



**Adobe Systems Europe Limited**  
**Directors' Report and Financial Statements**  
**Year Ended 30 November 2020**  
**Registered number: SC101089**



## CONTENTS

	Page
DIRECTORS AND OTHER INFORMATION.....	2
STRATEGIC REPORT .....	3-4
DIRECTORS' REPORT .....	5-6
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS.....	7
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADOBE SYSTEMSEUROPE LIMITED .....	8-10
PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER COMPREHENSIVE INCOME.....	11
BALANCE SHEET .....	12
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR-ENDED 30 NOVEMBER 2020 .....	13
NOTES TO THE FINANCIAL STATEMENTS.....	14-21

**DIRECTORS AND OTHER INFORMATION**

**Board of Directors**

Fiona Grace (Ireland)  
Lauren Pfeiffer (US)  
Keith San Felipe (US)

**Solicitors**

Taylor Wessing LLP  
5 New Street Square,  
London,  
EC4A 3TW  
United Kingdom

**Registered Office**

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

**Banker**

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

**Registered number:** SC101089

**Auditor**

KPMG  
1 Stokes Place  
St. Stephen Green  
Dublin 2  
Ireland

## STRATEGIC REPORT

The directors set out their strategic report for the year ended 30 November 2020 below.

### Principal activities

Adobe Systems Europe Limited (the “Company”) is a member of the Adobe Inc. (ADOBE) group (the 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 £15,134,000 (2019: £14,484,000). The Company recorded a profit after tax of £13,846,000 for the year (2019: profit £12,330,000) in its Profit & Loss account. Turnover increased by 4% compared with 2019. Average headcount increased to 879 (2019: 872). The Company remains in a strong financial position with net assets of £47,766,000 at 30 November 2020 (2019: £34,010,000).

### 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.

#### *COVID-19 pandemic risk*

The COVID-19 pandemic and related public health measures can affect the Company’s operating results. The broader implications of COVID-19 on the Company’s operations and overall financial performance remain uncertain. However, the Company takes on limited risks and is protected from losses due to an arm’s length arrangement with another company of the Group resulting in reimbursement of the Company’s operating costs.

#### *Risk around Brexit*

On the 31<sup>st</sup> January 2020, the United Kingdom’s membership of the European Union ended. The longer-term effects of Brexit are not yet clear. In the short-term, due to the nature of the service agreement with Group companies the Company is protected from losses.

## STRATEGIC REPORT – CONTINUED

### Section 172 statement

The Board of Directors confirm that during the year under review, it has acted in a way it considered in good faith to be most likely to promote the long-term success of the Company for the benefit of its stakeholders as a whole, whilst having due regard to the matters set out in section 172 (a) to (f) of the Companies Act 2006 being the:

- (a) likely consequences of any decision in the long-term;
- (b) interests of the Company's employees;
- (c) need to foster the Company's business relationships with suppliers, customers and others;
- (d) impact of the Company's operations on the community and the environment;
- (e) desirability of the Company maintaining a reputation for high standards of business conduct; and
- (f) need to act fairly between members of the Company.

In making this statement, the Board considers that its key stakeholders include the ADOBE Group's shareholders and potential investors, employees, occupiers, visitors, local authorities, community partners, suppliers and finance providers.

### On behalf of the board

*Fiona Grace*

Electronically signed by:  
Fiona Grace  
Date: Jul  
20, 2021  
17:32  
GMT+1

Fiona Grace  
Director  
20 July 2021

## DIRECTORS' REPORT

The directors present their directors' report and financial statements for the year ended 30 November 2020.

### Results and dividends

The results for the year ended 30 November 2020 are shown in the profit and loss account on page 11. The Company declared and paid a £17,000,000 dividend to its parent during the year (2019: £24,000,000 ).

### Research and development

The Company undertakes limited research and development activities.

### Post balance sheet events

There have been no material events subsequent to the period end which would require adjustment to, or disclosure in, the financial statements.

