

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

**Annual Report for the year ended
31st July 2015**

Registered No. 4016625

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COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Director's report for the year ended 31st July 2015

The directors present their report and the audited consolidated financial statements of Computer Patent Annuities International Limited and its subsidiaries (the "group") for the financial year ended 31st July 2015

INCORPORATION

Computer Patent Annuities International Limited (the "company") was incorporated in England and Wales on 13th June 2000

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company 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, and,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 to 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, error and non-compliance with law and regulations

PRINCIPAL ACTIVITY

The principal activities of the group are the development and sale of Intellectual Property ("IP") software, the provision of IP support services and renewal of intellectual property rights on behalf of clients

BUSINESS REVIEW

The results of the group for the year show a pre-tax loss of £6,573k (2014 Profit £1,957k). Equity shareholders funds amount to a deficit of £13,171k (2014 £6,129k)

RESULTS AND DIVIDENDS

The consolidated profit and loss account for the year is set out on page 6

The directors do not recommend the payment of a dividend in respect of the year ended 31st July 2015 (2014 £Nil)

In results for the year, the amounts disclosed in profit and loss account for acquisitions represent operational results of Landon IP group while previous year represent Patrafee AB group

**Director's report for the year ended
31st July 2015 (continued)**

T P Griffiths
A Marnoch
S L Webster

Alia

1 Cathedral Piazza
London SW1E 5BP

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31st JULY 2015

The directors present their strategic report of Computer Patent Annuities International Limited and its subsidiaries ("the group") for the year ended 31st July 2015

REVIEW OF BUSINESS

The group is an active component of the Redtop Holdings Limited group of entities (also known as 'CPA Global'). The principal activity of CPA Global is the renewal of Intellectual Property rights on behalf of clients. Other activities include software development and distribution, patent searching, legal outsourcing services and trademark watching. Investments are held in a number of regions, the primary area of expansion during this year has been in the US region with the acquisition of Landon IP group. It also continues to hold investments in Nordic region, with expansion in South Asian region.

RESULTS AND PERFORMANCE

The results of the group for the year, as set out on pages 6 to 27, show a profit on ordinary activities before tax and exceptional items of £ 8.8m (2014 Profit of £ 16.7m).

During the year, the directors approved an updated group wide restructuring plan. A restructuring provision of £5.1m (2014 £5.7m) was created to account for the formal plans towards termination of leases, redundancy, and associated legal and other costs for the operational restructuring of the group. This has been treated as an exceptional item in the financial statements in accordance with Financial Reporting Standard ("FRS") 3 - "Reporting Financial Performance".

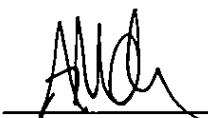
The group has continued to actively market its products and increased its market share across the jurisdictions in which it operates. The growth experienced in the US region with the acquisition of Landon IP and the South Asian region has been particularly encouraging and meets the group's strategic plans. With a new approach centring around regional management, the group will continue to strive for improvement in the operational performance and growth in the regions that it operates in.

On 6th August 2014, the company, through its subsidiary CPA US Holdings, Inc., acquired a 100% interest in Landon IP group, a leader in US search and analytics business, for a total consideration of USD 51.8m equivalent to £30.8m. This transaction has been accounted for as an acquisition in accordance with FRS 6 - "Acquisitions and Mergers". Details of the fair value of the net assets acquired and the consideration paid are set out in Note 10 'Acquisition'.

KEY PERFORMANCE INDICATORS (KPIs)

In line with the key elements of our group strategy, the directors monitor the performance and progress of the group by reference to the following KPIs:

| KPI | 2015 | 2014 |
|-----------------------------------|--------|--------|
| | £'000 | £'000 |
| Turnover | 96,291 | 57,772 |
| Employment Cost | 61,061 | 50,969 |
| Headcount | 1,721 | 1,512 |
| Employment cost per Headcount (£) | 35,480 | 33,710 |
| EBITDA | 20,350 | 16,449 |
| EBITDA (as % of income) | 21.1% | 28.5% |
| Operating Profit | 8,799 | 16,738 |
| Operating Profit Ratio | 9.1% | 29.0% |



A. Marnoch

Director

Company Registered No. 4016625

Independent auditors' report to the members of Computer Patent Annuities International Limited

Report on the financial statements

Our opinion

In our opinion, Computer Patent Annuities International Limited's group financial statements and company financial statements (the "financial statements")

- give a true and fair view of the state of the group's and of the company's affairs as at 31 July 2015 and of the group's loss and cash flows for the year then ended,
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
 - have been prepared in accordance with the requirements of the Companies Act 2006
-

What we have audited

The financial statements, included within the Annual Report, comprise

- the consolidated and company Balance Sheet as at 31 July 2015,
- the consolidated profit and loss account for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

Opinion on other matter 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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities set out on page 1, 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) ("ISAs (UK & Ireland)") Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

What an audit of financial statements involves

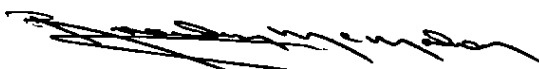
We conducted our audit in accordance with ISAs (UK & Ireland) An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the group's and 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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the Annual Report 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



Brendan McMahon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Statutory Auditors
Jersey, Channel Islands
26 October 2015

