

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

**Annual Report for the year ended
31st July 2014**

Registered No. 4016625

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COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Director's report for the year ended 31st July 2014

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 2014.

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 profit of £1,957k (2013: Profit £6,831k). Equity shareholders funds amount to a deficit of £6,129k (2013: £3,142k).

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 2014 (2013: £Nil).

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

**Director's report for the year ended
31st July 2014 (continued)**

DIRECTORS AND THEIR INTERESTS

The directors of the company, who held office during the year, and subsequently, were:

G.J. Delaney	(resigned 23 June 2014)
W.F. Fagan	(resigned 31 Dec 2013)
T.P. Griffiths	(appointed 13 March 2014)
A. Marnoch	(appointed 11 Dec 2013)
P. L. Sewell	(resigned 31 March 2014)
S. L. Webster	

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

SECRETARY

The role of secretary is performed by the directors.

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information of which the group and company's auditors are unaware; and each director has taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group and the company's auditors are aware of that information.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers CI LLP, have indicated their willingness to continue in office.

By order of the board



A. Marnoch
Director
Company Registered No. 4016625
11 DEC 2014

Registered office:

1 Cathedral Piazza
London SW1E 5BP

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31st JULY 2014

The directors present their strategic report of Computer Patent Annuities International Limited and its subsidiaries ("the group") for the year ended 31st July 2014.

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 areas of expansion in recent time have been in Asia and the Nordic regions. The group is primarily engaged in 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. 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 £ 16.7m (2013: Profit of £ 11.5m).

During the year, the directors approved a group wide restructuring plan. A restructuring provision of £ 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.

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

During the year, the company issued loan notes of SEK 322.2m favouring Computer Patent Annuities Holdings Limited to fund the acquisition of Patrafee Aktiebolag. This loan is to be paid on or before 31st July 2024.

On 21st January 2014, the company acquired a majority interest in Patrafee Aktiebolag group, for a total consideration of SEK 209.6m equivalent to £19.8m. This transaction has been accounted for as an acquisition in accordance with Financial Reporting Standard ("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	2014	2013
	£'000	£'000
Income	57,772	43,750
Employment Cost	50,969	43,370
Headcount	1,512	1,352
Employment cost per Headcount (£)	33,710	32,078
EBITDA (after restructuring costs)	16,449	14,900
EBITDA (as % of income)	28.5%	34.1%
Operating Profit	16,738	11,519
Operating Profit Ratio	29.0%	26.3%



A. Marnoch

Director

Company Registered No. 4016625

11 DEC 2014

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

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's and of the company's affairs as at 31 July 2014 and of the group's profit 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and company financial statements (the "financial statements"), which are prepared by Computer Patent Annuities International Limited, comprise:

- the consolidated group and company Balance Sheet as at 31 July 2014;
- the consolidated profit and loss account for the year then ended;
- the Group 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 their preparation 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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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 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 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.

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 parent company, or returns adequate for our audit have not been received from companies not visited by us; or
- the parent 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 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.



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

\\ December 2014

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st July 2014

	Notes	2014 £'000	2013 £'000
TURNOVER			
Continuing Operations		37,439	43,124
Acquisitions		20,333	626
	2	<u>57,772</u>	<u>43,750</u>
Cost of sales			
Continuing Operations		(275)	(9,500)
Acquisitions		(17,580)	(58)
		<u>(17,855)</u>	<u>(9,558)</u>
GROSS PROFIT			
Continuing Operations		37,164	33,624
Acquisitions		2,753	568
		<u>39,917</u>	<u>34,192</u>
Administrative expenses			
Continuing Operations		(88,747)	(76,691)
Acquisitions		(1,889)	(569)
		<u>(90,636)</u>	<u>(77,260)</u>
Other operating income			
Continuing Operations		67,457	54,587
Acquisitions		-	-
		<u>67,457</u>	<u>54,587</u>
OPERATING PROFIT			
Continuing Operation		15,874	11,520
Acquisitions		864	(1)
		<u>16,738</u>	<u>11,519</u>
TOTAL OPERATING PROFIT BEFORE FINANCING COSTS AND AMORTISATION OF GOODWILL	3	16,738	11,519
Amortisation of Goodwill	7	(6,125)	(4,456)
Restructuring Costs	15	(5,425)	-
Finance Charges	15	(305)	-
Interest receivable		30	91
Interest payable	4	(2,956)	(323)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,957</u>	<u>6,831</u>
Taxation on profit on ordinary activities	5	(4,752)	(3,517)
RETAINED (LOSS)/PROFIT FOR THE YEAR		<u>(2,795)</u>	<u>3,314</u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st July 2014

(LOSS)/PROFIT FOR THE FINANCIAL YEAR	(2,795)	3,314
Movement in translation reserve	(192)	(995)
TOTAL RECOGNISED (LOSS)/PROFIT FOR THE YEAR	<u>(2,987)</u>	<u>2,319</u>

Continuing operations : All operations of the group are continuing.

