

**Adobe Systems Europe Limited**

**Directors' Report and Financial Statements**

**Year Ended 30 November 2018**



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**DIRECTORS AND OTHER INFORMATION**

**Board of Directors**

Christian Keim (UK)  
Keith San Felipe (US)  
Lauren Pfeiffer (US)

**Solicitors**

PricewaterhouseCoopers LLP  
Cornwall Court, 19 Cornwall Street  
Birmingham  
B3 2DT  
United Kingdom

**Registered Office**

EQ Accountants LLP  
14 City Quay  
Dundee  
DD1 3JA  
United Kingdom

**Bankers**

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

**Registered number:** SC101089

**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 2018 below.

### Principal activities

Adobe Systems Europe Limited (the "Company") is a member of the Adobe Inc. group. The principal activity of the Company during the year was sales solicitation and marketing of Adobe products on behalf of a group member company. Its revenues are derived 100% from fellow group companies in accordance with service 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 with profit on ordinary activities before taxation of £11,779,000 (2017: £9,449,000). The Company recorded a profit after tax £10,979,000 for the year (2017: profit £7,989,000) in its Profit & Loss account. Turnover increased by 21% compared with 2017. Average headcount increased to 724 (2017: 652). The Company remains in a strong financial position with net assets of £31,342,000 at 30 November 2018 (2017: £31,427,000).

### Future development

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

### 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.

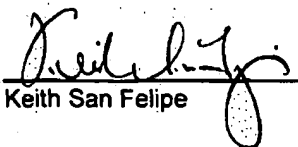
#### *Liquidity risk*

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



Keith San Felipe

15 August 2019

## **DIRECTORS' REPORT**

The directors present their directors' report and financial statements for the year ended 30 November 2018.

### **Results and dividends**

The results for the year ended 30 November 2018 are shown in the profit and loss account on page 9. The Company declared and paid a dividend of £ 21,000,000 to its parent during the year (2017: £ nil).

### **Research and development**

The Company undertakes limited research and development activities.

### **Post balance sheet events**

On 1 February 2019, the company purchased the trade, assets and liabilities of Marketo Solutions Ltd for £1,981,875.

### **Directors and Secretary**

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

Tracy Hanson	(US)
Christian Keim	(UK)
Lauren Pfeiffer	(US)
Keith San Felipe	(US)

On 9 January 2019, Tracy Hanson resigned as a director of the Company and Lauren Pfeiffer was appointed as a director of the Company.

On 21 June 2018 Dentos Secretaries Ltd resigned as Secretary of the Company.

The Company is a wholly-owned subsidiary of a company incorporated outside Great Britain. During the year, and up to the date of approval of the financial statements, the group had in place a third-party indemnity provision for the benefit of all the directors of the Company.

None of the directors held an interest with the Company during the year.

### **Statement of disclosure of information to auditors**

The directors confirm that, so far as each person who was a director as at the date of approving this report is aware:

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

### **Accounting records**

The measures taken by the directors to secure compliance with the Company's obligation to keep proper accounting records 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, D24DCW0, 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.

**DIRECTORS' REPORT - continued**

**Employees**

**Disabled Employees**

The Company has an equal opportunity policy in place which extends to disabled persons. This reflects the Company's philosophy that people should be treated fairly and with dignity, and that the Company must continue to value and benefit from a wide diversity of ideas, perspectives and backgrounds. It is Adobe's policy to base all employment decisions, both in terms of recruitment and employment decisions relating to individuals after hiring, on the principles of equal employment opportunity, without regard to disability (or indeed other classifications protected by applicable law). The Company will also make reasonable adjustments in relation to disabled employees and job applicants to ensure, in so far as is reasonably possible, that they are not disadvantaged by their disability.

**Employee Consultation and Involvement**

The Company consults with its employees where required by law and as otherwise appropriate in relation to matters which impact on them. All employees are invited to regular communications in which the financial performance of business units, and the Group as a whole, are discussed as well as key business initiatives and priorities. All employees also have access to the Company intranet which contains further information on company initiatives, priorities and performance, and managers are expected to have regular meetings and discussions with employees throughout the year.