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st July 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|---|-------|------------------|-----------------|
| TURNOVER | | | |
| Continuing Operations | | 76,260 | 37,439 |
| Acquisitions | | 20,031 | 20,333 |
| | 2 | <u>96,291</u> | <u>57,772</u> |
| Cost of sales | | | |
| Continuing Operations | | (32,611) | (275) |
| Acquisitions | | - | (17,580) |
| | | <u>(32,611)</u> | <u>(17,855)</u> |
| GROSS PROFIT | | | |
| Continuing Operations | | 43,649 | 37,164 |
| Acquisitions | | 20,031 | 2,753 |
| | | <u>63,680</u> | <u>39,917</u> |
| Administrative expenses | | | |
| Continuing Operations | | (90,703) | (88,747) |
| Acquisitions | | (18,691) | (1,889) |
| | | <u>(109,394)</u> | <u>(90,636)</u> |
| Other operating income | | | |
| Continuing Operations | | 54,493 | 67,457 |
| Acquisitions | | 20 | - |
| | | <u>54,513</u> | <u>67,457</u> |
| OPERATING PROFIT | | | |
| Continuing Operations | | 7,439 | 15,874 |
| Acquisitions | | 1,360 | 864 |
| | | <u>8,799</u> | <u>16,738</u> |
| OPERATING PROFIT BEFORE AMORTISATION OF GOODWILL AND EXCEPTIONAL COSTS | 3 | | |
| Amortisation of Goodwill | 7 | (12,738) | (6,125) |
| | | <u>(3,939)</u> | <u>10,613</u> |
| OPERATING LOSS | | | |
| Interest receivable | | 1,225 | 30 |
| Interest payable | 4 | (2,455) | (2,956) |
| | | <u>(5,169)</u> | <u>7,687</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEMS | | | |
| Restructuring Costs | 15 | (1,404) | (5,425) |
| Finance Charges | 15 | - | (305) |
| | | <u>(6,573)</u> | <u>1,957</u> |
| (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | | |
| Taxation on profit on ordinary activities | 5 | (4,041) | (4,752) |
| RETAINED LOSS FOR THE YEAR | | <u>(10,614)</u> | <u>(2,795)</u> |

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st July 2015

| | | |
|---|-----------------------|-----------------------|
| LOSS FOR THE FINANCIAL YEAR | (10,614) | (2,795) |
| Movement in translation reserve | 3,572 | (192) |
| TOTAL RECOGNISED LOSS FOR THE YEAR | <u>(7,042)</u> | <u>(2,987)</u> |

Continuing operations : All operations of the group are continuing

There is no difference between the retained loss for the year stated above and its historical cost equivalent

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

CONSOLIDATED BALANCE SHEET

as at 31st July 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|---|--------|-----------------|-----------------|
| FIXED ASSETS | | | |
| Intangible fixed assets | 7 | 50,586 | 42,855 |
| Tangible fixed assets | 8 | 4,614 | 6,517 |
| | | <u>55,200</u> | <u>49,372</u> |
| INVESTMENTS | 9 | 2,169 | - |
| CURRENT ASSETS | | | |
| Debtors | 11 | 71,072 | 47,556 |
| Cash at bank and in hand | 19 (b) | 14,692 | 13,936 |
| | | <u>85,764</u> | <u>61,492</u> |
| CREDITORS. amounts falling due within one year | 12 | <u>(93,504)</u> | <u>(83,154)</u> |
| NET CURRENT LIABILITIES | | <u>(7,740)</u> | <u>(21,662)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 49,629 | 27,710 |
| CREDITORS amounts falling due after more than one year | 13 | (57,728) | (28,287) |
| | | <u>(8,099)</u> | <u>(577)</u> |
| PROVISION FOR RESTRUCTURING | 15 | (5,072) | (5,552) |
| NET LIABILITIES | | <u>(13,171)</u> | <u>(6,129)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | | - | - |
| Profit and loss reserves | 18 | (13,171) | (6,129) |
| | | <u>(13,171)</u> | <u>(6,129)</u> |

The financial statements on pages 6 to 28 were approved by the board of directors on 23 October 2015 and were signed on its behalf by



A. Marnoch
Director
Company Registration No. 4016625

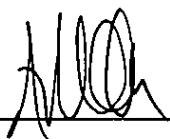
COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

COMPANY BALANCE SHEET

as at 31st July 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|--|-------|---------------|---------------|
| FIXED ASSETS | | | |
| Investments | 9 | 30,363 | 30,363 |
| CURRENT ASSETS | | | |
| Debtors | 11 | 31 | 3 |
| CREDITORS: amounts falling due within one year | 12 | (345) | (102) |
| NET CURRENT LIABILITIES | | (314) | (99) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 30,049 | 30,264 |
| CREDITORS: amounts falling due after more than one year | 13 | (25,611) | (28,286) |
| NET ASSETS | | 4,438 | 1,978 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 17 | - | - |
| Profit and loss reserves | 18 | 4,438 | 1,978 |
| EQUITY SHAREHOLDER'S FUNDS | | 4,438 | 1,978 |

The financial statements on pages 6 to 28 were approved by the board of directors on 23 October 2015 and were signed on its behalf by