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

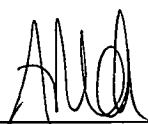
COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

CONSOLIDATED BALANCE SHEET

as at 31st July 2014

	Notes	2014 £'000	2013 £'000
FIXED ASSETS			
Intangible fixed assets	7	42,855	28,725
Tangible fixed assets	8	6,517	7,863
		<u>49,372</u>	<u>36,588</u>
CURRENT ASSETS			
Debtors	11	47,556	61,300
Cash at bank and in hand	19 (b)	13,936	14,994
		<u>61,492</u>	<u>76,294</u>
CREDITORS: amounts falling due within one year	12	<u>(83,154)</u>	<u>(111,819)</u>
NET CURRENT LIABILITIES		<u>(21,662)</u>	<u>(35,525)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		27,710	1,063
CREDITORS: amounts falling due after more than one year	13	(28,287)	(4,109)
		<u>(577)</u>	<u>(3,046)</u>
PROVISION FOR RESTRUCTURING	15	(5,552)	(96)
NET LIABILITIES		<u>(6,129)</u>	<u>(3,142)</u>
CAPITAL AND RESERVES			
Called up share capital		-	-
Profit and loss reserves	18	(6,129)	(3,142)
		<u>(6,129)</u>	<u>(3,142)</u>

The financial statements on pages 6 to 27 were approved by the board of directors on ~~11 December 2014~~ 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 2014

	Notes	2014 £	2013 £
FIXED ASSETS			
Investments	9	30,363,077	8
CURRENT ASSETS			
Debtors	11	3,137	3,259
CREDITORS: amounts falling due within one year	12	(101,867)	(95)
NET CURRENT ASSETS		(98,729)	3,164
TOTAL ASSETS LESS CURRENT LIABILITIES		30,264,347	3,172
CREDITORS: amounts falling due after more than one year	13	(28,286,666)	-
NET ASSETS		1,977,681	3,172
CAPITAL AND RESERVES			
Called up share capital	17	1	1
Profit and loss reserves	18	1,977,680	3,171
EQUITY SHAREHOLDER'S FUNDS		1,977,681	3,172

The financial statements on pages 6 to 27 were approved by the board of directors on 11 December 2014 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 2014

	<i>Notes</i>	2014 £'000	2013 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	19(a)	<u>9,119</u>	<u>16,945</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		30	91
Interest paid		<u>(71)</u>	<u>(323)</u>
		(41)	(232)
TAXATION			
Tax paid		<u>(5,384)</u>	<u>(3,228)</u>
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(1,469)	(3,268)
Payments to acquire intangible fixed assets		<u>(8,638)</u>	<u>(5,711)</u>
		(10,107)	(8,979)
ACQUISITIONS			
Acquisition of subsidiary		(19,752)	(4,431)
		<u>(19,752)</u>	<u>(4,431)</u>
NET CASH FLOW BEFORE FINANCING		(26,165)	75
FINANCING			
Loan from Computer Patent Annuities Holdings Limited		28,287	-
Loan from Banks		<u>(4,109)</u>	<u>4,109</u>
Increase in cash in the year		<u>(1,987)</u>	<u>4,184</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase in cash in the year	19(b)	(1,987)	4,184
On Acquisitions	19(b)	2,159	66
Loan from Computer Patent Annuities Holdings Limited	19(b)	(28,287)	-
Exchange movement	19(b)	(1,230)	238
Increase in bank loans	19(b)	<u>4,109</u>	<u>(4,109)</u>
Change in net cash		(25,236)	379
NET CASH AT 1 AUGUST		<u>10,885</u>	<u>10,506</u>
NET CASH AT 31 JULY	19(b)	<u>(14,351)</u>	<u>10,885</u>

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2014

1. PRINCIPAL ACCOUNTING POLICIES

a) Basis of Preparation

These consolidated financial statements for the year ended 31st July 2014 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 and all of its subsidiary entities and to meet each entities 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.

