audited consolidated financial statements for the financial year ended 31 July 2003.

Incorporation

The company was incorporated in England and Wales on 13 June 2000.

Directors' responsibilities for the financial statements

Directors are required by UK Company Law to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the company and group as at the end of the financial year and of the profit or loss for that financial year. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

Principal activities

The principal activity of the group is the development and sale of Intellectual Property software.

Profit and Loss Account

The consolidated profit and loss account for the year is set out on page 4.

The directors do not recommend the payment of a dividend in respect of the year ended 31 July 2003 (2002: £nil).

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31 JULY 2003 (continued)

Directors and their interests

The directors of the company as at 31 July 2003, whom have served for the whole of the year and subsequently were:

M.J. Brunner
C.J.R. Gibson
P.L. Sewell
M.A. Shanahan

No director had any interest in the company during the year.

P.A. Simmonds resigned as a director of the company on 31 January 2003

Secretary

The secretary of the company at 31 July 2003 was Mourant & Co. Capital Secretaries Limited, who had been secretary for the whole of the year then ended and subsequently.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office.

By order of the board

Registered office:

T/A Starchen.

4 Royal Mint Court
London EC3N 4HJ

Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CPA INTERNATIONAL LIMITED

We have audited the financial statements, which comprise the group profit and loss account, the group and company balance sheets, the group statement of cash flows and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable UK Company law and United Kingdom accounting standards are set out in the statement of directors' responsibilities on page 1.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the UK Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the UK Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company and group have not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and group, consistently applied and adequately disclosed.

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

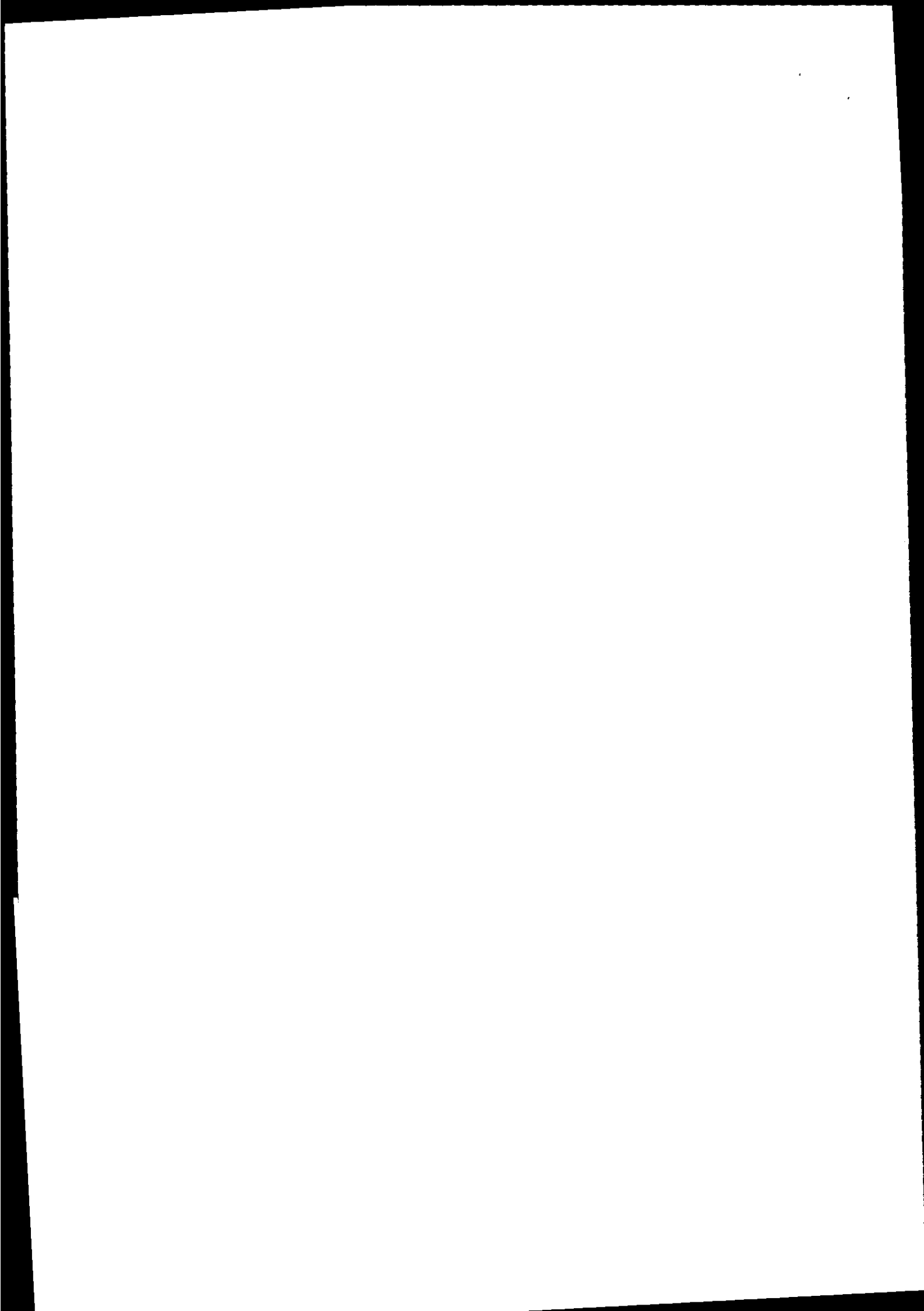
Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group at 31 July 2003 and of its loss for the year then ended in accordance with United Kingdom accounting standards and have been properly prepared in accordance with the UK Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Jersey, Channel Islands