A. Marnoch
Director

Company Registration No. 4016625

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31st July 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|--|-------|-----------------|-----------------|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 19(a) | <u>7,155</u> | <u>9,119</u> |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest received | | - | 30 |
| Interest paid | | <u>(434)</u> | <u>(71)</u> |
| | | (434) | (41) |
| TAXATION | | | |
| Tax paid | | <u>(4,226)</u> | <u>(5,384)</u> |
| CAPITAL EXPENDITURE | | | |
| Payments to acquire tangible fixed assets | | (1,344) | (1,586) |
| Receipts from sales of tangible fixed assets | | 657 | 117 |
| Payments to acquire intangible fixed assets | | <u>(5,449)</u> | <u>(8,638)</u> |
| | | (6,136) | (10,107) |
| ACQUISITIONS | | | |
| Acquisition of subsidiary | | (30,753) | (19,752) |
| Cash acquired with subsidiary undertakings | | 2,741 | - |
| Investments | | <u>(2,169)</u> | <u>-</u> |
| | | (30,181) | (19,752) |
| NET CASH FLOW BEFORE FINANCING | | (33,822) | (26,165) |
| FINANCING | | | |
| Loan from Computer Patent Annuities Holdings Limited | | 32,117 | 28,287 |
| Loan from Banks | | <u>-</u> | <u>(4,109)</u> |
| Decrease in cash in the year | | <u>(1,705)</u> | <u>(1,987)</u> |
| RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT | | | |
| Decrease in cash in the year | 19(b) | (1,705) | (1,987) |
| On Acquisitions | 19(b) | 2,741 | 2,159 |
| Loan from Computer Patent Annuities Holdings Limited | 19(b) | (33,141) | (28,287) |
| Exchange movement | 19(b) | 3,420 | (1,230) |
| Increase in bank loans | 19(b) | <u>-</u> | <u>4,109</u> |
| Change in net debt | | (28,685) | (25,236) |
| NET (DEBT) / CASH AT 1 AUGUST | | <u>(14,351)</u> | <u>10,885</u> |
| NET DEBT AT 31 JULY | 19(b) | <u>(43,036)</u> | <u>(14,351)</u> |

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended

31st July 2015

1. PRINCIPAL ACCOUNTING POLICIES

a) Basis of Preparation

These consolidated financial statements for the year ended 31st July 2015 have been prepared on a going concern basis under the historical cost convention and in accordance with United Kingdom Accounting Standards and applicable law

b) Going Concern

Redtop Holdings Limited has provided a letter of financial support confirming its intention to provide sufficient financial support for the continuing operations of each of its subsidiary entities and to meet each entity's liabilities as they fall due and carry on its business without significant curtailment of operations for a period of at least twelve months from the date of these audited financial statement. The directors are satisfied that this letter of support provides sufficient comfort that the company and the group will continue as a going concern for at least twelve months from the date of these audited financial statements

In making their assessment, the Directors also considered the forecast trading and cashflows and are satisfied that there are no indications that the group cannot continue to meet its liabilities as they fall due. The group continues to meet its day to day working capital requirements as well as debt servicing through its operational performance. Although the group incurred a loss of £10,614k and has negative reserves of £13,171k, the loss is primarily driven by goodwill amortisation and long term interest accruals. The group generates positive cash flows from operating activities

The Directors are therefore satisfied that the group will continue as a going concern for at least twelve months from the date of these consolidated financial statements

c) 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 31st July each year

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies usually accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended

31st July 2015

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

d) Recognition of Revenue and Profit

Revenue and profits on patent and trademark renewals are recognised when the direct cost of that renewal occurs. This occurs either on the transfer of funds to a patent office or intermediary agency, or on receipt of invoice from an intermediary agent. If the transfer of funds occurs outside of our normal payment cycle, the revenue and profits from those renewals will be recognised in the period in which the transfer would have ordinarily occurred.

Revenue and profits on all other activities are recognised at the time the services are provided to the client. If services are provided on a subscription or long-term contract basis, revenue is recognised over the period of the subscription or the stage of completion of the contract.

e) Trade Debtors

Trade Debtors represent outstanding invoices and are measured at fair value less provision for bad debt. Invoices are generally issued well in advance of providing renewals services therefore an element of the balance represents amounts billed to clients in advance for services not yet provided. A provision for bad debts is created where there is evidence that the group will not be able to collect all amounts due. Significant financial difficulties of the debtor, probability that the trade debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debtors is impaired.

f) Tangible Assets

Tangible assets are carried at cost less accumulated depreciation and impairment losses. Depreciation is provided on tangible assets at rates calculated to write off the cost of tangible assets on the straight line basis over their estimated economic 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 |

No depreciation is provided on freehold land and buildings as in the opinion of the Directors, the assets' estimated residual value and useful economic life are such that any charge and accumulated depreciation are immaterial. The Directors do not consider the carrying amount of these assets to be impaired.

g) Research and Development

Expenditure incurred by the group in the development of their products is capitalised when the conditions specified under SSAP 13, namely, expenditure can be clearly identified and measured, product's technical and commercial feasibility is established, are met. The development expenditure is amortised over a period of five years from the date it is available for commercial use.

h) 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 from the date of acquisition, 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. The directors consider this period to be five years. The carrying value of goodwill is also subject to an annual impairment review.

