

SC101089

Adobe Systems Europe Limited

Directors' Report and Financial Statements

Year Ended 30 November 2013

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DIRECTORS AND OTHER INFORMATION

Board of Directors

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

Solicitors

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

Secretary and Registered Office

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

Registered number: SC101089

Bankers

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

Auditor

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

STRATEGIC REPORT

The directors set out their strategic report for the year ended 30 November 2013 below.

Principal activities

The company is a wholly owned subsidiary of Adobe Systems Inc. The principal activity of the company during the year was sales solicitation and marketing of Adobe products on behalf of other group companies. Its revenues are derived 100% from fellow group companies in accordance with services agreements with those entities.

Review of performance of the business and its financial position including key performance indicators

Both the level of business and the year-end financial position were satisfactory. Turnover increased by 20% compared with 2012. Headcount increased marginally to 419. The company remains in a strong financial position with net assets of £6,364,000 at 30 November 2013.

Future development

The company is expecting its operations to remain stable for the near term, but is dependent on current economic climate changes. On 1 December 2013, the company purchased the trade, assets and liabilities of Neolane Limited for £40,500. This will result in a small increase in activity in 2014.

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.

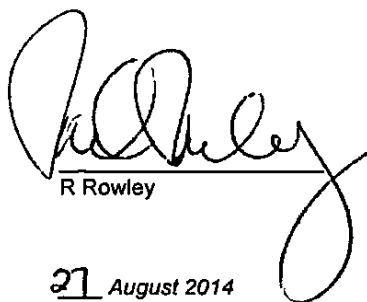
Liquidity risk

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.

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 it to meet its liabilities as they fall due.

On behalf of the board



R Rowley

21 August 2014

DIRECTORS' REPORT

The directors present their directors' report and financial statements for the year ended 30 November 2013.

Results and dividends

The results for the year ended 30 November 2013 are shown in the profit and loss account on page 8. The company declared and paid a dividend to its parent during the year in the amount of £4m (2012: £7.5m).

Research and development

The company undertakes limited research and development activities.

Post balance sheet events

On 1 December 2013, the company purchased the trade, assets and liabilities of Neolane Limited for £40,500. This will result in a small increase in activity in 2014.

Directors

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

R Rowley	(US)	
J Nemeth	(US)	resigned 20 February 2013
Mark Zablan	(US)	appointed 8 January 2013
Keith San Felipe	(US)	appointed 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. 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.

Statement of disclosure of information to auditors

Each of the persons who are directors as at 30 November 2013 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

27 August 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

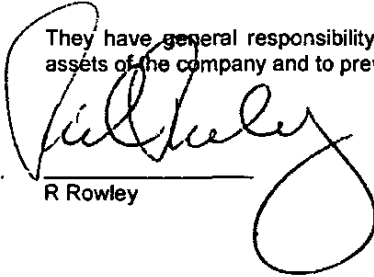
The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

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; 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 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.



R Rowley



KPMG
Audit
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 2013 as set out on pages 8 to 21 which comprise the profit and loss account, balance sheet and notes to the financial statements. 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 Financial Reporting Council'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 annual 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 2013 and of its profit 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 strategic report and 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.

Emer McGrath (Senior Statutory Auditor)
For and on behalf of KPMG, Statutory Auditor
Chartered Accountants
1 Stokes Place,
St. Stephen's Green
Dublin 2
Ireland

27 August 2014

PROFIT AND LOSS ACCOUNT
Year ended 30 November 2013

	Notes	2013 £'000	2012 £'000
Turnover – continuing operations	2	80,759	67,181
Administrative expenses		<u>(81,747)</u>	<u>(68,877)</u>
Loss on ordinary activities before interest and taxation – continuing operations	3	(988)	(1,696)
Interest receivable and similar income	6	3	1
Interest payable and similar charges	7	<u>(59)</u>	<u>(92)</u>
Loss on ordinary activities before taxation		(1,044)	(1,787)
Taxation on loss on ordinary activities	8	<u>1,294</u>	<u>(439)</u>
Profit /(loss) for the year	20	<u>250</u>	<u>(2,226)</u>

All amounts above relate to continuing activities.

There are no differences between the loss on ordinary activities before taxation and the profit/(loss) for the year and their historical equivalents.

