

Adobe Systems Europe Limited
Directors' Report and Financial Statements
Year Ended 30 November 2012

SC 101689

FRIDAY



S2FU5A43

SCT

30/08/2013

#783

COMPANIES HOUSE

CONTENTS

	Page
DIRECTORS AND OTHER INFORMATION	2
DIRECTORS' REPORT	3 - 4
STATEMENT OF DIRECTORS' RESPONSIBILITIES	5
INDEPENDENT AUDITORS' REPORT	6 - 7
PROFIT AND LOSS ACCOUNT	8
BALANCE SHEET	9
NOTES TO THE FINANCIAL STATEMENTS	10 - 21

DIRECTORS AND OTHER INFORMATION

Board of Directors

Keith San Felipe (US)
Richard Rowley (US)
Mark Zablan (US)

Solicitors

Messrs Maclay, Murray & Spens
151 St. Vincent Street
Glasgow
G2 5NJ

Secretary and Registered Office

Messrs Maclay, Murray & Spens
1 George Square
Glasgow
G2 1AL
United Kingdom

Bankers

Bank of America
5, Canada Square
London, E14 5AQ

Registered Number: SC101089

Auditors

KPMG
1 Stokes Place
St Stephen's Green
Dublin 2
Ireland

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 November 2012.

Principal activities

The principal activity of the company during the year was sales solicitation and marketing of Adobe products on behalf of other group companies.

Results and dividends

The results for the year ended 30 November 2012 are summarised on note 21. The company made a dividend to its parent during the year in the amount of £7,500,000 (2011: a distribution of £2,418,000). A final dividend of £4,000,000 is planned to be declared and paid.

Review of development and performance of the business and its financial position

Both the level of business and the period end financial position were satisfactory. Turnover increased by 8% compared with 2011. Headcount increased by 16% to 417. The company remains in a strong financial position with net assets of £4,635,000 at the end of 2012.

Future development

The company is expecting its operations to remain stable for the near term, but is dependent on current economic climate changes.

Research and development

The company undertakes limited research and development activities.

Post balance sheet events

There are no post balance sheet events.

Directors

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

R Rowley	(US)	
J Nemeth	(US)	to 20 February 2013
S Van Herck	(Belgium)	to 24 September 2012
Mark Zablan	(US)	from 8 January 2013
Keith San Felipe	(US)	from 26 February 2013

The company is a wholly owned subsidiary of a company incorporated outside Great Britain. As permitted by Statutory Instrument, no disclosure is made of any interest of the directors in the shares of the ultimate parent Adobe Systems Inc.

Qualifying third party indemnity provisions

During the year, and up to the date of approval of the financial statements, the group had in place third party indemnity provision for the benefit of all the directors of the company.

Principal risks and uncertainties facing the company

Credit risk

The company trades with a small number of group companies and credit risk is deemed to be low.

Currency risk

The majority of revenues and purchases are in GBP so currency risk is deemed to be low.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations, ensuring there are adequate funds to meet potential liabilities.

DIRECTORS' REPORT CONTINUED

Cash flow risk

Cash flow risk is the risk that inflows and outflows of cash and cash equivalents will not be sufficient to finance day-to-day operations of the company. The company manages cash flow risk by maintaining funds to enable them to meet their liabilities as they fall due.

Statement of disclosure of information to auditors

Each of the persons who are directors as at 30 November 2012 confirms that:

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

Books of account

The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at Adobe Systems Software Ireland Limited, 4-6 Riverwalk, Citywest Business Park, Dublin 24, Ireland.

Political donations

The company made no political donations during the year.

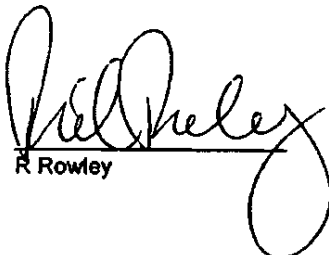
Policy and practice of payment

The company endeavours to agree terms of payment with suppliers prior to placing business. This ensures that suppliers are aware of the terms of payment in advance. It is the company's policy to pay to agreed terms.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors KPMG will be deemed to be reappointed and will continue in office.