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2015

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

i) 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 defined contribution schemes is operated by CPA Global Management Services 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 year's service. Contribution for this scheme for the year ended 31st July 2015 amounted to £351k (2014: £451k)

j) 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.

k) Deferred Taxation

Full provision is generally made for deferred tax arising from timing differences between the differing treatment of certain items for taxation and accounting purposes. The provision is calculated at the rates of taxation at which it is estimated the liability will arise and is not discounted. Deferred tax assets are recognised only to the extent that the directors consider there to be suitable taxable profits from which the underlying timing differences can be deducted.

l) Investments

Investments are carried at cost with the exception of the investments in subsidiary undertakings where the company uses foreign currency borrowings to finance the group investment, and exchange rate risk associated with the foreign currency investment is matched exactly with that on the borrowings. The company has followed the exemptions available under United Kingdom Accounting Standards and in order to match the finance, which must be translated at closing rate, the investments are not shown at historic cost, but have also been translated at this rate. Any movement in the carrying amounts as a result of translation is offset in reserves.

m) Foreign Currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in pound sterling (GBP) which is the group's presentation currency.

(ii) Transactions

Foreign currency transactions are translated at the rate of exchange ruling at the date of transaction or at the month end spot rate where this gives rise to no significant difference. Profits and losses on exchange are included within the profit and loss account for the period.

(iii) Balances

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.

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended

31st July 2015

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

m) Foreign Currencies (continued)

(iv) Gain and losses

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. The periodic translation of these amounts generally gives rise to the recognition in the profit and loss account of foreign exchange gains and losses, and the resultant gain or loss is included in turnover or cost of sales as appropriate.

n) Operating Leases

Operating lease costs are taken to the consolidated profit and loss account on a straight line basis over the life of the lease. Rent free periods are released to profit over the period from the date of commencement of the lease to the date of the first rent review.

o) Financial Risk Management

The financial risk management is addressed at a group level for CPA Global. The group is exposed to the following financial risk and the directors are satisfied that the management of these risks are discharged at a group level.

(i) Credit risk

Cash deposits are only placed with financial institutions having a high quality investment grade credit rating. Credit checks are carried out where appropriate for new and existing customers.

(ii) Liquidity risk

Cash flow requirements for each entity in the CPA Global group are taken into account when determining the period of time for which funds are placed on deposit with financial institutions.

(iii) Cash flow risk

The level of funds held within the business to ensure there are sufficient funds available for working capital, capital expenditure and the payment of tax liabilities are continuously monitored by CPA Global's treasury department.

(iv) Currency Risk

Certain assets and liabilities are denominated in currencies other than sterling, the functional currency. The company is therefore exposed to currency risk, as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. Currency risk is managed by entering into hedging contracts that cover the currency exposures of the CPA Global group and its subsidiaries.

p) Financial assets and liabilities

The group classifies its financial assets in the following categories: fair value through profit or loss or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The directors determine the classification of financial assets at initial recognition.

i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The group's loans and receivables comprise debtors and cash and cash equivalents in the balance sheet.

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2015

1. PRINCIPAL ACCOUNTING POLICIES (continued)

p) Financial assets and liabilities (continued)

Regular purchases and sales of financial assets are recognised on the date of transaction. Financial assets carried at fair value through profit and loss account are initially recognised at fair value and the transaction costs are expensed through the consolidated profit and loss account. Financial assets are derecognised when the right to receive cash flows from them have expired or have been transferred. Financial assets at fair value through the profit and loss account are subsequently carried at fair value. Loans and receivables are carried at cost.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities are classified, measured and recognised in accordance with the contractual arrangements entered into.

q) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, cash balances with patent and trademark offices and agents, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within current liabilities on the balance sheet.

r) Trade creditors

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

s) Loans and other borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

t) Provisions and Contingencies

i) Provisions

A provision is created when a present liability of uncertain timing or amount exists.

Restructuring provisions are created when formal plans have been constructed which identify

- The business or part of a business concerned,
- The principal locations affected,
- The location function and approximate number of employees affected,
- The expenditure to be undertaken, and
- An implementation timescale.

In addition, a restructuring provision is only recognised when a valid expectation has been created in those affected by starting to implement the plan or announcing its main features.

ii) Contingencies.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2015

2. TURNOVER

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

3. OPERATING PROFIT BEFORE AMORTISATION OF GOODWILL AND EXCEPTIONAL COSTS

This is stated after charging

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Other operating income (representation fees) | (54,493) | (67,457) |
| Auditors' remuneration | | |
| - audit services | 43 | 65 |
| - non-audit services | 156 | 84 |
| Depreciation of owned assets and amortisation of development expenditure | 12,955 | 5,136 |
| Operating lease rentals - land and buildings | 3,047 | 3,876 |
| Profit on foreign exchange | (721) | (82) |
| Salaries and social security costs | 59,241 | 49,305 |
| Pension cost | 1,820 | 1,664 |

EMPLOYEE INFORMATION

| | Number 2015 | Number 2014 |
|--------------------------|----------------|----------------|
| By activity | | |
| Operations | 1,352 | 1,104 |
| Administration & Support | 290 | 292 |
| Sales & Marketing | 79 | 116 |
| | 1,721 | 1,512 |

4. INTEREST PAYABLE

| | 2015 £'000 | 2014 £'000 |
|--------------------------------|---------------|---------------|
| Bank loans and overdrafts | - | 71 |
| Interest on intercompany loans | 2,455 | 2,885 |
| | 2,455 | 2,956 |

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2015

5. TAXATION

The tax charge based on the results for the year is made up as follows

| | 2015 £'000 | 2014 £'000 |
|--|---------------------|---------------------|
| Current tax | | |
| Foreign tax | 3,660 | 4,972 |
| Adjustments in respect of previous years | 381 | (220) |
| Total current tax | <u>4,041</u> | <u>4,752</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (104) | 8 |
| Total Tax | <u>3,937</u> | <u>4,760</u> |