30 July 2004



COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 July 2003

	Notes	2003 £000	2002 £000
TURNOVER	2	7,849	6,786
Cost of sales		<u>(1,639)</u>	<u>(1,946)</u>
GROSS PROFIT	2	6,210	4,840
Administrative expenses		(14,656)	(8,486)
Other operating income		10,408	6,172
OPERATING PROFIT BEFORE FINANCING COSTS AND AMORTISATION OF GOODWILL	3	<u>1,962</u>	<u>2,526</u>
Amortisation of Goodwill	7	(1,211)	(978)
Interest receivable		51	18
Interest payable	4	(421)	(514)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>381</u>	<u>1,052</u>
Taxation on profit on ordinary activities of overseas subsidiaries	5	(576)	(730)
MINORITY INTERESTS	18	<u>(72)</u>	<u>(41)</u>
RETAINED (LOSS)/PROFIT FOR THE YEAR	20	<u>(267)</u>	<u>281</u>

The Group has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the retained (loss)/ profit for the year stated above and its historical cost equivalent.

All figures relate to the continuing activities of the group.

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

GROUP BALANCE SHEET

at 31 July 2003

	Notes	2003 £000	2002 £000
FIXED ASSETS			
Intangible assets	7	10,535	9,248
Tangible assets	8	876	996
		<u>11,411</u>	<u>10,244</u>
CURRENT ASSETS			
Stocks	11	87	134
Debtors	12	4,656	3,221
Cash at bank and in hand	21 (b)	<u>3,123</u>	<u>3,197</u>
		7,866	6,552
CREDITORS: amounts falling due within one year	13	9,972	6,869
NET CURRENT LIABILITIES		<u>(2,106)</u>	<u>(317)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,305</u>	<u>9,927</u>
CREDITORS: amounts falling due after more than one year	14	8,915	9,218
PROVISION FOR LIABILITIES AND CHARGES	17	<u>201</u>	<u>127</u>
		189	582
MINORITY INTERESTS	18	-	162
		<u>189</u>	<u>420</u>
CAPITAL AND RESERVES			
Called up share capital	19	1	1
Profit and Loss account	20	188	419
Equity Shareholder's Funds		<u>189</u>	<u>420</u>

The Financial Statements on pages 4 to 21 were approved by the board of directors on the 27 day of July 2004 and were signed on their behalf by:

Director

V/A Shanahan

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

COMPANY BALANCE SHEET

at 31 July 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Investments	9	6	6
CURRENT ASSETS			
Debtors	12	10,677	5,620
CREDITORS: amounts falling due within one year	13	9,450	4,986
NET CURRENT ASSETS		<u>1,227</u>	<u>634</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,233</u>	<u>640</u>
CAPITAL AND RESERVES			
Called up share capital	19	1	1
Profit and Loss account	20	1,232	639
Equity Shareholder's Funds		<u>1,233</u>	<u>640</u>

The Financial Statements on pages 4 to 21 were approved by the board of directors on the
27 day of July 2004 and were signed on their behalf by:

Director

Y.A. Shauhan

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 July 2003

	Notes	2003 £000	2002 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	21(a)	<u>2,542</u>	<u>3,994</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		51	18
Interest paid		(459)	(447)
		<u>(408)</u>	<u>(429)</u>
TAXATION			
Overseas tax paid		<u>(401)</u>	<u>(428)</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(246)	(512)
Receipts from sales of tangible fixed assets		-	33
Payments to acquire intangible fixed assets		<u>(343)</u>	<u>(216)</u>
		<u>(589)</u>	<u>(695)</u>
ACQUISITIONS AND DISPOSALS			
Purchase of subsidiary undertakings (remaining 50% share)	10	(1,383)	(1,228)
Net cash acquired with subsidiary undertakings	10	<u>-</u>	<u>206</u>
NET CASH FLOW BEFORE FINANCING		<u>(239)</u>	<u>1,420</u>
FINANCING			
Increase / (Repayment) of loans		<u>137</u>	<u>(1,356)</u>
(Decrease) / Increase in cash in the year		<u>(102)</u>	<u>64</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
(Decrease) / Increase in cash in the year	21(b)	(102)	64
(Increase) / Decrease in bank loans	21(b)	(137)	1,284
Change in net debt resulting from cash-flows		<u>(239)</u>	<u>1,348</u>
NET DEBT AT 1 AUGUST 2002		<u>(6,629)</u>	<u>(7,977)</u>
NET DEBT AT 31 JULY 2003	21(b)	<u>(6,868)</u>	<u>(6,629)</u>