**Auditor**

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

On behalf of the board

  
Keith San Felipe

15 August 2019

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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

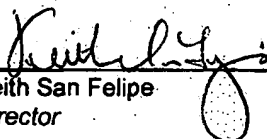
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 assets, liabilities and financial position of the Company and of its profit or loss for that 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

On behalf of the board

  
Keith San Felipe  
Director

15 August 2019



KPMG  
Audit  
1 Stokes Place  
St. Stephen's Green  
Dublin 2  
D02 DE03  
Ireland

## **Independent auditor's report to the members of Adobe Systems Europe Limited**

### **1 Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Adobe Systems Europe Limited ('the Company') for the year ended 30 November 2018, which comprise the profit and loss account and statement of other comprehensive income, balance sheet, statement of changes in equity and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK Law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 30 November 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **We have nothing to report on going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

#### **Other information**

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the strategic and directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.





Based solely on our work on the other information;

- we have not identified material misstatements in the directors' report or the strategic report;
- in our opinion, the information given in the directors' report and the strategic report is consistent with the financial statements;
- in our opinion, the directors' report and the strategic report have been prepared in accordance with the Companies Act 2006.

***Matters on which we are required to report by exception***

Under the Companies Act 2006 we are required 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

We have nothing to report on these matters/in regard to these matters.

**2 Respective responsibilities and restrictions on use**

***Responsibilities of directors for the financial statements***

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

***Auditor's responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

***The purpose of our audit work and to whom we owe our responsibilities***

Our 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.

John Corrigan Senior Statutory Auditor  
for and on behalf of  
KPMG Statutory Auditor  
1 Stokes Place  
St. Stephen's Green,  
Dublin 2

15 August 2019

**PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**Year ended 30 November 2018**

	Notes	2018 £'000	2017 £'000
<b>Turnover – continuing operations</b>	2	<b>157,736</b>	130,560
<b>Administrative expenses</b>		<b>(145,954)</b>	(121,112)
<b>Operating profit - continuing operations</b>	3	<b>11,782</b>	9,448
Income from other financial assets	6	-	1
Interest receivable and similar income	7	1	-
Interest payable and similar charges	8	(4)	-
<b>Profit on ordinary activities before taxation</b>		<b>11,779</b>	9,449
<b>Tax expense on profit on ordinary activities</b>	9	<b>(800)</b>	(1,460)
<b>Total comprehensive income for the year</b>		<b>10,979</b>	7,989

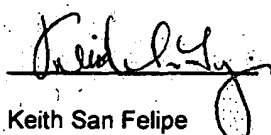
All amounts above relate to continuing activities.

The Company had no income or loss in the current or previous financial year other than those shown above and accordingly, no separate statement of other comprehensive income or loss has been presented.

**BALANCE SHEET**  
As at 30 November 2018

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Tangible assets	10	6,017	7,833
Financial assets	11	1	1
		<u>6,018</u>	<u>7,834</u>
<b>Current assets</b>			
Debtors	12	54,690	44,621
Cash at bank and in hand		1,875	6,331
		<u>56,565</u>	<u>50,952</u>
<b>Creditors - amounts falling due within one year</b>	13	<u>(30,500)</u>	<u>(25,936)</u>
<b>Net current assets</b>		<u>26,065</u>	<u>25,016</u>
<b>Total assets less current liabilities</b>		<b>32,083</b>	<b>32,850</b>
<b>Provisions for liabilities</b>	15	<u>(741)</u>	<u>(1,423)</u>
<b>Net assets</b>		<u><b>31,342</b></u>	<u><b>31,427</b></u>
<b>Capital and reserves</b>			
Called up share capital	16	30	30
Share premium account		2,312	2,312
Equity contribution from parent		52	52
Profit and loss account		<u>28,948</u>	<u>29,033</u>
<b>Shareholder's funds - equity</b>		<u><b>31,342</b></u>	<u><b>31,427</b></u>

The financial statements on pages 9 to 21 were approved by the board of directors on 15 August 2019 and signed on its behalf by:



Keith San Felipe  
Company registered number:  
SC101089

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 NOVEMBER 2018

	Called up share capital £'000	Share premium account £'000	Equity contribution from parent £'000	Profit and loss account £'000	Total equity £'000
<b>Balance at 30 November 2016</b>	<b>30</b>	<b>2,074</b>	<b>52</b>	<b>13,949</b>	<b>16,105</b>
Issue of shares	-	238	-	-	238
Share-based compensation contribution	-	-	7,095	-	7,095
Transfer to profit and loss account	-	-	(7,095)	7,095	-
Total comprehensive income for the year	-	-	-	7,989	7,989
<b>Balance at 30 November 2017</b>	<b>30</b>	<b>2,312</b>	<b>52</b>	<b>29,033</b>	<b>31,427</b>
Issue of shares	-	-	-	-	-
Share-based compensation contribution	-	-	9,936	-	9,936
Transfer to profit and loss account	-	-	(9,936)	9,936	-
Dividend paid	-	-	-	(21,000)	(21,000)
Total comprehensive income for the year	-	-	-	10,979	10,979
<b>Balance at 30 November 2018</b>	<b>30</b>	<b>2,312</b>	<b>52</b>	<b>28,948</b>	<b>31,342</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Statement of accounting policies