On behalf of the board



R Rowley

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADOBE SYSTEMS EUROPE LIMITED

We have audited the financial statements of Adobe Systems Europe Limited for the year ended 30 November 2012 which comprise the Profit and Loss Account, Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company 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 director's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADOBE SYSTEMS EUROPE LIMITED *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Michael Gibbons (*Senior Statutory Auditor*)
For and on behalf of KPMG, Statutory Auditor
Chartered Accountants
1 Stokes Place
St Stephen's Green
Dublin 2

12 August 2013

PROFIT AND LOSS ACCOUNT
Year ended 30 November 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	67,181	62,117
Administrative expenses		<u>(68,877)</u>	<u>(63,648)</u>
Loss on ordinary activities before exceptional item	3	(1,696)	(1,531)
Exceptional item	4	<u>-</u>	<u>(1,006)</u>
Loss on ordinary activities before interest and taxation		(1,696)	(2,537)
Interest receivable and similar income	7	1	-
Interest payable and similar charges	8	<u>(92)</u>	<u>(70)</u>
Loss on ordinary activities before taxation		(1,787)	(2,607)
Taxation on loss on ordinary activities	9	<u>(439)</u>	<u>(1,958)</u>
Loss for the year	21	<u>(2,226)</u>	<u>(4,565)</u>

All amounts above relate to continuing activities.

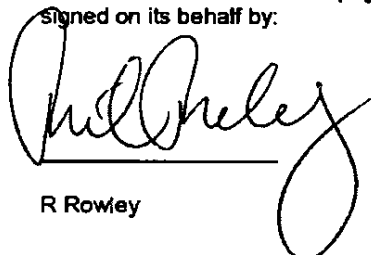
There are no differences between the loss on ordinary activities before taxation and the loss retained above and their historical equivalents.

The company had no gains or losses in the current or previous financial year other than those shown above and accordingly, no statement of total recognised gain and losses has been presented.

BALANCE SHEET
As at 30 November 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Intangible assets	10	309	416
Tangible assets	11	6,349	7,758
Fixed assets investments	12	2	2
		<u>6,660</u>	<u>8,176</u>
Current assets			
Debtors	13	17,001	18,209
Cash at bank and in hand		<u>2,554</u>	<u>912</u>
		<u>19,555</u>	<u>19,121</u>
Creditors - amounts falling due within one year	15	<u>(21,468)</u>	<u>(17,417)</u>
Net current assets		<u>(1,913)</u>	<u>1,704</u>
Total assets less current liabilities		<u>4,747</u>	<u>9,880</u>
Provisions for liabilities and charges	16	<u>(112)</u>	<u>(97)</u>
Net assets		<u>4,635</u>	<u>9,783</u>
Capital and reserves			
Called up share capital	17	30	30
Share premium account	18	44	44
Equity contribution from parent	19	4,578	12,930
Profit and loss account	21	<u>(17)</u>	<u>(3,221)</u>
Equity shareholders' funds	22	<u>4,635</u>	<u>9,783</u>

The financial statements on pages 8 to 21 were approved by the board of directors on 12 August 2013 and signed on its behalf by:


R Rowley

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with applicable accounting standards and in accordance with the Companies Acts, 2006. The principal accounting policies are set out below.

Historical cost convention

The financial statements are prepared under the historical cost convention.

Consolidation

The company is exempt by virtue of s229 of the Companies Act 1985 from the requirements to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Cash flow statement

A cash flow statement has not been prepared under Financial Reporting Standard No.1 as the ultimate parent undertaking, Adobe Systems Incorporated, prepares consolidated financial statements which are available to the public and which incorporate a consolidated cash flow statement in the prescribed format. Details on the availability of the group financial statements are given in note 26.

Research and development

Research expenditure is written off to the profit and loss account in the period in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects.

Intangible Assets

Intangible fixed assets (including goodwill and purchased intellectual property) are amortised at rates calculated to write the assets off over their estimated useful economic lives, not to exceed 20 years. Impairment of intangible assets is only reviewed where circumstances indicate that the carrying value of an asset may not be fully recoverable.

Tangible assets and depreciation

Tangible assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

Leasehold improvements	20% per annum
Fixtures, fittings and equipment	20% per annum
Computer hardware and software	between 20% and 33% per annum

Financial assets

Financial assets are recorded at cost less any necessary provisions for permanent diminution in value.

Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at a contracted rate. The resulting monetary assets and liabilities are translated at the balance sheet rate or the contracted rate and the exchange differences are dealt with in the profit and loss account.

Pension costs

The costs of the company's defined contribution scheme are charged to the profit and loss account in the period in which they are incurred.

Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Statement of accounting policies – continued

Taxation

Current tax is provided on the company's taxable profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Stock Based Compensation

The company's parent company, Adobe Systems Incorporated ("ASI"), operates an equity-settled, share-based compensation plan for its employees, which include employees of the group. Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognised as expense over the requisite service period, which is generally the vesting period.

In fiscal 2012, ASI eliminated the use of stock option grants for all employees. In lieu of stock options, ASI grants restricted stock units as the primary form of equity awards to employees. Stock option grants prior to fiscal 2012 continue to vest over the requisite service period and had a material impact to stock-based compensation cost for fiscal 2012 and are expected to have a material impact to stock-based compensation cost until the majority of stock options are fully vested.

ASI currently uses the Black-Scholes option pricing model to determine the fair value of employee stock purchase plan ("ESPP") shares. This fair value is affected by the stock price as well as assumptions regarding a number of complex and subjective variables. These variables include the expected stock price volatility over the expected term of the awards, the expected term of the awards, the risk-free interest rate, estimated forfeitures and expected dividends.

ASI uses a 24-month expected term, which approximates the offering period. ASI estimates the volatility of its common stock by using implied volatility in market traded options. ASI's decision to use implied volatility was based upon the availability of actively traded options on its common stock and an assessment that implied volatility is more representative of future stock price trends than historical volatility. ASI bases the risk-free interest rate on zero-coupon yields implied from U.S. Treasury issues with remaining terms similar to the expected term on the options. ASI does not anticipate paying any cash dividends in the foreseeable future and therefore uses an expected dividend yield of zero in the option pricing model.

ASI estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. ASI uses historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest.

If ASI uses different assumptions for estimating stock-based compensation expense for ESPP shares in future periods or if actual forfeitures differ materially from the estimated forfeitures for both ESPP shares and existing stock option grants that continue to vest, the change in the stock-based compensation expense could materially affect the operating income and net income..

NIC on share options

On exercise of share options, the company is required to pay national insurance on the difference between the exercise price and market value of the shares issued. The company becomes unconditionally liable to pay the national insurance upon exercise of the options. The company therefore makes a provision for the National Insurance contributions over the vesting period of the options and this provision is remeasured at each period end until the options are exercised.

NOTES TO THE FINANCIAL STATEMENTS - continued

2 Turnover

Turnover represents fees for marketing and support services charged to other group companies, and sales to end users of certain software products.

An analysis of turnover by geographical market is given below:

	2012 £'000	2011 £'000
Europe	67,181	61,876
America	-	241
	<u>67,181</u>	<u>62,117</u>

3 Operating loss

2012 £'000	2011 £'000
---------------	---------------

Operating loss is stated after charging:

Depreciation of owned fixed assets	2,496	1,603
Amortisation of intangible assets	107	415
Operating lease rentals:		
- Land and buildings	1,708	1,736
Net loss (gain) on foreign currency translation	(21)	13
Auditors' remuneration:		
- Audit services	18	18
- Non-audit services – taxation	7	5

4 Exceptional Items

Following a group reorganisation the company acquired the Intellectual property (IP) rights to certain software products in 2010 from a fellow group company. During 2011 the company sold these rights to another fellow group company incurring a loss of £1,006,000.

5 Staff costs

	2012 £'000	2011 £'000
Wages and salaries	34,097	30,936
Social security costs	5,252	4,111
Share based compensation expenses (note 20)	4,526	3,945
Pension costs (note 23)	1,329	1,202
	<u>45,204</u>	<u>40,194</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Staff Costs continue

	2012 Number	2011 Number
The average number of employees during the year was as follows:		
Finance and operations	43	68
Sales and marketing	340	261
Engineering	34	30
	<u>417</u>	<u>359</u>

6 Directors' emoluments

	2012 £'000	2011 £'000
Emoluments	-	-
Company pension contributions to money purchase pension schemes	-	-
	<u>-</u>	<u>-</u>

The amounts in respect of the highest paid director are as follows:

Emoluments and other benefits	<u>-</u>	<u>-</u>
-------------------------------	----------	----------

Directors' emoluments have been borne by fellow group companies. These directors' services to the company do not occupy a significant amount of their time and as such these directors do not consider that they have received any remuneration for their incidental services to the company.