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

1. ACCOUNTING POLICIES

Basis of Preparation

These financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Principles ("UK GAAP"). The more significant accounting policies used are set out below: -

Basis of Consolidation

The group financial statements consolidate the financial statements of Computer Patent Annuities International Limited and all its subsidiary undertakings drawn up to 31 July each year. Subsidiary undertakings acquired during the year have been included in the group financial statements using the acquisition method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows from dates of acquisition during the year.

Trade Debtors

Trade debtors represent outstanding invoices.

Depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of tangible fixed assets over their estimated useful lives as follows:

	Rate
Leasehold improvements	are depreciated over the period of the lease remaining
Furniture and Equipment	10-20% on cost
Computer Equipment	20-25% on cost
Computer Programs	20-25% on cost
Motor Vehicles	25% on cost

Stocks and Work In Progress

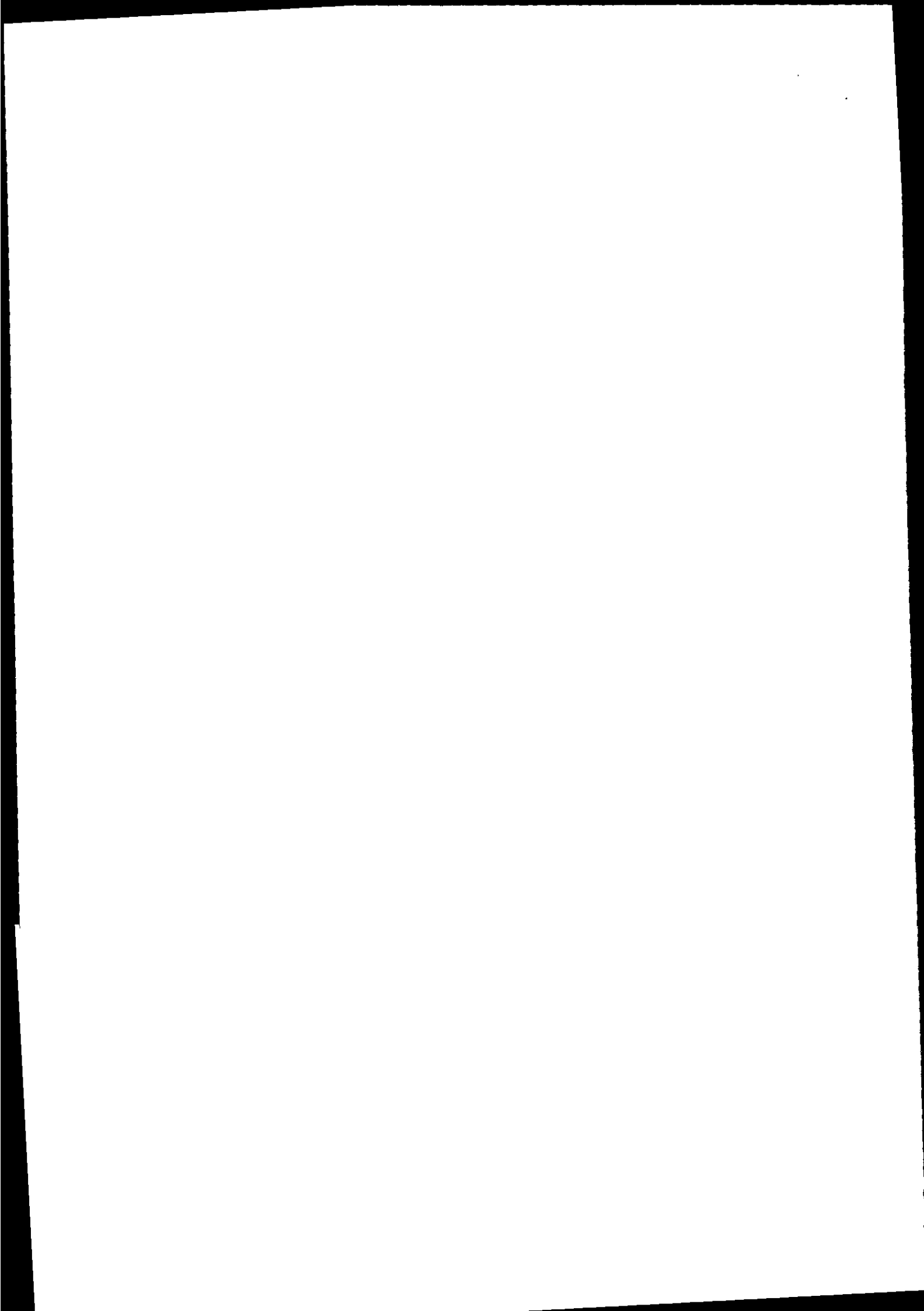
Stocks and work in progress are valued at the lower of cost and net realisable value.