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 2014

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

Land and Buildings are shown at fair value based on valuations by external independent valuers. Valuations are performed with sufficient regularity to ensure that the fair value of revalued asset does not differ materially from its carrying amount. 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, etc., 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 2014

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 Limited (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 31st July 2014 amounted to £451k (2013: £341k).

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 in subsidiary undertakings are carried at cost with the exception of the investments 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 2014

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 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 up to 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 risk 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 in to 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

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 2014

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

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.

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 2014

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 FINANCING COSTS AND AMORTISATION OF GOODWILL

This is stated after charging:

	2014 £'000	2013 £'000
Other operating income (representation fees)	67,457	54,587
Auditors' remuneration		
- audit services	65	83
- non-audit services	84	170
Depreciation of owned assets and amortisation of development expenditure	5,136	3,381
Operating lease rentals - land and buildings	3,876	3,111
(Profit)/Loss on foreign exchange	(82)	(462)
Salaries and social security costs	49,305	42,048
Pension cost	1,664	1,322

EMPLOYEE INFORMATION

	Number 2014	Number 2013
By activity		
Operations	1,104	978
Administration & Support	292	267
Sales & Marketing	116	107
	1,512	1,352

4. INTEREST PAYABLE

	2014 £'000	2013 £'000
Bank loans and overdrafts	71	323
Interest on intercompany loans	2,885	-
	2,956	323

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2014

5. TAXATION

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

	2014 £'000	2013 £'000
Current tax		
Foreign tax	4,972	3,763
Adjustments in respect of previous years	(220)	(221)
Total current tax	<u>4,752</u>	<u>3,542</u>
Deferred tax		
Origination and reversal of timing differences	8	(25)
Total Tax	<u>4,760</u>	<u>3,517</u>
Factors affecting the current tax charge		
Profit/(Loss) on ordinary activities before tax	<u>1,957</u>	<u>6,831</u>
Profit on ordinary activities multiplied by the standard rate of UK income tax of 22.33% (2013: 23.67%)	437	1,617
Overseas tax differential from 22.33% tax rate	3,284	291
Expenses not deductible for taxation purposes	1,251	1,855
Adjustments relating to prior years	<u>(220)</u>	<u>(221)</u>
Total current tax	<u>4,752</u>	<u>3,542</u>

6. DIRECTORS EMOLUMENTS

No directors received any emoluments from the company and group during the year (2013: £Nil).

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2014

7. INTANGIBLE ASSETS

Group

	Goodwill	Development Expenditure	Total
	£'000	£'000	£'000
Cost			
At 1 August 2013	52,937	20,887	73,824
Addition	-	8,638	8,638
Acquisition	18,772	314	19,086
Foreign Exchange Movements	(5,709)	(1,618)	(7,327)
As at 31 July 2014	66,000	28,221	94,221
Amortisation			
At 1 August 2013	36,783	8,316	45,099
Provided	6,125	2,911	9,036
Acquisition	-	-	-
Foreign Exchange Movements	(2,214)	(555)	(2,769)
As at 31 July 2014	40,694	10,672	51,366
Net book value			
Net book value at 31 July 2014	25,306	17,549	42,855
Net book value at 31 July 2013	16,154	12,571	28,725

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended
31st July 2014

8. TANGIBLE ASSETS Group

	Leasehold Improve- ments	Furniture and equipment	Computer equipment	Computer Programmes	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 August 2013	3,538	3,960	7,281	2,852	8	17,639
Additions	897	294	125	270	-	1,586
Disposals	(237)	(107)	(431)	-	-	(775)
Acquisition	28	1	19	-	-	48
Foreign Exchange Movements	(204)	(308)	(608)	(435)	-	(1,555)
At 31 July 2014	4,022	3,840	6,386	2,687	8	16,943
Depreciation						
At 1 August 2013	1,348	2,597	4,625	1,198	8	9,776
Provided	724	465	285	751	-	2,225
Disposals	(172)	(77)	(409)	-	-	(658)
Acquisition	-	-	-	-	-	-
Foreign Exchange Movements	(109)	(160)	(193)	(455)	-	(917)
At 31 July 2014	1,791	2,825	4,308	1,494	8	10,426
Net book value						
At 31 July 2014	2,231	1,015	2,078	1,193	-	6,517
At 31 July 2013	2,190	1,363	2,656	1,654	-	7,863

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2014

9. INVESTMENTS

Company

	2014	2013
	£	£
Subsidiary Undertakings	30,363,077	8

Details of the directly held and material subsidiaries in which the group holds 50% or more of the nominal value of any class of share capital are detailed in the table below. Subsidiaries whose activity is not material to the group and intermediate investment holding companies have been excluded. The Directors are of the opinion that the value of the investments is at least cost.