Factors affecting the current tax charge

| | | |
|--|----------------|--------------|
| (Loss) / Profit on ordinary activities before tax | <u>(6,573)</u> | <u>1,957</u> |
| (Loss) / Profit on ordinary activities multiplied by the standard rate of UK income tax of 20.67% (2014: 22.33%) | (1,359) | 437 |
| Overseas tax differential from UK tax rate | (292) | 3,284 |
| Expenses not deductible for taxation purposes | 5,311 | 1,251 |
| Adjustments relating to prior years | <u>381</u> | <u>(220)</u> |
| Total current tax | <u>4,041</u> | <u>4,752</u> |

6. DIRECTORS EMOLUMENTS

No directors received any emoluments from the company and group during the year (2014: Nil)

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2015

7. INTANGIBLE ASSETS

| <i>Group</i> | Goodwill | Development Expenditure | Total |
|--------------------------------|-----------------|------------------------------------|----------------|
| | £'000 | £'000 | £'000 |
| Cost | | | |
| At 1 August 2014 | 66,000 | 28,221 | 94,221 |
| Addition | - | 5,449 | 5,449 |
| Acquisition | 26,316 | - | 26,316 |
| Foreign Exchange Movements | 453 | (2,042) | (1,589) |
| As at 31 July 2015 | 92,769 | 31,628 | 124,397 |
| Amortisation | | | |
| At 1 August 2014 | 40,694 | 10,672 | 51,366 |
| Provided | 12,738 | 9,693 | 22,431 |
| Foreign Exchange Movements | 409 | (395) | 14 |
| As at 31 July 2015 | 53,841 | 19,970 | 73,811 |
| Net book value | | | |
| Net book value at 31 July 2015 | 38,928 | 11,658 | 50,586 |
| Net book value at 31 July 2014 | 25,306 | 17,549 | 42,855 |

The group assesses the useful life of all the assets on a regular basis. The group decided that one of the products "Memotech 6" will not be actively marketed in its current form. As a result, the amortisation of £5.6m has been charged on an accelerated basis to reduce its carrying value to nil and included in the development expenditure amortisation charge for the year.

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended
31st July 2015

8. TANGIBLE ASSETS

Group

| | Leasehold Improve- ments £'000 | Furniture and equipment £'000 | Computer equipment £'000 | Computer Programmes £'000 | Motor vehicles £'000 | Total £'000 |
|-------------------------------|---|--|--------------------------------|---------------------------------|----------------------------|----------------|
| Cost | | | | | | |
| At 1 August 2014 | 4,022 | 3,840 | 6,386 | 2,687 | 8 | 16,943 |
| Additions | 283 | 170 | 641 | 250 | - | 1,344 |
| Disposals | (367) | (617) | (414) | (5) | - | (1,403) |
| Acquisition | 20 | 502 | 876 | 478 | - | 1,876 |
| Foreign Exchange Movements | 49 | 77 | 136 | (443) | - | (181) |
| At 31 July 2015 | 4,007 | 3,972 | 7,625 | 2,967 | 8 | 18,579 |
| Depreciation | | | | | | |
| At 1 August 2014 | 1,791 | 2,825 | 4,308 | 1,494 | 8 | 10,426 |
| Provided | 1,518 | 157 | 776 | 811 | - | 3,262 |
| Disposals | (218) | (234) | (290) | (4) | - | (746) |
| Acquisition | 19 | 421 | 757 | 411 | - | 1,608 |
| Foreign Exchange Movements | 21 | 30 | 80 | (716) | - | (585) |
| At 31 July 2015 | 3,131 | 3,199 | 5,631 | 1,996 | 8 | 13,965 |
| Net book value | | | | | | |
| At 31 July 2015 | 876 | 773 | 1,994 | 971 | - | 4,614 |
| At 31 July 2014 | 2,231 | 1,015 | 2,078 | 1,193 | - | 6,517 |

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2015

9. INVESTMENTS

| Group | 2015 | 2014 |
|----------------|--------------|--------------|
| | £'000 | £'000 |
| Investments | 2,169 | - |
| Company | 2015 | 2014 |
| | £'000 | £'000 |
| Investments | 30,363 | 30,363 |

Details of the subsidiaries and associates in which the group holds any class of share capital are detailed in the table below. The Directors are of the opinion that the value of the investments is not less than cost.

| Name of subsidiary | Country of Operation | Holding (par value) | % voting rights held | Nature of business |
|--|-----------------------------|-----------------------------|-----------------------------|--|
| CPA Germany Holdings Limited | England & Wales | 1 share of £1 | 100% | Investment holding |
| CPAFH1 LTD | England & Wales | 1 share of £1 | 100% | Investment holding |
| CPAFH2 LTD | England & Wales | 1 share of £1 | 100% | Investment holding |
| CPAUSH LTD | England & Wales | 1 share of £1 | 100% | Investment holding |
| CPA Global Management Services Ltd | England & Wales | 2 shares of £1 | 100% | Sales and Marketing and support services |
| CPAAUH Limited | England & Wales | 1 share of £1 | 100% | Investment holding |
| CPA Global Software Solutions (UK) Limited | England & Wales | 1 share of £1 | 100% | IP Software Services |
| Trade Marks Directory Service | England & Wales | - | 100% | Trademark Watching |
| CPA Global Deutschland GmbH | Germany | 25,000 shares of Euro1 each | 100% | Sales and Marketing and support services |
| CPA Global Patent Research (Europe) GmbH | Germany | 25,000 shares of Euro1 each | 100% | Patent searching |
| CPA Global Software Solutions S A S | France | 1000 shares of Euro153 each | 100% | IP Software Services |
| CPA Global North America LLC | U S A | - | 100% | Sales and Marketing and support services |
| CPA Global Support Services LLC | U S A | - | 100% | IP Outsourcing |
| CPA Global Patent Research LLC | U S A | - | 100% | Patent research services |