Research and Development

Expenditure incurred in the development of the ALECTO software product up to and including 31 July 1997 has been capitalised and has been fully amortised. Expenditure incurred by CPA Software Solutions (Australia) Pty Limited (formerly Maxim Technology Pty Limited) in the development of their products up to 31 July 2003 has been capitalised and is being amortised over the life of the product or over five years, whichever is the shorter. No amortisation has been provided to date as development of the products is not complete.

Goodwill

On the acquisition of subsidiaries and businesses, goodwill represents the difference between the purchase consideration and the fair value of net assets acquired. Goodwill arising on the acquisition of subsidiaries and businesses has been capitalised and is amortised through the Profit and Loss Account over a period of 10 years, estimated by the directors to be the period over which the values of the businesses acquired are expected to exceed the value of underlying assets.



COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

1. ACCOUNTING POLICIES (continued)

Pensions

The group operates a number of defined contribution schemes, all of which require contributions to be made to separately administered funds.

One of the primary schemes is operated by CPA Management Systems Ltd (included in this consolidation); which is a money purchase scheme. Contributions are payable by the company at 7.5% or 10% of gross earnings for staff who have completed 1 years service. Contribution for this scheme for the year ended 31 July 2003 amounted to £156,239 (2002: £70,783).

Taxation

Tax on profits arising in respect of overseas subsidiary undertakings has been charged to the profit and loss account. Such tax has been provided for based upon the estimated effective tax rates for the year where the year end is non-coterminous with that of the company.

Investments

Investments in subsidiary undertakings are carried at cost.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or at the contracted rate if the transaction is covered by a forward exchange contract.

Foreign currency transactions are translated at the rate of exchange ruling at the date of transaction or at an average rate where this gives rise to no significant difference. Profits and losses on exchange are dealt with in the profit and loss account for the year.

The balance sheets of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. Profit and loss accounts and cash flows of overseas subsidiary undertakings are translated at an average rate or at closing rates where no material difference arises.

2. TURNOVER

Turnover represents amounts derived from the provision of products and services, which fall within the Group's ordinary activities.

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

3. OPERATING PROFIT BEFORE FINANCING COSTS AND AMORTISATION OF GOODWILL

This is stated after charging:

	2003 £000	2002 £000
Other operating income (representation fees)	10,408	6,172
Auditors' remuneration - audit services – current year	12	9
- non-audit services	-	16
Depreciation of owned assets	355	448
Depreciation of assets held under finance leases	11	4
Operating lease rentals - land and buildings	716	455
Loss on foreign exchange	91	27
Pension cost	537	243