### Directors and Secretary

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

Fiona Grace (Ireland)  
Christian Keim (UK)  
Lauren Pfeiffer (US)  
Keith San Felipe (US)

On 19 January 2021, Christian Keim resigned as a director of the Company and Fiona Grace was appointed as a director 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 in 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

### Stakeholder engagement statement

The Board will sometimes engage directly with certain stakeholders on certain issues, but the size and distribution of our stakeholders and of the Group means that stakeholder engagement often takes place at an operational level.

In addition, to ensure a more efficient and effective approach, certain stakeholder engagement occurs at the Group level, in particular where matters are of Group-wide significance or have the potential to impact the employees and business of the Group as a whole.

To ADOBE people come first, and our top priority remains the health and wellbeing of our employees. In 2020 the Group took swift action to direct teams to work from home, suspend travel, and cancel in-person events. The Group increased the frequency of communications, surveyed employees regularly, and rolled out new benefits and programs to meet their needs.

The Board considers and discusses information from across the organization to help it understand the impact on the Group's operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance reports and metrics. This information is provided to the board through written reports and through in-person presentations.

As a result of these activities, the board has an overview of engagement with stakeholders, employees, and other relevant factors, which enables the directors to comply with their legal duty under section 172 of the Companies Act 2006.

More information about key decisions made by ADOBE can be found at <https://www.adobe.com/investor-relations.html>.

### 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

*Fiona Grace*

Electronically signed by:  
Fiona Grace  
Date: Jul  
20, 2021  
17:22  
GMT+1

Fiona Grace  
Director  
20 July 2021

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

The directors are responsible for preparing the strategic report, 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 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**

*Fiona Grace*

Electronically  
signed by:  
Fiona Grace  
Date: Jul  
20, 2021  
17:52  
GMT+1

Fiona Grace  
Director  
20 July 2021





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

### 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 2020 set out on pages 11 to 21, which comprise the Profit and Loss Account and Statement of Other Comprehensive Income, the Balance Sheet, the 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 state of the Company's affairs as at 30 November 2020 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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. 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. The financial statements and our auditor's report thereon do not comprise part of the other information. 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 in these respects.

#### ***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 7, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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 they 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*

John Corrigan

20 July 2021

**Senior Statutory Auditor**

**for and on behalf of**

**KPMG**

**Chartered Accountants, Statutory Audit Firm**

1 Stokes Place

St. Stephen's Green

Dublin 2

Ireland

**PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER COMPREHENSIVE INCOME**

Year ended 30 November 2020

	Notes	2020 £'000	2019 £'000
Turnover	2	199,636	192,730
Administrative Expenses		<u>(184,614)</u>	<u>(178,234)</u>
<b>Operating profit – continuing operations</b>	3	<b>15,022</b>	<b>14,496</b>
Income from other financial assets	6	111	-
Interest receivable and similar income	7	9	2
Interest payable and similar charges	8	<u>(8)</u>	<u>(14)</u>
<b>Profit on ordinary activities before taxation</b>		<b>15,134</b>	<b>14,484</b>
Tax expense on profit on ordinary activities	9	<u>(1,288)</u>	<u>(2,154)</u>
<b>Total comprehensive income for the year</b>		<b><u>13,846</u></b>	<b><u>12,330</u></b>

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.

# Adobe Systems Europe Limited

## BALANCE SHEET

As at 30 November 2020

	Notes	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Tangible assets	10	4,335	6,555
Financial assets	11	1	1
		<u>4,336</u>	<u>6,556</u>
<b>Current assets</b>			
Debtors	12	83,516	56,399
Cash at bank and in hand		-	15,040
		<u>83,516</u>	<u>71,439</u>
<b>Creditors – amounts falling due within one year</b>	13	<u>(40,059)</u>	<u>(43,824)</u>
<b>Net current assets</b>		<u>43,457</u>	<u>27,615</u>
<b>Total assets less current liabilities</b>		47,793	34,171
<b>Provisions for liabilities</b>	15	<u>(27)</u>	<u>(161)</u>
<b>Net assets</b>		<u>47,766</u>	<u>34,010</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>45,372</u>	<u>31,616</u>
<b>Shareholder's funds</b>		<u>47,766</u>	<u>34,010</u>

The financial statements and accompanying notes on pages 11 to 21 were approved by the board of directors on 20 July 2021 and signed on its behalf by:

*Fiona Grace*

Electronically signed by:  
Fiona Grace  
Date: Jul 20  
2021 17:02  
GMT+1

Fiona Grace  
Director  
Company registered number:  
SC101089

## Adobe Systems Europe Limited

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 NOVEMBER 2020

	Called up share capital	Share premium account	Share-based payment reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 December 2018</b>	<b>30</b>	<b>2,312</b>	<b>52</b>	<b>28,948</b>	<b>31,342</b>
Share-based compensation contribution	-	-	14,338	-	14,338
Transfer to profit and loss account	-	-	(14,338)	14,338	-
Dividend paid	-	-	-	(24,000)	(24,000)
Total comprehensive income for the year	-	-	-	12,330	12,330
<b>Balance at 30 November 2019</b>	<b>30</b>	<b>2,312</b>	<b>52</b>	<b>31,616</b>	<b>34,010</b>
Share-based compensation contribution	-	-	16,910	-	16,910
Transfer to profit and loss account	-	-	(16,910)	16,910	-
Dividend paid	-	-	-	(17,000)	(17,000)
Total comprehensive income for the year	-	-	-	13,846	13,846
<b>Balance at 30 November 2020</b>	<b>30</b>	<b>2,312</b>	<b>52</b>	<b>45,372</b>	<b>47,766</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Statement of accounting policies

#### **Basis of preparation**

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, includes the Company in its consolidated financial statements. Detail on the availability of the group financial statements are given in note 20. 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

### **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.

### **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.



## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

### Share based compensation

The ultimate holding company, ADOBE, operates an equity-settled, share-based compensation plans for its employees, which include employees of the Company. Details of the plan and related disclosures are available in Note 17.

### 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:

	2020 £'000	2019 £'000
European Union (EU)	192,907	186,950
Outside EU	6,729	5,780
	<u>199,636</u>	<u>192,730</u>

## 3. Operating profit

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

	2020 £'000	2019 £'000
Depreciation of owned fixed assets	2,415	2,350
Operating lease rentals (buildings)	3,351	4,036
Net loss on foreign currency translation	16	54
Auditor's remuneration:		
- Audit services	24	22
- Non-audit services – taxation	8	16

## 4. Employee costs

	2020 £'000	2019 £'000
Wages and salaries	100,708	96,709
Social security costs	22,877	17,129
Share based compensation expenses	16,910	14,338
Pension costs (note 18)	5,024	4,587
	<u>145,519</u>	<u>132,763</u>

The average number of employees during the year was as follows:

	2020 Number	2019 Number
Finance and operations	67	66
Sales and marketing	756	757
Research and development	56	49
	<u>879</u>	<u>872</u>

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

5. Directors' remuneration

	2020 £'000	2019 £'000
Emoluments and other benefits	<u>779</u>	<u>653</u>

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. Income from other financial assets

	2020 £'000	2019 £'000
Dividend income from Adobe Systems Italia SRL	131	-
Withholding taxes on dividend income	<u>(20)</u>	<u>-</u>
	<u>111</u>	<u>-</u>

7. Interest receivable and similar income

	2020 £'000	2019 £'000
Interest on late receipts	<u>9</u>	<u>2</u>

8. Interest payable and similar charges

	2020 £'000	2019 £'000
Interest on late payments	<u>8</u>	<u>14</u>

9. Taxation

	2020 £'000	2019 £'000
<b>(a) Tax on profit on ordinary activities</b>		
<b>Current tax:</b>		
UK corporation tax	1,509	2,040
Adjustments in respect of prior year	<u>(30)</u>	<u>62</u>
Total current tax charge	1,479	2,102
<b>Deferred tax:</b>		
Reversal and origination of timing differences (note 14)	<u>(191)</u>	<u>52</u>
<b>Total tax</b>	<u>1,288</u>	<u>2,154</u>

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

9. Taxation – continued

(b) Factors affecting tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	2020 £'000	2019 £'000
Profit on ordinary activities before taxation	15,134	14,484
Profit on ordinary activities multiplied by standard rate of tax of 19% (2019: 19%):	2,875	2,752
<i>Effects of:</i>		
Income not taxable for tax purposes	(1,410)	(731)
Capital allowances in excess of depreciation	(127)	52
Pension and payroll related provisions	(98)	30
Adjustments in respect of prior years	(30)	62
Other timing differences	78	(11)
Total tax (note 9(a))	1,288	2,154