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2015

9. INVESTMENTS (continued)

| Name of subsidiary | Country of Operation | Holding (par value) | % voting rights held | Nature of business |
|---|----------------------|-------------------------------------|----------------------|--|
| Patrafee UK Limited | England & Wales | 100 shares of £1 | 100% | IP software services |
| CPA Software Solutions (Canada) Inc | Canada | 100 shares of CAD\$1 each | 100% | Sales, marketing and support services |
| Cee-Bo Global IP Management Services (Shenzhen) Limited | China | - | 100% | Sales, marketing and support services |
| Landon IP (China) Limited | China | - | 100% | Patent search and analytics |
| Patrafee Oy AB | Finland | 10 shares of Euro1 each | 100% | Dormant |
| Memotech Holdings S N C | France | - | 100% | Investment holding |
| CPA Global (Asia) Limited | Hong Kong | 100 shares of HK\$1 each | 100% | Sales, marketing and support services |
| Landon IP (HK) Limited | Hong Kong | 1,001 shares of HK\$1 each | 100% | Investment holding |
| Landon IP India Private Limited | India | 150,000 shares of INR10 each | 100% | Patent search and analytics |
| Landon IP G K | Japan | - | 100% | Patent search and |
| CPA Global Korea Limited Liability Company | South Korea | 2,000 shares of KRW 5,000 each | 100% | Sales, marketing and support services |
| Ipendo B V | Netherland | 180 shares of Euro1 each | 100% | IP software services |
| CPA Global Sweden Holdings AB | Sweden | 50,000 shares of SEK1 each | 100% | Investment holding |
| CPA Global IP Management Consulting (Taiwan) Co Limited | Taiwan | 500,000 shares of NT\$10 each | 100% | Sales, marketing and support services |
| CPA US Holdings Inc | U S A | 100 common stock of US\$0.01 each | 100% | Investment holding |
| Ipendo Inc | U S A | 8,000 capital stock of US\$1 each | 100% | Patent renewals and IP software services |
| IP Development Venture LLC | U S A | - | 51% | Dormant |
| CPA Software Solutions (North America) Limited | U S A | 1,300 common stock | 100% | Investment holding |
| PortfolioIP LLC | U S A | - | 100% | Dormant |
| Patent Resources Group Inc | U S A | 1,000 common stock of US\$0.01 each | 100% | Patent search and analytics |
| SeekIP, LLC | U S A | - | 100% | Dormant |
| FoundationIP LLC | U S A | - | 100% | IP Software Services |
| CPA Global Software Solutions Australia Pty Limited | Australia | 3,600 shares of AUS\$1 each | 100% | IP Software Services |

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended
31st July 2015

9. INVESTMENTS (continued)

| Name of subsidiary | Country of Operation | Holding (par value) | % voting rights held | Nature of business |
|---|----------------------|-----------------------------|----------------------|--|
| CPA Global (Australia) Pty Limited | Australia | 1 share of AUS\$1 | 100% | Investment holding |
| CPA Global Support Services India Pvt Limited | India | 66,103 shares of INR10 each | 100% | IT enabled group support services and IP outsourcing |
| Ipendo Aktiebolag | Sweden | 114,800 (SEK 1) | 100% | Patent Renewals & IP Software Services |
| Ipendo Systems AB | Sweden | 1000 (SEK 1) | 100% | IP Software Services |
| First To File, Inc | U S A | 1,000 (USD 0 001) | 100% | IP Software Services |
| Patrafee Aktiebolag | Sweden | 175,860 (SEK 15) | 100% | IP Renewal and Software Services |
| Landon IP, Inc | U S A | 100,000 shares (USD 0 01) | 100% | Patent search and analytics |
| Landon IP Limited | England & Wales | 1 share of £1 | 100% | Patent search and analytics |

Companies where there is no share capital are either partnerships or limited liability companies without share capital

The following UK subsidiaries of the Group (together "the Exempt Subsidiaries"), having met the criteria set out in sections 479A - 479C of the Companies Act 2006, are claiming exemption from the audit of their individual accounts for the year ended 31st July 2015. No members of the Exempt Subsidiaries have required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006. The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records, and for the preparation of accounts. The Company has guaranteed the outstanding liabilities of each of the Exempt Subsidiaries that were outstanding as at 31st July 2015. Such liabilities are guaranteed until paid.

| Name of the subsidiary | Registration number |
|--|---------------------|
| CPA Global Management Services Ltd | 4087142 |
| CPA Global Software Solutions (UK) Ltd | 3376094 |
| CPA Germany Holdings Limited | 4148848 |
| CPAAUH Limited | 4365139 |
| CPAFH1 Ltd | 4076011 |
| CPAFH2 Ltd | 4075977 |
| CPAUSH Ltd | 4076839 |
| Patrafee UK Limited | 7611599 |
| Landon IP Limited | 7800044 |