4. INTEREST PAYABLE

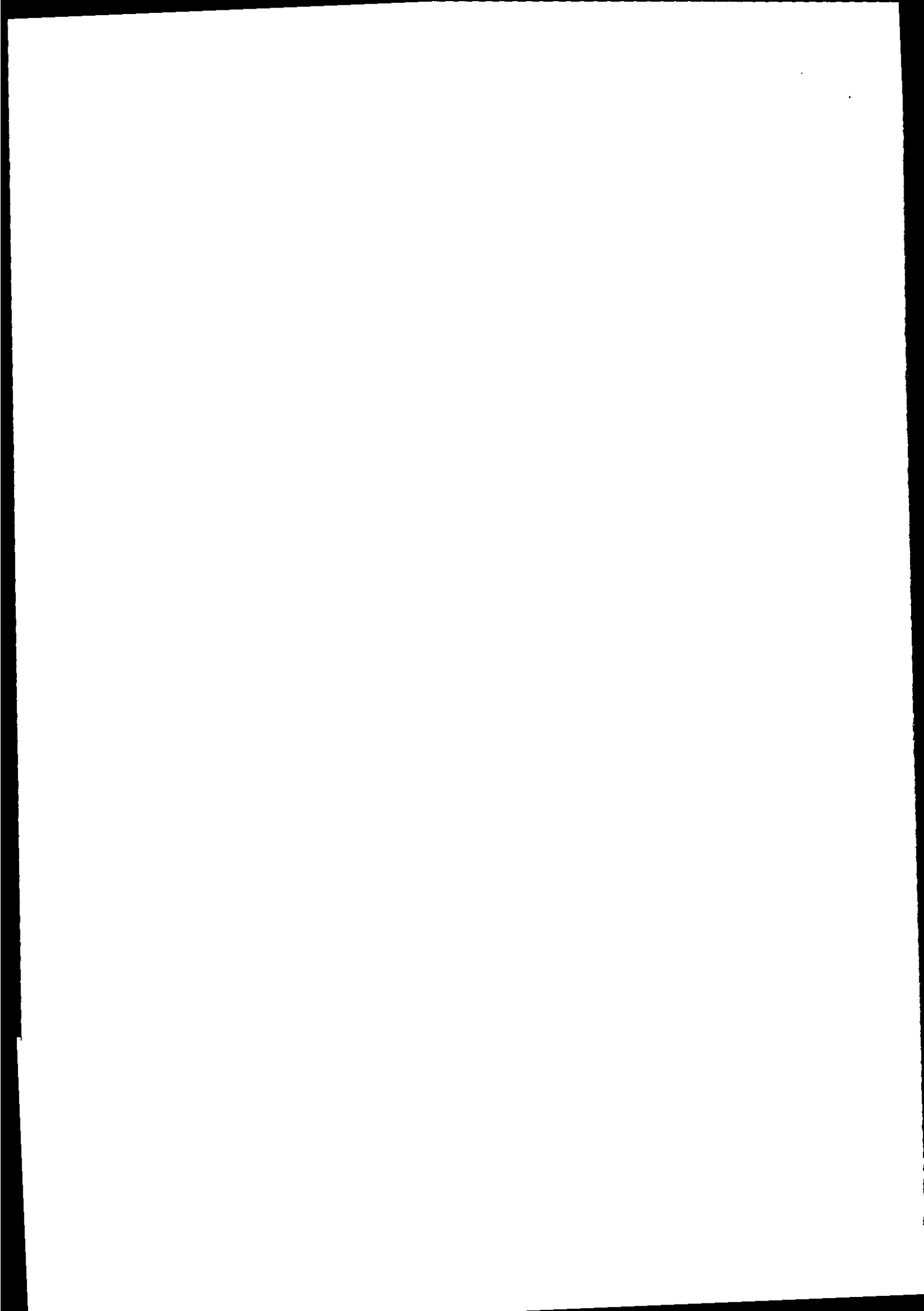
	2003 £000	2002 £000
Bank loans and overdrafts	<u>421</u>	<u>514</u>

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	2003 £000	2002 £000
Overseas taxation	<u>576</u>	<u>730</u>

There is no material difference between the tax charge for the year and that which would be derived using the weighted average standard rate of tax and the profit before taxation for the year, therefore no reconciliation between the two figures has been presented.



COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

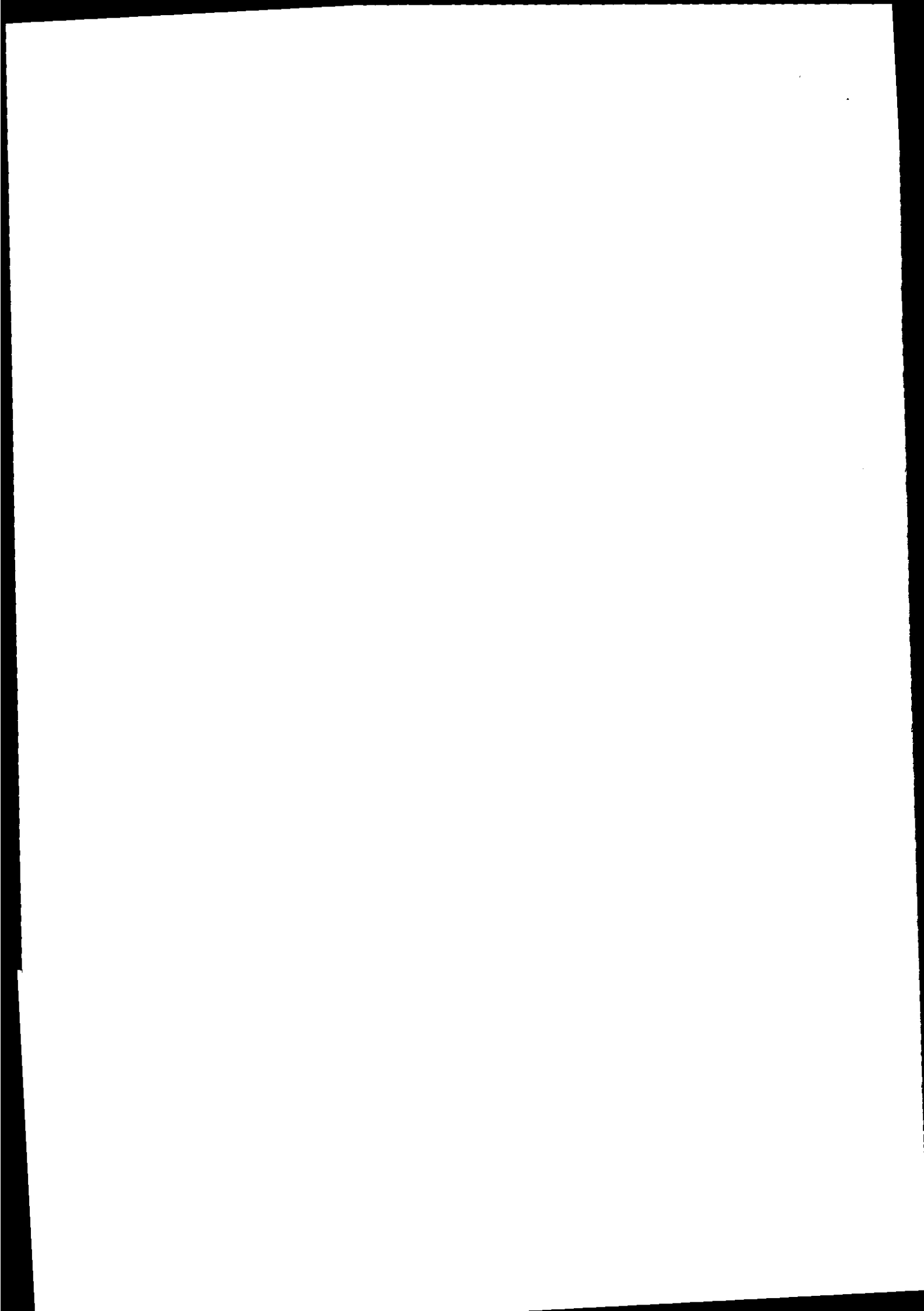
6. DIRECTORS EMOLUMENTS

No directors received any emoluments from the company and group during the year (2002 £Nil).

The average number of employees of the group during the year was 207 (2002 – 153).

7. INTANGIBLE FIXED ASSETS

<i>Group</i>	<i>Goodwill</i>	<i>Development Expenditure</i>	<i>TOTAL</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost:</i>			
At 1 August 2002	10,335	1,545	11,880
Exchange differences	955	26	981
Additions during the year (Note 10)	1,174	343	1,517
As at 31 July 2003	12,464	1,914	14,378
<i>Amortisation:</i>			
At 1 August 2002	1,585	1,047	2,632
Provided during the year	1,211	-	1,211
As at 31 July 2003	2,796	1,047	3,843
Net book value at 31 July 2003	9,668	867	10,535
Net book value at 31 July 2002	8,750	498	9,248



COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

8. TANGIBLE FIXED ASSETS

Group

	<i>Leasehold improve- ments £000</i>	<i>Furniture and equipment £000</i>	<i>Computer equipment £000</i>	<i>Computer programs £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
Cost						
At 1 August 2002	160	729	561	50	51	1,551
Exchange difference	-	10	1	-		11
Additions	-	154	65	27	-	246
Disposals	-	-	-	-	-	-
At 31 July 2003	<u>160</u>	<u>893</u>	<u>627</u>	<u>77</u>	<u>51</u>	<u>1,808</u>
Depreciation						
At 1 August 2002	11	389	110	9	36	555
Exchange difference	1	9	1	-	-	11
Provided during the year	18	101	208	29	10	366
Disposals						
At 31 July 2003	<u>30</u>	<u>499</u>	<u>319</u>	<u>38</u>	<u>46</u>	<u>932</u>
Net book value						
At 31 July 2003	<u>130</u>	<u>394</u>	<u>308</u>	<u>39</u>	<u>5</u>	<u>876</u>
At 31 July 2002	<u>149</u>	<u>340</u>	<u>451</u>	<u>41</u>	<u>15</u>	<u>996</u>

The net book value of fixed assets of £875,898 includes an amount of £5,000 in respect of assets held under finance leases.

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

9. INVESTMENTS

Company

Subsidiary
Undertakings
£

At 31 July 2002 and 31 July 2003

6

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows:

Subsidiary Undertakings

CPA Germany Holdings Limited, UK	U.K.	1 share of £1	100%	Investment holding
CPAFH1 Ltd, UK	U.K.	1 share of £1	100%	Investment holding
CPAFH2 Ltd, UK	U.K.	1 share of £1	100%	Investment holding
CPAUSH Ltd, UK	U.K.	1 share of £1	100%	Investment holding
CPA Management Systems Ltd (formerly I P Management Systems Ltd), UK	U.K.	1 share of £1	100%	UK Sales and Marketing and employment of UK based support staff
Computer Patent Annuities Deutschland GmbH, Germany	Germany	25,000 shares of Euro1 each	100%	Sales and Marketing
Memotech Holdings S.N.C., France	France	1,525 shares of Euro1 each	100%	Investment holding
CPA Software Solutions (France) S.A. (formerly Memotech Interface Système S.A., France)	France	153,000 shares of Euro1 each	100%	Software development
Computer Patent Annuities North America L.L.C., USA	U.S.A.	-	100%	Sales and Marketing
Memotech Inc., USA	U.S.A.	50 shares of US\$1 each	100%	Dormant
Intellectual Applications Inc., USA	U.S.A.	1,450 shares of US\$1 each	100%	Software distribution
CPAAUH Limited	U.K.	1 share of £1	100%	Investment holding
Computer Patent Annuities (Australia) Pty Limited	Australia	1 share of AUS\$1	100%	Investment holding