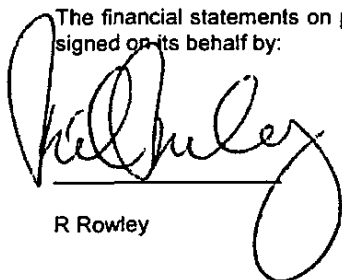
The company had no gains or losses in the current or previous financial year other than those shown above and accordingly, no statement of total recognised gain and losses has been presented.

Adobe Systems Europe Limited

BALANCE SHEET
As at 30 November 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Intangible assets	9	158	309
Tangible assets	10	4,177	6,349
Financial assets	11	2	2
		<u>4,337</u>	<u>6,660</u>
Current assets			
Debtors	12	15,624	17,001
Cash at bank and in hand		<u>3,865</u>	<u>2,554</u>
		<u>19,489</u>	<u>19,555</u>
Creditors - amounts falling due within one year	14	<u>(17,259)</u>	<u>(21,488)</u>
Net current assets		<u>2,230</u>	<u>(1,913)</u>
Total assets less current liabilities		<u>6,567</u>	<u>4,747</u>
Provisions for liabilities and charges	15	<u>(203)</u>	<u>(112)</u>
Net assets		<u>6,364</u>	<u>4,635</u>
Capital and reserves			
Called up share capital	16	30	30
Share premium account	17	2,074	44
Equity contribution from parent	18	52	4,578
Profit and loss account	20	<u>4,208</u>	<u>(17)</u>
Shareholders' funds	21	<u>6,364</u>	<u>4,635</u>

The financial statements on pages 8 to 21 were approved by the board of directors on 27 August 2014 and signed on its behalf by:


R Rowley

NOTES TO THE FINANCIAL STATEMENTS - continued

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 Act, 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 Section 401 of the Companies Act, 2006 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 25.

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

The functional currency of the company is GB sterling. 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Statement of accounting policies – continued

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 lease term until the date the rent is expected to be adjusted to the prevailing market rate.

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.

Share 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 2013 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 records stock-based compensation expense only for those awards that are expected to vest.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Statement of accounting policies – continued

Share Based Compensation - continued

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 re-measured at each period end until the options are exercised.

2 Turnover

Turnover represents fees for marketing and support services charged to other group companies.

An analysis of turnover by geographical market is given below:

	2013 £'000	2012 £'000
European Union (EU)	76,213	63,324
Outside EU	4,546	3,857
	80,759	67,181

3 Loss on ordinary activities before interest and taxation

2013
£'000

2012
£'000

Loss on ordinary activities before interest and taxation is stated after charging:

Depreciation of owned fixed assets	2,411	2,496
Amortisation of intangible assets	151	107
Operating lease rentals:		
- Land and buildings	2,244	1,708
Net gain on foreign currency translation	(4)	(21)
Auditor's remuneration:		
- Audit services	18	18
- Non-audit services – taxation	7	7

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Staff costs	2013 £'000	2012 £'000
Wages and salaries	41,940	34,097
Social security costs	6,293	5,252
Share based compensation expenses (note 19)	3,449	4,526
Pension costs (note 22)	1,739	1,329
	<u>53,421</u>	<u>45,204</u>

	2013 Number	2012 Number
The average number of employees during the year was as follows:		
Finance and operations	34	43
Sales and marketing	349	340
Engineering	36	34
	<u>419</u>	<u>417</u>

5 Directors' emoluments	2013 £'000	2012 £'000
Emoluments	557	-
	<u>557</u>	<u>-</u>

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

Emoluments and other benefits	<u>557</u>	<u>-</u>
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Certain 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.

6 Interest receivable and similar income	2013 £'000	2012 £'000
Bank interest received	<u>3</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Interest payable and similar charges	2013 £'000	2012 £'000
Interest on restructuring provision	49	83
Interest on late payments	10	9
	<u>59</u>	<u>92</u>

8 Taxation	2013 £'000	2012 £'000
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(a) Tax on loss on ordinary activities

The tax (credit)/charge is made up as follows:

Current tax:

UK corporation tax	-	268
Adjustments in respect of prior year	(162)	35
Total current tax (credit)/charge (note 8(b))	<u>(162)</u>	<u>303</u>

Deferred tax:

Origination and reversal of timing differences (note 13)	(1,132)	136
Taxation on loss on ordinary activities	<u>(1,294)</u>	<u>439</u>