On 24th July 2015, the company acquired a minority stake in Finline AG for a consideration of EUR 3 0m equivalent to £2 2m

| Name of Investment | Country of Operation | Holding (par value) | % voting rights held | Nature of business |
|--------------------|----------------------|-------------------------|----------------------|--------------------|
| Finline A G | Switzerland | 37 shares of EUR 1 each | 37% | Investment holding |

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended

31st July 2015

10. ACQUISITIONS

On 6th August 2014, the company, through its subsidiary CPA US Holdings, Inc , acquired a 100% interest in Landon IP, Inc and its subsidiaries (the Landon IP group), a leading search and analytics business, for a total consideration of USD 51.8m (equivalent to £30.8m)

Analysis of the acquisition of Landon IP group

Fair Value and Book Value of net assets at date of acquisition

| | Book Value | Revaluation | Fair Value |
|---|---------------------|-----------------|----------------------|
| | £'000 | £'000 | £'000 |
| Fixed assets | | | |
| Tangible assets | 269 | - | 269 |
| Development expenditure | - | - | - |
| | <u>269</u> | <u>-</u> | <u>269</u> |
| Current assets | | | |
| Debtors | 2,193 | - | 2,193 |
| Other debtors, prepayment and accrued income | 235 | - | 235 |
| Cash at bank and in hand | 2,741 | - | 2,741 |
| | <u>5,169</u> | <u>-</u> | <u>5,169</u> |
| Total assets | <u>5,438</u> | <u>-</u> | <u>5,438</u> |
| Liabilities falling due within one year | 1,034 | - | 1,034 |
| Liabilities falling due in more than one year | - | - | - |
| Total Liabilities | <u>1,034</u> | <u>-</u> | <u>1,034</u> |
| Net Liabilities | <u>4,404</u> | <u>-</u> | <u>4,404</u> |
| Purchase consideration | | | |
| Payable to vendors | | | 29,753 |
| Transaction costs | | | 1,000 |
| Goodwill on acquisition | | | <u>26,349</u> |
| Consideration | | | |
| Consideration satisfied by . | | | |
| Cash | | | 30,753 |
| Total | | | <u>30,753</u> |

The goodwill arising on acquisition of Landon IP group is being amortised on a straight line basis over five years in line with group accounting policy

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2015

11. DEBTORS: amounts falling due within one year

| Group | 2015 £'000 | 2014 £'000 |
|--|-----------------------|-----------------------|
| Trade debtors | 15,050 | 12,468 |
| Amounts owed by group undertakings (companies with same beneficial ownership outside consolidated group) | 47,037 | 29,440 |
| Other debtors | 5,489 | 2,220 |
| Prepayments and accrued income | 2,790 | 2,907 |
| Deferred tax asset | 171 | 155 |
| Income tax debtor | 535 | 366 |
| | <u>71,072</u> | <u>47,556</u> |
| Company | 2015 £'000 | 2014 £'000 |
| Amounts owed by group undertakings | - | 3 |
| Other debtors | 31 | - |
| | <u>31</u> | <u>3</u> |

Amounts owed by other group companies are unsecured, interest free and repayable on demand

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2015

12. CREDITORS. amounts falling due within one year

| Group | 2015 £'000 | 2014 £'000 |
|---|---------------|---------------|
| Trade creditors | 1,087 | 1,044 |
| Charges to clients in advance | 9,482 | 8,318 |
| Amounts due to group undertakings (companies with same beneficial ownership outside consolidated group) | 65,979 | 59,732 |
| Other creditors including taxation and social security | 2,120 | 1,946 |
| Accruals and deferred income | 14,836 | 12,114 |
| | <u>93,504</u> | <u>83,154</u> |

Amounts due to other group companies are unsecured, interest free and repayable on demand. These liabilities are unlikely to be required to be repaid in the foreseeable future.

| Company | 2015 £'000 | 2014 £'000 |
|-----------------------------------|---------------|---------------|
| Income Tax | 288 | 94 |
| Amounts due to group undertakings | 57 | 8 |
| | <u>345</u> | <u>102</u> |

13. CREDITORS. amounts falling due after more than one year

| Group | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Amounts due to group undertakings (see note below) | 57,728 | 28,287 |
| | <u>57,728</u> | <u>28,287</u> |

| Company | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Intercompany Payables (see note below) | 57,728 | 28,286 |
| | <u>57,728</u> | <u>28,286</u> |

On 21st Jan 2014, the company issued loan notes of SEK 322 million to Computer Patent Annuities Holdings Limited. It carries an interest rate of LIBOR plus 3.5% and is repayable on 31st July 2024.

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2015

14. LOANS

Group

| | 2015 £'000 | 2014 £'000 |
|----------------------------------|---------------|---------------|
| Amounts falling due | | |
| In one year or less or on demand | - | - |
| Between one and two years | - | - |
| Between two and five years | - | - |
| In five years or more | 57,728 | 28,287 |
| | <u>57,728</u> | <u>28,287</u> |

15. PROVISION FOR RESTRUCTURING

| | 2015 £'000 | 2014 £'000 |
|------------------------------|---------------|---------------|
| As at 1 st August | 5,552 | 96 |
| Provision for Restructuring | 5,072 | 5,425 |
| Finance Charges | - | 305 |
| Reversed during the period | (3,668) | - |
| Utilised during the period | (1,884) | (274) |
| As at 31 st July | <u>5,072</u> | <u>5,552</u> |

During 2015, a provision was created for restructuring amounting to £5,072k (2014 £5,425k) in respect of costs incurred with regards to termination of leases (net of sublease income), redundancy and termination cost, legal fees and other similar costs associated with the operational restructuring of certain areas of the group to consolidate specific operations and processes to drive future efficiencies. During the year, the group entered into a sub lease agreement for one of the properties and accordingly an amount of £3,668k towards the provision created in year 2014 has been reversed during the year.