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

9. INVESTMENTS (continued)

Subsidiary Undertakings

CPA Software Solutions (Australia) Pty Limited (formerly Maxim Technology Pty Limited)	Australia	3,600 shares of AUS\$1 each	100%	Software development
IP Solutions Pty Limited	Australia	1 share of AUS\$1 each	100%	Dormant
CPA Software Solutions (U.K.) Limited (formerly Maxim Technology (Europe) Limited)	U.K.	1 share of £1	100%	Software Sales & Support
CPA Software Solutions (Canada) Inc. (formerly Maxim Technology (Canada) Inc.)	Canada	50 shares of CAN\$1 each	100%	Software Sales & Support
CPA Software Solutions (Asia) Limited (formerly Maxim Technology (Asia) Limited)	Hong Kong	50 shares of HK\$1 each	99%	Software Sales & Support

All subsidiary undertakings are ultimately held by Computer Patent Annuities International Limited. Computer Patent Annuities North America LLC is a Delaware Limited Liability Company with single member status and that member is CPAUSH Ltd.

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

10. ACQUISITIONS

During February 2002 the Group acquired 50% of the entire share capital of CPA Software Solutions (Australia) Pty Limited (formerly Maxim Technology Pty Limited) for a total consideration of £1,228,000, comprising a payment to the shareholders of £1,000,000 and acquisition costs of £228,000. On 23rd December 2002 the group acquired the remaining 50% share capital for a total consideration of £1,383,000 comprising of a payment to the minority shareholder of £1,300,000 and acquisition costs of £83,000.

Net assets at date of acquisition as reflected in the unaudited management accounts:

	<u>Book value and fair value to Group £'000</u>	<u>Book value and fair value to Group £'000</u>
	<u>February 2002</u>	<u>December 2002</u>
Fixed assets		
Intangible assets	282	610
Tangible assets	155	116
Current assets		
Trade debtors	340	487
Other debtors	32	34
Cash at bank and in hand	206	104
Total assets	<u>1,015</u>	<u>1,351</u>
Liabilities		
Trade Creditors	30	152
Charges to clients in advance	241	325
Other creditors	430	316
Bank loans	72	140
Total liabilities	<u>773</u>	<u>933</u>
Net assets (book value)	<u>242</u>	<u>418</u>
Net assets acquired (50%)	<u>121</u>	<u>209</u>
Purchase consideration		
Payable to vendors	1,000	1,300
Costs of acquisition	228	83
	<u>1,228</u>	<u>1,383</u>
Goodwill on acquisition	<u>1,107</u>	<u>1,174</u>

No adjustment has been made to the net book value of assets acquired to reflect the fair value of these assets as any adjustment would have been immaterial. As a result, there is an immaterial difference between the book value of assets acquired and the minority interest at the date of acquisition.

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

11. STOCKS

Group

	2003 £000	2002 £000
Work in progress	<u>87</u>	<u>134</u>

12. DEBTORS: amounts falling due within one year

Group

	2003 £000	2002 £000
Trade debtors	1,569	2,003
Amounts owed by group undertakings	2,276	567
Other debtors	280	506
Prepayments and accrued income	531	145
	<u>4,656</u>	<u>3,221</u>

Company

	2003 £	2002 £
Amounts owed by group undertakings	<u>10,677</u>	<u>5,620</u>

Trade debtors represent outstanding invoices.

13. CREDITORS: amounts falling due within one year

Group

	2003 £000	2002 £000
Bank loans (see note 15)	1,114	655
Bank overdrafts	76	48
Trade creditors	383	458
Charges to clients in advance	366	340
Amounts due to group undertakings	4,577	2,903
Income tax	555	502
Other creditors including taxation and social security	1,803	1,341
Accruals and deferred income	<u>1,098</u>	<u>622</u>
	<u>9,972</u>	<u>6,869</u>

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

13. CREDITORS: amounts falling due within one year (continued)

Company

	2003 £	2002 £
Amounts due to group undertakings	8,256	3,006
Income tax	-	17
Accruals and deferred income	<u>1,194</u>	<u>1,963</u>
	<u>9,450</u>	<u>4,986</u>