7 Interest receivable and similar income

	2012 £'000	2011 £'000
Bank interest received	<u>1</u>	<u>-</u>

8 Interest payable and similar charges

	2012 £'000	2011 £'000
Interest on restructuring provision	83	52
Interest on late payments and sublease security deposits	9	18
	<u>92</u>	<u>70</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Taxation	2012 £'000	2011 £'000
------------	---------------	---------------

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

Current tax:

UK corporation tax

Adjustments in respect of prior year

Total current tax (note 9(b))

268 1,299

35 110

303 1,409

Deferred tax:

Origination and reversal of timing differences

Taxation on profit on ordinary activities

136 549

439 1,958

2012 2011

£'000 £'000

(b) Factors affecting current tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 24% (2011: 26%). The differences are reconciled below:

Loss on ordinary activities before taxation

(1,787) (2,607)

Loss on ordinary activities multiplied by rate of tax of 24% (2011: 26%)

(428) (678)

Effects of:

Expenses not deductible for tax purposes

341 725

Capital allowances in excess of depreciation

304 104

Pension provision

25 5

Intellectual Property Taxation

26 1,143

Adjustments in respect of prior years

35 110

Total current tax (note 9(a))

303 1,409

Following the 2011 Budget Statement, the main rate of UK corporation tax was reduced from 28% directly to 26% with effect from 1 April 2011. Following the 2012 Budget Statement, the main rate reduced from 26% directly to 24% with effect from 1 April 2012.

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Intangible Assets	2012 £'000	2011 £'000
At start of year	416	4,757
Acquired in year	-	470
Sold in year	-	(3,390)
Write off in year (note 4)	-	(1,006)
Amortised in year	(107)	(415)
At end of year	309	416

11 Tangible Assets	Computer hardware and software £'000	Fixtures, fittings and equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
At 30 November 2011	3,054	1,407	7,542	12,003
Additions	415	370	516	1,301
Disposals	(114)	(8)	(1,026)	(1,148)
At 30 November 2012	3,355	1,769	7,032	12,156
Depreciation				
At 30 November 2011	1,515	481	2,249	4,245
Provided during the year	652	355	1,489	2,496
Disposals	(114)	(1)	(819)	(934)
At 30 November 2012	2,053	835	2,919	5,807
Net book value				
At 30 November 2012	1,302	934	4,113	6,349
At 30 November 2011	1,539	926	5,293	7,758

12 Financial assets	2012 £'000	2011 £'000
Cost		
Investment in fellow subsidiary undertaking	2	2

At 30 November 2012 the company owns 5% of the ordinary share capital of Adobe Systems Italia SRL, a company incorporated in Italy, 0.05% of Adobe Systems Istanbul Software Commerce LLC, a company incorporated in Turkey, 20% of LLC Adobe Systems Ukraine a company incorporated in Ukraine and 1% of Adobe Systems Belgium BVBA, a company incorporated in Belgium.

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Debtors	2012	2011
	£'000	£'000
Amounts owed by group undertakings	14,553	16,029
Other debtors	288	11
VAT recoverable	1,007	1,510
Prepayments and accrued income	963	333
Deferred taxation (note 14)	190	326
	17,001	18,209
14 Deferred taxation asset	2012	2011
	£'000	£'000
At beginning of year	326	875
Movement in the year	(136)	(549)
At end of year	190	326
Deferred taxation recognised in the financial statements is as follows:		
Capital allowances in excess of depreciation	135	298
Other timing differences	55	28
Deferred taxation asset	190	326
15 Creditors - amounts falling due within one year	2012	2011
	£'000	£'000
Amounts due to group undertakings	4,845	-
Trade creditors	1,436	514
Social security and other taxes	2,063	1,641
Corporation tax	387	919
Other creditors	12,737	14,343
	21,468	17,417
16 Provisions for liabilities and charges	2012	2011
	£'000	£'000
Provision for NIC on stock options	112	97
17 Share capital	2012	2011
	£'000	£'000
Authorised		
500,000 ordinary shares of £1 each	500	500
Allotted, called up and fully paid		
30,001 ordinary shares of £1 each	30	30