The Directors are satisfied that the restructuring provision represents the best estimate of present obligations arising from the group restructuring plan approved by the Board. The Directors acknowledge that the timing and the costs associated with the provision for restructuring may be subject to change but this is not considered to be materially different to the amount disclosed.

Maturity profile of provisions

| | 2015 £'000 | 2014 £'000 |
|----------------------------|---------------|---------------|
| Within 1 year | 2,904 | 1,846 |
| Between one and two years | 787 | 262 |
| Between two and five years | 753 | 1,539 |
| After five years | 628 | 1,905 |
| | <u>5,072</u> | <u>5,552</u> |

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2015

16. OPERATING LEASES AND OTHER COMMITMENTS

Group

| | 2015 £'000 | 2014 £'000 |
|---|---------------|---------------|
| Operating lease payments payable within one year of the balance sheet date were in respect of leases expiring | | |
| Within one year | 695 | 349 |
| Between one and five years | 937 | 1,501 |
| After five years | 1,589 | 1,573 |
| Total payable within one year | <u>3,221</u> | <u>3,423</u> |

17. SHARE CAPITAL

Company

| | 2015 £'000 | 2014 £'000 |
|---|---------------|---------------|
| Ordinary Shares | | |
| Authorised | | |
| 1,000 ordinary shares of £1 each | <u>1</u> | <u>1</u> |
| Issued, called up and fully paid | | |
| 1 ordinary share of £1 | <u>-</u> | <u>-</u> |

18. RESERVES

| Group | Profit and Loss Reserve | Translation Reserve | Total |
|-------------------------------------|-------------------------------|------------------------|-----------------|
| | £'000 | £'000 | £'000 |
| As at 1 st August 2014 | (3,227) | (2,902) | (6,129) |
| Loss for the period | (10,614) | - | (10,614) |
| Transfer to Profit and Loss Account | - | - | - |
| Exchange movements | - | 3,572 | 3,572 |
| As at 31 st July 2015 | <u>(13,841)</u> | <u>670</u> | <u>(13,171)</u> |

Company

| | Profit and loss account | |
|---|-------------------------|---------------|
| | 2015 £'000 | 2014 £'000 |
| At 1 August | 1,978 | 3 |
| Retained profit for the year after taxation | <u>2,460</u> | <u>1,975</u> |
| At 31 July | <u>4,438</u> | <u>1,978</u> |

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 for the year ended
31st July 2015

19. NOTES TO THE GROUP STATEMENT OF CASH FLOWS

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

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Operating profit before financing costs and amortisation of goodwill | 8,799 | 16,738 |
| Amortisation of Development Expenditure | 9,693 | 2,911 |
| Depreciation of tangible fixed assets | 3,262 | 2,225 |
| (Increase)/Decrease in debtors | (23,947) | 10,570 |
| Increase/(Decrease) in creditors | 7,869 | (29,751) |
| Exchange differences | 1,479 | 6,426 |
| Net cash inflow from operating activities | 7,155 | 9,119 |

b) Analysis of changes in net cash

| | At 1 August 2014 £'000 | On Acquisition £'000 | Borrowed during the period £'000 | Accrued Interest £'000 | Exchange Movement £'000 | Cash flow £'000 | At 31 July 2015 £'000 |
|--|---------------------------------|----------------------------|---|------------------------------|-------------------------------|--------------------|-----------------------------|
| Cash at bank and in hand | 13,936 | 2,741 | - | - | (280) | (1,705) | 14,692 |
| Loan from Computer Patent Annuities Holdings Limited | (28,287) | - | (32,117) | (1,024) | 3,700 | - | (57,728) |
| Total | (14,351) | 2,741 | (32,117) | (1,024) | 3,420 | (1,705) | (43,036) |
| Loans | - | - | - | - | - | - | - |
| Net Debt | (14,351) | 2,741 | (32,117) | (1,024) | 3,420 | (1,705) | (43,036) |

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended
31st July 2015

20. RELATED PARTY DISCLOSURES

Transactions between the group and the other fellow subsidiaries under the parent group consisted of the following

| | 2015 £'000 | 2014 £'000 |
|-----------------------|---------------|---------------|
| Provision of Services | <u>38,681</u> | <u>51,480</u> |

21. CONTINGENT LIABILITIES

There are no contingent liabilities that require disclosure in the financial statements

22. PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The immediate parent undertaking is Computer Patent Annuities Holdings Limited, a company registered in Jersey, Channel Islands. The ultimate parent is Redtop Holdings Limited, a company incorporated in Jersey, Channel Islands. The directors consider Cinven Limited, a company incorporated in England and Wales, to be the ultimate controlling party of the Group. Cinven Limited manages and advises a number of funds which collectively hold a majority of voting rights in the group.

The exemptions within FRS 8 allow the company not to disclose transactions with entities that are part of the Cinven Limited Group.