2013 £'000	2012 £'000
---------------	---------------

(b) Factors affecting current tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23.33% (2012: 24%). The differences are reconciled below:

Loss on ordinary activities before taxation	<u>(1,044)</u>	<u>(1,787)</u>
Loss on ordinary activities multiplied by standard rate of tax of 23.33% (2012: 24%)	(244)	(428)
Effects of:		
Income not taxable/expenses not deductible for tax purposes	(730)	341
Capital allowances in excess of depreciation	322	304
Pension and payroll related provisions	60	25
Intellectual property taxation	-	26
Adjustments in respect of prior years	(162)	35
Losses carried forward	592	-
Total current tax (note 8(a))	<u>(162)</u>	<u>303</u>

Following the 2013 Budget Statement, the main rate reduced from 24% to 23% with effect from 1 April 2013.

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Intangible assets – intellectual property	2013 £'000	2012 £'000
At start of year	309	416
Amortised in year	(151)	(107)
At end of year	<u>158</u>	<u>309</u>

10 Tangible assets	Computer hardware and software £'000	Fixtures, fittings and equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
At 30 November 2012	3,355	1,769	7,032	12,156
Additions	194	17	28	239
Disposals	(794)	(30)	(25)	(849)
At 30 November 2013	<u>2,755</u>	<u>1,756</u>	<u>7,035</u>	<u>11,546</u>
Depreciation				
At 30 November 2012	2,053	835	2,919	5,807
Provided during the year	719	324	1,368	2,411
Disposals	(794)	(30)	(25)	(849)
At 30 November 2013	<u>1,978</u>	<u>1,129</u>	<u>4,262</u>	<u>7,369</u>
Net book value				
At 30 November 2013	<u>777</u>	<u>627</u>	<u>2,773</u>	<u>4,177</u>
At 30 November 2012	<u>1,302</u>	<u>934</u>	<u>4,113</u>	<u>6,349</u>

11 Financial assets	2013 £'000	2012 £'000
Cost		
Investment in fellow subsidiary undertaking	<u>2</u>	<u>2</u>

At 30 November 2013, 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

12 Debtors	2013	2012
	£'000	£'000
Amounts owed by group companies	12,394	14,553
Other debtors	341	288
VAT recoverable	324	1,007
Prepayments and accrued income	640	963
Corporation tax	603	-
Deferred taxation (note 13)	1,322	190
	15,624	17,001

Amounts due from group companies are unsecured, non-interest earning and are repayable on demand.

13 Deferred taxation asset	2013	2012
	£'000	£'000
At beginning of year	190	326
Movement in the year	1,132	(136)
At end of year	1,322	190

Deferred taxation recognised in the financial statements is as follows:

Capital allowances in excess of depreciation	697	135
Other timing differences	33	55
Tax losses	592	-
Deferred taxation asset	1,322	190

14 Creditors - amounts falling due within one year	2013	2012
	£'000	£'000
Amounts due to group undertakings	922	4,845
Trade creditors	471	1,436
Social security taxes	2,527	2,063
Corporation tax	-	387
Accruals	13,339	12,737
	17,259	21,468

Amounts due to group companies are unsecured, non-interest earning and are repayable on demand.

15 Provisions for liabilities and charges	2013	2012
	£'000	£'000
Provision for NIC on stock options	203	112

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Share capital

	2013 £'000	2012 £'000
--	---------------	---------------

Authorised		
500,000 ordinary shares of £1 each (2012: 500,000)	500	500

Allotted, called up and fully paid		
30,002 (2012: 30,001) ordinary shares of £1 each	30	30

During the year, the parent company contributed assets to the company in exchange for the issuance of 1 share at a premium of £2,029,568.

17 Share premium account

	2013 £'000	2012 £'000
--	---------------	---------------

At beginning of year	44	44
Issue of shares (note 16)	2,030	-
At end of year	2,074	44

18 Equity contribution

	2013 £'000	2012 £'000
--	---------------	---------------

At beginning of year	4,578	12,930
Transfer to profit and loss account	(7,975)	(12,930)
Contribution of certain assets from parent	-	52
Contributed during the year in connection with share based compensation	3,449	4,526
At end of year	52	4,578

19 Share based payments

	2013 £'000	2012 £'000
--	---------------	---------------

Options, share plans	2,974	3,982
Employee Share Purchase Plan	475	544
Total charge	3,449	4,526

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

NOTES TO THE FINANCIAL STATEMENTS - continued

19 Share based payments - continued

Stock Option 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 2013. In 2012 options were assumed from acquisitions.