Name of subsidiary	Country of Operation	Holding (par value)	% voting rights held	Nature of business
CPA Global Management Services Ltd	England & Wales	2 shares of £1	100%	Sales and Marketing and support services
CPA Global Software Solutions (UK) Limited	England & Wales	1 share of £1	100%	IP Software Support
Trade Marks Directory Service	England & Wales	-	100%	Trademarks Watching
CPA Global Deutschland GmbH	Germany	25,000 shares of Euro1 each	100%	IP Software Support
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 Support
CPA Global North America LLC	U.S.A.	-	100%	Sales and Marketing and support services

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2014

9. INVESTMENTS (continued)

Name of subsidiary	Country of Operation	Holding (par value)	% voting rights held	Nature of business
FoundationIP LLC	U.S.A.	-	100%	Software sales & support
CPA Global Software Solutions Australia Pty Limited	Australia	3,600 shares of AUS\$1 each	100%	Software development
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 1)	100%	IP Renewal and Software Services

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

During the year, the company made further investment in one of its subsidiaries, CPA Global Management Services Ltd, for an amount of £ 30.0m of which £ 19.8m was used to fund the acquisition of Patrafee Aktiebolag group and £ 10.2m was invested as capital contribution to support the losses in its Nordic subsidiaries.

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2014

10. ACQUISITIONS

On 21st January 2014, the Company acquired the majority interest in Patrafee Aktiebolag group, for a total consideration of SEK 209.6m equivalent to £19.8m.

Analysis of the acquisition of Patrafee Aktiebolag 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	49	-	49
Development expenditure	314	-	314
	<u>363</u>	<u>-</u>	<u>363</u>
Current assets			
Debtors	3,757	-	3,757
Cash at bank and in hand	2,159	-	2,159
	<u>5,916</u>	<u>-</u>	<u>5,916</u>
Total assets	<u>6,279</u>	<u>-</u>	<u>6,279</u>
Liabilities falling due within one year	5,299	-	5,299
Liabilities falling due in more than one year	-	-	-
Total Liabilities	<u>5,299</u>	<u>-</u>	<u>5,299</u>
Net Liabilities	<u>980</u>	<u>-</u>	<u>980</u>
Purchase consideration			
Payable to vendors			19,752
Goodwill on acquisition			<u>18,772</u>
Consideration			
Consideration satisfied by :			
Cash			18,952
Payment of buy side deal and arrangement fees			800
Total			<u>19,752</u>

The goodwill arising on acquisition of Patrafee Aktiebolag 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 2014

11. DEBTORS: amounts falling due within one year

Group	2014 £'000	2013 £'000
Trade debtors	12,468	8,104
Amounts owed by group undertakings (companies with same beneficial ownership outside consolidated group)	29,440	48,561
Other debtors	2,220	1,848
Prepayments and accrued income	2,907	2,485
Deferred tax asset	155	195
Income tax debtor	366	107
	<u>47,556</u>	<u>61,300</u>
Company	2014 £	2013 £
Amounts owed by group undertakings	3,137	3,259
Other debtors	-	-
	<u>3,137</u>	<u>3,259</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 2014

12. CREDITORS: amounts falling due within one year

Group	2014 £'000	2013 £'000
Trade creditors	1,044	962
Charges to clients in advance	8,318	5,456
Amounts due to group undertakings (companies with same beneficial ownership outside consolidated group)	59,732	90,152
Income tax	-	414
Other creditors including taxation and social security	1,946	1,099
Accruals and deferred income	12,114	13,736
	<u>83,154</u>	<u>111,819</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	2014 £	2013 £
Accruals and deferred income	92	95
Income Tax	93,566	-
Amounts due to group undertakings	8,209	-
	<u>101,867</u>	<u>95</u>

13. CREDITORS: amounts falling due within more than one year

Group	2014 £'000	2013 £'000
Amounts due to group undertakings (see note below)	28,287	-
Bank loans (see note 14)	-	4,109
	<u>28,287</u>	<u>4,109</u>

Company	2014 £	2013 £
Accruals and deferred income	-	-
Income Tax	-	-
Intercompany Payables (see note below)	28,286,666	-
	<u>28,286,666</u>	<u>-</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 2014

14. LOANS

Group

	2014 £'000	2013 £'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	28,287	4,109
	<u>28,287</u>	<u>4,109</u>

In the year 2013, a loan of USD 6,250k was drawn to finance acquisition of First to File Inc. bearing interest at LIBOR + 4.5%.