14. CREDITORS: amounts falling due after more than one year

Group

	2003 £000	2002 £000
Provision for long service leave	114	95
Bank Loans (see note 15)	<u>8,801</u>	<u>9,123</u>
	<u>8,915</u>	<u>9,218</u>

15. LOANS

Group

	2003 £000	2002 £000
Amounts falling due:		
In one year or less or on demand	1,114	655
Between one and two years	1,052	1,231
Between two and five years	3,857	3,655
In five years or more	<u>3,892</u>	<u>4,237</u>
	<u>9,915</u>	<u>9,778</u>
 Included within amounts falling due within one year	 <u>1,114</u>	 <u>655</u>
	<u>8,801</u>	<u>9,123</u>

The Memotech Holdings SNC bank loan of EUR14,050,000 : £9,853,426 (2002: EUR15,550,000: £9,718,750) bears interest at a margin dependent upon the ratio of net debt to earnings before taxation, interest and dividends. The margin is currently 1% above LIBOR, plus associated costs. The loan was drawn down on 4 December 2000, the term being 10 years and the first scheduled repayment was made on 4 December 2002.

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

16. OPERATING LEASES AND OTHER COMMITMENTS

Group

	2003 £000	2002 £000
Operating lease payments payable within one year of the balance sheet date were in respect of leases expiring:		
Within one year	186	-
Between one and five years	225	157
After five years	305	298
	<hr/>	<hr/>
Total payable within one year	716	455

17. PROVISIONS FOR LIABILITIES AND CHARGES

Group

	Amount falling due within one year £000	Amount falling due after more than one year £000
Provision for taxation		
At 1 August 2002	502	127
Transfers	(1)	1
Reserve for the year	503	73
Paid in the year	(449)	-
	<hr/>	<hr/>
At 31 July 2003	555	201

18. MINORITY INTERESTS

The remaining 50% shareholding in CPA Software Solutions (Australia) Pty Limited (formerly Maxim Technology Pty Limited) was acquired on 23rd December 2002.

	2003 £000	2002 £000
Opening balance	162	-
Profit for the year	72	41
Arising on acquisition of subsidiary undertaking	-	121
Acquisition of minority interest in Maxim to 100% share ownership	(234)	-
	<hr/>	<hr/>
Closing balance	-	162

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

19. CALLED UP SHARE CAPITAL

Company and Group

	2003 £000	2002 £000
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
<i>Issued, called up and fully paid</i>		
1 ordinary share of £1	1	1

20. RESERVES

Group

	<i>Profit and loss account £000</i>
At 1 August 2002	419
Exchange difference on consolidation	36
Retained (loss) / Profit for the year after taxation	(267)
At 31 July 2003	188

Company

	<i>Profit and loss account £</i>
At 1 August 2002	639
Exchange difference on consolidation	-
Retained (loss) / Profit for the year after taxation	593
At 31 July 2003	1,232

In the opinion of the directors a reconciliation of movement in equity shareholder's funds is not required as sufficient information is given with the note above.

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

21. NOTES TO THE GROUP STATEMENT OF CASH FLOWS

a) Reconciliation of operating profit to net cash inflow from operating activities

	2003 £000	2002 £000
Operating profit before financing costs and amortisation of goodwill	1,962	2,526
Depreciation	366	452
Loss on sale of fixed assets	-	1
(Increase) / Decrease in debtors	(1,483)	44
Decrease / (Increase) in stocks	47	(12)
Increase in creditors	2,620	1,276
Exchange difference	(970)	(293)
Net cash inflow from operating activities	<u>2,542</u>	<u>3,994</u>

b) Analysis of changes in net debt

	At 1 August 2002 £000	Cash flow £000	At 31 July 2003 £000
Cash at bank and in hand	3,197	(74)	3,123
Bank overdrafts	(48)	(28)	(76)
	<u>3,149</u>	<u>(102)</u>	<u>3,047</u>
Loans	(9,778)	(137)	(9,915)
Net debt	<u>(6,629)</u>	<u>(239)</u>	<u>(6,868)</u>

22. CONTINGENT LIABILITIES

Computer Patent Annuities International Limited has guaranteed a Letter of Credit, in favour of the landlords of the property occupied by a subsidiary undertaking, Computer Patent Annuities North America LLC, in Washington, Virginia, USA. The value of the Letter of Credit was USD 544,459 as at 31 July 2003, and is reduced in value at the end of each year of the lease.

23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate and ultimate parent undertaking, and ultimate controlling party, is Computer Patent Annuities Limited Partnership, a Limited Partnership registered in Jersey, Channel Islands.

Computer Patent Annuities Limited Partnership is the parent undertaking of the smallest group to consolidate these financial statements.

AUDITORS, BANKERS AND LEGAL ADVISORS

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ADVOCATES AND SOLICITORS

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