#### Basis of preparation

Adobe Systems Europe Limited (the "Company") is a private company incorporated, domiciled and registered in the UK. The registered number is SC101089 and the registered address is C/o EQ Accountants LLP, 14 City Quay, Dundee, DD1 3JA.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

#### Exemptions for qualifying entities under FRS 102

The Company's ultimate parent undertaking, Adobe Inc. (ADOBE, formerly Adobe Systems Incorporated) includes the Company in its consolidated financial statements. Detail on the availability of the group financial statements are given in note 21. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of ADOBE include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred. Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

#### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The Company assesses at each reporting date whether tangible fixed assets are impaired. Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

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

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**1 Statement of accounting policies – continued**

**Financial assets**

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

**Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

**Employee costs**

*Defined contribution plans and other long-term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

*Termination benefits*

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

**Operating leases**

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

**Provisions for liabilities**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the time effect value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**1 Statement of accounting policies – continued**

**Interest income and expense**

Interest income and interest expense are recognised in profit or loss as they accrue.

**Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Share based compensation**

The Company's ultimate parent company operates an equity-settled, share-based compensation plan for its employees, which include employees of the Company.

ADOBE grants restricted stock units as the primary form of equity awards to employees. The Executive Compensation Committee of ADOBE's Board of Directors eliminated the use of stock option grants for all employees in fiscal 2012, but may choose to issue stock options in the future.

Share-based compensation cost is measured at the grant date based on the fair value of the award. Restricted stock units are valued based on the closing price of ADOBE's stock on the grant date. Performance share awards are valued using a Monte Carlo Simulation model. Share-based compensation is recognised as an expense over the requisite service period, which is generally the vesting period.

ADOBE 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, actual and projected employee stock option exercise behaviors, the risk-free interest rate and any expected dividends.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**1 Statement of accounting policies – continued**

**National Insurance Contributions 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:

	2018 £'000	2017 £'000
European Union (EU)	152,610	126,117
Outside EU	5,126	4,443
	<u>157,736</u>	<u>130,560</u>

**3 Operating profit**

	2018 £'000	2017 £'000
Profit on ordinary activities before interest and taxation is stated after charging:		
Depreciation of owned fixed assets	2,079	1,251
Operating lease rentals:		
- Land and buildings	3,984	3,602
- Onerous lease expense	-	2,369
Net loss on foreign currency translation	53	29
Auditor's remuneration:		
- Audit services	22	21
- Non-audit services – taxation	8	7
	<u>8</u>	<u>7</u>



NOTES TO THE FINANCIAL STATEMENTS - continued

<b>4 Employee costs</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Wages and salaries	75,991	65,248
Social security costs	17,218	12,407
Share based compensation expenses	9,936	7,095
Pension costs (note 18)	3,670	3,240
	<b>106,815</b>	<b>87,990</b>

	<b>2018 Number</b>	<b>2017 Number</b>
The average number of employees during the year was as follows:		
Finance and operations	59	55
Sales and marketing	618	551
Research and development	47	46
	<b>724</b>	<b>652</b>

<b>5 Directors' remuneration</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Emoluments and other benefits	674	537

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

Emoluments and other benefits	<b>674</b>	<b>537</b>
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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.

<b>6 Income from other financial assets</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Dividend income	-	1

<b>7 Interest receivable and similar income</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Interest on late receipts	1	-

<b>8 Interest payable and similar charges</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Interest on late payments	(4)	-

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Taxation

(a) Tax on profit on ordinary activities

*Current tax:*

	2018 £'000	2017 £'000
UK corporation tax	1,395	1,460
Adjustments in respect of prior year	(585)	(8)
Total current tax charge	810	1,452

*Deferred tax:*

Reversal and origination of timing differences (note 14)	(10)	8
Total tax	800	1,460

(b) Factors affecting tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are reconciled below:

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation	11,779	9,449
Profit on ordinary activities multiplied by standard rate of tax of 19% (2017: 20%):	2,238	1,890
<i>Effects of:</i>		
Income not taxable for tax purposes	(926)	(431)
Capital allowances in excess of depreciation	54	3
Pension and payroll related provisions	26	63
Adjustments in respect of prior years	(585)	(8)
Other timing differences	(7)	(57)
Total tax (note 9(a))	800	1,460