15. PROVISION FOR RESTRUCTURING

	2014 £'000	2013 £'000
As at 1 st August	96	873
Provision for Restructuring	5,425	-
Finance Charges	305	-
Utilised during the period	(274)	(777)
As at 31 st July	<u>5,552</u>	<u>96</u>

During 2014, a provision was created for restructuring amounting to £5,425k (2013: Nil) in respect of costs incurred with regards to termination of leases, 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. 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.

Finance charges of £ 305k (2013: £Nil) represents discounting of restructuring provision in line with FRS-12.

Maturity profile of provisions

	2014 £'000	2013 £'000
Within 1 year	1,846	96
Between one and two years	262	-
Between two and five years	1,539	-
After five years	1,905	-
	<u>5,552</u>	<u>96</u>

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2014

16. OPERATING LEASES AND OTHER COMMITMENTS

Group

	2014 £'000	2013 £'000
Operating lease payments payable within one year of the balance sheet date were in respect of leases expiring:		
Within one year	349	277
Between one and five years	1,501	1,658
After five years	1,573	1,131
Total payable within one year	<u>3,423</u>	<u>3,066</u>

17. SHARE CAPITAL

Company

	2014 £	2013 £
Ordinary Shares		
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Issued, called up and fully paid		
1 ordinary share of £1	<u>1</u>	<u>1</u>

18. RESERVES

Group	Profit and Loss Reserve	Translation Reserve	Total
	£'000	£'000	£'000
As at 1 st August 2013	(432)	(2,710)	(3,142)
Loss for the period	(2,795)	-	(2,795)
Transfer to Profit and Loss Account	-	-	-
Exchange movements	-	(192)	(192)
As at 31 st July 2014	<u>(3,227)</u>	<u>(2,902)</u>	<u>(6,129)</u>

Company	Profit and loss account	
	2014 £	2013 £
At 1 August	3,171	3,035
Retained profit/(loss) for the year after taxation	<u>1,974,509</u>	<u>136</u>
At 31 July	<u>1,977,680</u>	<u>3,171</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 2014

19. NOTES TO THE GROUP STATEMENT OF CASH FLOWS

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

	2014 £'000	2013 £'000
Operating profit before financing costs and amortisation of goodwill	16,738	11,519
Amortisation of Development Expenditure	2,911	1,147
Depreciation of tangible fixed assets	2,225	2,233
Decrease / (Increase) in debtors	10,570	4,294
Increase/(Decrease) in creditors	(29,751)	(1,200)
Exchange differences	6,426	(1,048)
Net cash inflow from operating activities	9,119	16,945

b) Analysis of changes in net cash

	At 1 August 2013 £'000	On Acquisition £'000	Borrowed during the period £'000	Accrued Interest £'000	Exchange Movement £'000	Cash flow £'000	At 31 July 2014 £'000
Cash at bank and in hand	14,994	2,159	-	-	(1,230)	(1,987)	13,936
Loan from Computer Patent Annuities Holdings Limited	-	-	(28,287)	-	-	-	(28,287)
Bank overdrafts	-	-	-	-	-	-	-
Total	14,994	2,159	(28,287)	-	(1,230)	(1,987)	(14,351)
Loans	(4,109)	-	-	-	-	4,109	-
Net Cash	10,885	2,159	(28,287)	-	(1,230)	2,122	(14,351)

COMPUTER PATENT ANNUITIES INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st July 2014

20. RELATED PARTY DISCLOSURES

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

	2014 £'000	2013 £'000
Provision of Services	51,480	42,025

21. CONTINGENT LIABILITIES

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

22. POST BALANCE SHEET EVENTS

On 6th August 2014, the group acquired 100% stake in Landon IP, Inc. US for a total consideration of US \$51m (GBP 30m). Landon IP has expertise in Patent Search and Analytics services.

23. PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The immediate parent undertaking is CPA Global 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 manage and advise a number of funds which collectively hold a majority of voting rights in the group.

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