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

	Year ended 30 November 2013			Year ended 30 November 2012		
	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	365,578	\$ 25.14	4.01	408,287	\$24.75	3.53
Granted	-	-	-	-	-	-
Acquisition	-	-	-	85,981	\$3.81	-
Cancelled	(26,596)	\$29.67	-	(31,111)	\$35.09	-
Transferred from fellow group undertaking	5,700	-	-	-	-	-
Exercised	(240,559)	\$27.48	-	(97,579)	\$14.44	-
At end of year	<u>104,123</u>	<u>\$19.34</u>	<u>4.00</u>	<u>365,578</u>	<u>\$25.14</u>	<u>4.01</u>
Exercisable at end of year	<u>68,973</u>	<u>\$21.78</u>	<u>2.86</u>	<u>262,460</u>	<u>\$28.43</u>	<u>3.03</u>

No options were granted during the year ended 30 November 2013 and the year ended 30 November 2012.

For options exercised, the weighted average share price during the year ended 30 November 2013 and 30 November 2012 was \$44.29 and \$32.67, respectively.

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

Year ended 30 November 2013	\$1.85 - \$53.86
Year ended 30 November 2012	\$0.68 - \$53.12

NOTES TO THE FINANCIAL STATEMENTS - continued

19 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 2013	Year ended 30 November 2012
Risk-free interest rate	0.09-0.34%	0.06% - 0.30%
Expected lives (in years)	0.5 - 2.0	0.5 - 2.0
Expected volatility	26% - 30%	30% - 36%

Restricted Stock Units

ASI grants restricted stock units to all eligible employees under the 2003 Equity Incentive Plan, as amended and the 2005 Equity Incentive Assumption Plan. Restricted stock units issued under these plans as part of our annual review process vest annually over three years. Other restricted stock units granted under these plans generally vest over four years, the majority of which vest 25% annually. Certain grants have other vesting periods approved by the ASI Board of Directors or an authorized committee of the ASI Board of Directors. 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 2013	Year ended 30 November 2012
Expected lives (in years)	1.28	1.40

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

	2013 Number	2012 Number
At beginning of year	386,423	340,130
Granted	184,085	206,919
Cancelled	(79,091)	(48,562)
Vested	(128,793)	(112,064)
At end of year	362,624	386,423

NOTES TO THE FINANCIAL STATEMENTS - continued

20 Profit and loss account	2013 £'000	2012 £'000
At beginning of year	(17)	(3,221)
Transfer from equity contribution (Note 18)	7,975	12,930
Dividend paid	(4,000)	(7,500)
Profit/(loss) for the year	250	(2,226)
At end of year	4,208	(17)

21 Reconciliation of movements in shareholders' funds	2013 £'000	2012 £'000
Profit/(loss) for the year	250	(2,226)
Dividend paid	(4,000)	(7,500)
Equity contribution from ultimate parent (note 18)	3,449	4,578
Allotment of shares (note 16, 17)	2,030	-
Net movement in shareholders' funds	1,729	(5,148)
Shareholders' funds at start of year	4,635	9,783
Shareholders' funds at end of year	6,364	4,635

22 Pension commitments

The company participated in a defined contribution pension scheme for the year ended 30 November 2013.

Contributions are charged to the profit and loss account in the year in which they become payable. The pension charge for the year was £1,739,000 (2012: £1,329,000). At 30 November 2013, the company had accrued pension liabilities of £239,000 (30 November 2012: £205,000).

23 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 25.

24 Operating lease commitments

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

	2013 Land and Buildings £'000	2012 Land and Buildings £'000
Operating leases which expire:		
Within one year	-	9
Between two and five years	1,129	598
After more than five years	1,359	1,667
After more than five years	2,488	2,274

NOTES TO THE FINANCIAL STATEMENTS - continued

25 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.

26 Post balance sheet event

On 1 December 2013, the company purchased the trade, assets and liabilities of Neolane Limited for £40,500. This will result in a small increase in activity in 2014.

27 Approval of financial statements

The board of directors approved the financial statements on 27 August 2014.