NOTES TO THE FINANCIAL STATEMENTS - continued

18 Share premium account	2012	2011
	£'000	£'000
Share premium	44	44
19 Equity contribution from parent	2012	2011
	£'000	£'000
At beginning of year	12,930	11,403
Distribution to parent during the year	-	(2,418)
Transfer to profit and loss account	(12,930)	-
Contribution from parent	52	-
Contributed during the year in connection with stock based compensation	4,526	3,945
At end of year	4,578	12,930
20 Share based payments	2012	2011
	£'000	£'000
Options/ share plans	3,982	3,354
Employee Share Purchase Plan	544	591
Total charge	4,526	3,945

Adobe Systems Incorporated ("ASI") has a number of stock-based employee compensation plans, including stock option, stock purchase and restricted stock plans.

The stock option program is a long-term retention program that is intended to attract, retain and provide incentives for talented employees, officers and directors, and to align stockholder and employee interests. Currently, the options granted are from the 2003 Equity Incentive Plan ("2003 Plan") and the 2005 Equity Incentive Assumption Plan ("2005 Assumption Plan"). These plans are collectively referred to in the following paragraphs as "the Plans." Under the Plans, options can be granted to all employees, including executive officers, and outside consultants and non-employee directors. The Plans will continue until the earlier of (i) termination by the Board or (ii) the date on which all shares available for issuance under the Plans have been issued and restriction on issued shares have lapsed. Options vesting periods are generally four years for all the Plans - options granted under the Plans generally expire seven years from the effective date of the grant.

The exercise price of the options that are issued is equal to the fair market value of the ASI common stock on the date of grant, traded on the American NASDAQ Global Select Market.

No stock options were granted during the period ended 30 November 2012. In 2012 options are assumed from acquisitions. The following table sets forth the assumptions used in determining the fair value of each option award, under the Black-Scholes option pricing model, for or the period ended 30 November 2011:

NOTES TO THE FINANCIAL STATEMENTS - continued

20 Share based payments - continued

	Year ended 30 November 2012	Year ended 30 November 2011
Risk-free interest rate	-	0.64%-1.92%
Expected lives (in years)	-	3.8 - 4.2
Dividend Yield	-	0%
Expected volatility	-	30% - 41%

Stock Option Plans

The following table sets forth the summary of option activity for each respective period:

	Year ended 30 November 2012			Year ended 30 November 2011		
	Shares	Weighted average exercise price	Weighted average remaining contractual terms (years)	Shares	Weighted average exercise price	Weighted average remaining contractual terms (years)
At beginning of year	408,287	\$24.75	3.53	407,116	\$29.18	4.15
Granted	-	-	-	158,456	\$30.89	-
Acquisition	85,981	\$3.81	-	-	-	-
Cancelled	(31,111)	\$35.09	-	(59,959)	\$27.82	-
Exercised	(97,579)	\$14.44	-	(97,326)	\$14.83	-
At end of year	<u>365,578</u>	\$25.14	4.01	<u>408,287</u>	\$27.75	3.53
Exercisable at end of year	<u>262,460</u>	\$28.43	3.03	<u>294,921</u>	\$28.62	2.98

No options were granted during the year ended 30 November 2012. The weighted average fair values of options granted during the year ended 30 November 2011 was \$9.45.

For options exercised, the weighted average share price during the year ended 30 November 2012 and 30 November 2011 was \$32.67 and \$31.83, respectively.