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Tangible assets

	Computer hardware and software £'000	Fixtures, fittings and equipment £'000	Leasehold improvements £'000	Total £'000
<b>Cost</b>				
At beginning of year	4,757	2,894	13,217	20,868
Additions	593	4	85	682
Transfer	(5)	-	5	-
Disposals	(2)	(137)	(480)	(619)
<b>At end of year</b>	<b>5,343</b>	<b>2,761</b>	<b>12,827</b>	<b>20,931</b>
<b>Depreciation</b>				
At beginning of year	3,377	1,886	7,772	13,035
Provided during the year	702	211	1,166	2,079
Disposals	(1)	(41)	(158)	(200)
<b>At end of year</b>	<b>4,078</b>	<b>2,056</b>	<b>8,780</b>	<b>14,914</b>
<b>Net book value</b>				
At beginning of year	1,380	1,008	5,445	7,833
<b>At end of year</b>	<b>1,265</b>	<b>705</b>	<b>4,047</b>	<b>6,017</b>

11 Financial assets

	2018 £'000	2017 £'000
<b>Cost</b>		
Investment in fellow subsidiary undertakings	1	1

The Company owns 4% of the ordinary share capital of Adobe Systems Italia SRL, a company incorporated in Italy with registered address Viale Colleoni, 5 Centro Direzionale Colleoni, 20041, Agrate Brianza, Milano, Italy; and 1% of Adobe Systems Belgium BVBA, a company incorporated in Belgium with registered address Culliganlaan 2F, Park Lane Building F, 1st Floor, 1831 Diegem, Belgium.

The principal activity of the companies is sales solicitation and marketing of Adobe products on behalf of a group member company.

The directors' are satisfied that the realisable value of the investments are not less than its net book value.

12 Debtors

	2018 £'000	2017 £'000
Amounts owed by Adobe Systems Software Ireland Ltd	50,355	39,993
Amounts owed by Adobe Software Trading Company Ltd	-	506
Amounts owed by Adobe Inc.	149	-
Other debtors	720	825
VAT recoverable	300	318
Prepayments	2,344	2,086
Prepayments - amounts falling due after more than 1 year	40	121
Deferred taxation (note 14)	782	772
	<b>54,690</b>	<b>44,621</b>

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

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Creditors - amounts falling due within one year	2018 £'000	2017 £'000
Amounts due to Adobe Inc.	-	428
Trade creditors	1,931	1,361
Social security taxes	5,332	4,440
Corporation tax	998	1,185
Accruals	22,239	18,522
	<b>30,500</b>	<b>25,936</b>

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

14 Deferred tax asset	2018 £'000	2017 £'000
At beginning of year	772	780
Movement in the year (note 9)	10	(8)
<b>At end of year</b>	<b>782</b>	<b>772</b>

Deferred taxation recognised in the financial statements is as follows:

Capital allowances in excess of depreciation	718	715
Other timing differences	64	57
<b>Deferred taxation asset</b>	<b>782</b>	<b>772</b>

15 Provisions for liabilities	Provision for onerous lease	Provision for NIC on stock options	Total
	£'000	£'000	£'000
Balance at 30 November 2017	1,389	34	1,423
Provisions made during the year	-	65	65
Provisions used during the year	(713)	-	(713)
Provisions reversed during the year	-	(34)	(34)
<b>Balance at 30 November 2018</b>	<b>676</b>	<b>65</b>	<b>741</b>

Following the purchase of the trade, assets and liabilities of TubeMogul UK Limited in April 2017, the Company inherited a lease agreement for additional office space in London. The office space was vacant at the end of period and a provision for onerous lease was made. The lease expires on December 14, 2025 and the Company has an option to break the lease on December 14, 2020.

The Company becomes unconditionally liable to pay the National Insurance on the difference between the share option exercise price and market value of the shares issued upon exercise of the share options. The Company therefore makes a provision for the National Insurance Contributions (NIC) over the vesting period of the options and this provision is re-measured at each period end until the options are exercised.

16 Share capital	2018 £'000	2017 £'000
<b>Authorised</b>		
500,000 ordinary shares of £1 each (2017: 500,000)	<b>500</b>	<b>500</b>
<b>Allotted, called up and fully paid</b>		
30,003 (2017: 30,003) ordinary shares of £1 each	<b>30</b>	<b>30</b>

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 17 Share based payments

ADOBE has a number of share-based employee compensation plans, including restricted stock, stock purchase and stock option plans.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The Company avails of the exemptions to requirements of Section 26 *Share-based Payment* paragraphs 26.18(b), 26.19 to 26.21 and 26.23, based on:

- the share-based payment arrangement concerns equity instruments of another group entity,
- the equivalent disclosures required by FRS 102 are included in the consolidated financial statements of the group in which the entity is consolidated.

Therefore, the disclosure of number and weighted average exercise prices of stock options, restricted stock units and employee stock purchase plans are not presented. The ultimate parent undertaking, ADOBE, prepares consolidated financial statements in which the entity is consolidated and which are available to the public. Details on the availability of the group financial statements are given in note 21.

#### Restricted Stock Unit Plan

ADOBE grants restricted stock units to eligible employees under the 2003 Equity Incentive Plan, as amended ("2003 Plan"). Restricted stock units granted as part of the annual review process vest annually over three years. Restricted stock units granted to new hires generally vest over four years. Certain grants have other vesting periods approved by the ADOBE's Board of Directors or an authorised committee.

#### Performance Share Programs

ADOBE grants performance awards to officers and key employees under the 2003 Plan which cliff-vest after three years. The Performance Share Programs aim to help focus key employees on building stockholder value, provide significant award potential for achieving outstanding performance and enhance the ability of ADOBE to attract and retain highly talented and competent individuals. The Executive Compensation Committee of ADOBE's Board of Directors approves the terms of each of the Performance Share Programs, including the award calculation methodology, under the terms of our 2003 Plan. Shares may be earned based on the achievement of an objective relative total stockholder return measured over a three-year performance period. Performance share awards will be awarded and fully vest upon the later of the Executive Compensation Committee's certification of the level of achievement or the three-year anniversary of each grant. Program participants generally have the ability to receive up to 200% of the target number of shares originally granted.

#### Employee Stock Purchase Plans

ADOBE's 1997 Employee Stock Purchase Plan ("ESPP") allows eligible employee participants to purchase shares of ADOBE'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 ADOBE'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.

#### Stock Option Plans

ADOBE eliminated the use of stock option grants for all employees in fiscal 2012. Under the 2003 Equity Incentive Plan, as amended ("2003 Plan"), options can be granted to all employees, including executive officers, and outside consultants and non-employee directors. The 2003 Plan 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 and restrictions on issued shares have lapsed.

### 18 Pension commitments

The Company participated in a defined contribution pension scheme for the year ended 30 November 2018. Contributions are charged to the profit and loss account in the year in which they become payable. The pension charge for the year was £3,670,000 (2017: £3,240,000). At the end of year, the Company had accrued pension liabilities of £547,000 (30 November 2017: £467,000).

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**19 Related party transactions**

During the year, the Company made sales to other group companies. Its revenues are derived 100% from fellow group companies in accordance with service agreements with those entities.

An analysis of sales to related parties is given below:

	2018 £'000	2017 £'000
Adobe Inc.	4,026	-
Adobe Systems Software Ireland Ltd	152,610	126,117
Adobe Software Trading Company Ltd	1,100	4,443
	<u>157,736</u>	<u>130,560</u>

The amount of outstanding intercompany receivable and payable balances at the period end are given in notes 12 and 13. Details of the availability of the group financial statements are given in note 21.

During the year the Company has availed of the exemption in FRS 102 Section 1.12 from the requirement to disclose key management personnel compensation.

**20 Operating lease commitments**

At year end, the Company had total future minimum office building lease payments under non-cancellable operating leases as set out below:

	2018 Land and Buildings £'000	2017 Land and Buildings £'000
Less than one year	4,001	3,822
Between two and five years	20,362	18,234
After more than five years	15,529	18,508
<b>Total</b>	<u>39,892</u>	<u>40,564</u>

During the year £3,964,000 was recognised in the profit and loss account in respect of operating leases (2017: £5,971,000).

**21 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 Inc. (ADOBE), a company incorporated in the United States. ADOBE 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 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](http://www.adobe.com).

**22 Subsequent events**

On 1 February 2019, the company purchased the trade, assets and liabilities of Marketo Solutions Ltd for £1,981,875. There have been no other material subsequent events, which would require adjustment to, or disclosure in, the financial statements.

**23 Accounting estimates and judgements**

The Company makes assumptions, judgements and estimates that affect the reported amounts of assets, liabilities, revenue and expenses. The Company bases these assumptions, judgements and estimates on historical experience and various other factors that the Company believes to be reasonable under the circumstances. On a regular basis the Company evaluates these assumptions, judgment and estimates, and believes the actual results do not differ materially from these estimates.