The range of exercise prices for the number of shares outstanding at the year-end:

Year ended 30 November 2012	\$0.68 - \$53.12
Year ended 30 November 2011	\$0.68 - \$53.12

NOTES TO THE FINANCIAL STATEMENTS - continued

20 Share based payments - continued

Employee Share Purchase Plans

ASI's 1997 Employee Stock Purchase Plan (the "ESPP") allows eligible employee participants to purchase shares of ASI's common stock at a discount through payroll deductions. The ESPP consists of a twenty-four month offering period with four six-month purchase periods in each offering period. Employees purchase shares in each purchase period at 85% of the market value of ASI's common stock at either the beginning of the offering period or the end of the purchase period, whichever price is lower. The ESPP will continue until the earlier of (i) termination by the Board or (ii) the date on which all the shares available for issuance under the plan have been issued.

The fair value of each ESPP award was calculated using the Black-Scholes option pricing model using the following assumptions:

	Year ended 30 November 2012	Year ended 30 November 2011
Risk-free interest rate	0.06% - 0.30%	0.10% - 0.61%
Expected lives (in years)	0.5 - 2.0	0.5 - 2.0
Expected volatility	30% - 36%	30% - 34%

Restricted Stock Units

ASI grants restricted stock awards and performance awards to officers and key employees under the Amended 1994 Performance and Restricted Stock Plan (the "Restricted Stock Plan"). ASI can also grant restricted stock units to all eligible employees under the Restricted Stock Plan and the 2003 Plan. Restricted stock issued under the Restricted Stock Plan generally vest annually over four years. Restricted stock awards and restricted stock units are valued based on the closing price of ASI's stock on the grant date. The total grant-date fair value, adjusted for estimated forfeitures, is recognised as an expense over the vesting period.

The following table sets forth the expected lives, in years, of restricted stock units:

	Year ended 30 November 2012	Year ended 30 November 2011
Expected lives (in years)	1.40	1.49

The following table is a summary of the restricted stock unit activity:

	2012 Number	2011 Number
At beginning of year	340,130	298,906
Granted	206,919	201,743
Cancelled	(48,562)	(76,554)
Vested	(112,064)	(83,965)
At end of year	386,423	340,130

NOTES TO THE FINANCIAL STATEMENTS - continued

21 Profit and loss account

	2012 £'000	2011 £'000
At beginning of year		
Transfer from equity contribution from parent	(3,221)	1,344
Dividend paid	12,930	-
Loss for the year	(7,500)	-
At end of year	(2,226)	(4,565)
	(17)	(3,221)

22 Reconciliation of movements in equity shareholders' funds

	2012 £'000	2011 £'000
Loss for the year		
Dividend/distribution to parent during the year	(2,226)	(4,565)
Equity contribution from ultimate parent (note 19)	(7,500)	(2,418)
Net additions to equity shareholders' funds	4,578	3,945
Shareholders' funds at start of year	(5,148)	(3,038)
Equity shareholders' funds at end of year	9,783	12,821
	4,635	9,783

23 Pension commitments

The company participated in a defined contribution pension scheme for the year ended 30 November 2012.

Contributions are charged to the profit and loss account in the year in which they become payable. The pension charge for the year was £1,329,000 (2011: £1,202,000). At 30 November 2012, the company had accrued pension liabilities of £205,000 (30 November 2011: £178,800).

24 Related party transactions

During the year the company has availed of the exemption in FRS 8, "Related Party Disclosures", from the requirement to disclose details of transactions with group undertakings. Details of the availability of the group financial statements are given in note 26.

NOTES TO THE FINANCIAL STATEMENTS - continued

25 Operating lease commitments

At year end, the company had annual commitments under non-cancellable operating leases as set out below:

	2012 Land and Buildings £'000	2011 Land and Buildings £'000
Operating leases which expire:		
Within one year	15	243
Between two and five years	958	597
After more than five years	2,871	967
	3,844	1,807

26 Group membership

The company's immediate parent company is Adobe Systems Benelux BV, a company incorporated in the Netherlands.

The company's ultimate parent company and controlling party is Adobe Systems Incorporated, a company incorporated in the United States. Adobe Systems Incorporated is the parent company of the largest group of undertakings for which consolidated financial statements are drawn up and of which Adobe Systems Europe Limited is a member. The group financial statements of Adobe Systems Incorporated are available to the public from 345 Park Avenue, San Jose, CA 95110, USA and from the parent company's website at www.adobe.com.

27 Post balance sheet event

There are no post balance sheet events.

28 Approval of financial statements

The board of directors approved the financial statements on 12 August 2013.