10. Tangible assets

Cost	Computer hardware and software £'000	Fixtures, fittings and equipment £'000	Leasehold improvements £'000	Total £'000
At beginning of year	5,886	2,937	14,777	23,600
Additions	240	105	94	439
Disposals	(454)	(127)	(158)	(739)
At end of year	5,672	2,915	14,713	23,300
<b>Depreciation</b>				
At beginning of year	4,585	2,295	10,165	17,045
Provided during the year	661	231	1,523	2,415
Disposals	(372)	(34)	(89)	(495)
At end of year	4,874	2,492	11,599	18,965
<b>Net book value</b>				
At beginning of year	1,301	642	4,612	6,555
At end of year	798	423	3,114	4,335

11. Financial assets

	2020 £'000	2019 £'000
Cost		
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.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

12. Debtors

	2020 £'000	2019 £'000
Amounts owed by group companies	77,405	51,391
Other debtors	39	850
VAT recoverable	1,134	819
Corporation tax receivable	675	-
Prepayments	3,342	2,609
Deferred taxation (note 14)	921	730
	<u>83,516</u>	<u>56,399</u>

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

13. Creditors - amounts falling due within one year

	2020 £'000	2019 £'000
Amounts due to a group company	-	8,828
Bank overdraft	4,487	-
Trade creditors	2,969	2,894
Social security taxes	7,848	6,508
Corporation tax	-	1,670
Accruals	24,755	23,924
	<u>40,059</u>	<u>43,824</u>

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

14. Deferred tax asset

	2020 £'000	2019 £'000
At beginning of year	730	782
Movement in the year (note 9)	191	(52)
At end of year	<u>921</u>	<u>730</u>

Deferred taxation recognised in the financial statements is as follows:

Capital allowances in excess of depreciation	921	655
Other timing differences	-	75
Deferred taxation asset	<u>921</u>	<u>730</u>

15. Provision for liabilities

	Provision for onerous lease £'000	Provision for NIC on stock options £'000	Total £'000
Balance at 30 November 2019	24	137	161
Provisions made during the year	-	27	27
Provisions used during the year	(24)	-	(24)
Provisions reversed during the year	-	(137)	(137)
Balance at 30 November 2020	<u>-</u>	<u>27</u>	<u>27</u>

On April 2, 2020 the Company terminated a legacy lease agreement for a vacant office space in London and released remaining onerous lease provision balance.

# NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

## 15. Provision for liabilities – continued

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

	2020 £'000	2019 £'000
<b>Authorised</b>		
500,000 ordinary shares of £1 each (2019: 500,000)	<u>500</u>	<u>500</u>
<b>Allotted, called up and fully paid</b>		
30,003 (2019: 30,003) ordinary shares of £1 each	<u>30</u>	<u>30</u>

## 17. Share based payments

ADOBE's stock-based compensation programs are long-term retention programs that are intended to attract, retain and provide incentives for employees, officers and directors, and to align stockholder and employee interests. ADOBE has the following stock-based compensation plans and programs:

### *Restricted Stock Units and Performance Share Programs*

ADOBE grants restricted stock units and performance awards to eligible employees under the 2019 Equity Incentive Plan ("2019 Plan").

Restricted stock units generally vest over four years. Certain grants have other vesting periods approved by the Executive Compensation Committee of ADOBE's Board of Directors. Share-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as an expense on a straight-line basis over the requisite service period, which is generally the vesting period.

ADOBE's 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 Performance Share Program, including the award calculation methodology. Shares may be earned based on the achievement of an objective relative total shareholder return measured over a three-year performance period. Performance share awards will be awarded and cliff-vest upon the later of the ADOBE Executive Compensation Committee's certification of the level of achievement or the three-year anniversary of each grant. Participants can earn between 0% and 200% of the target number of performance shares. As of November 27, 2020, the shares awarded under our 2020, 2019 and 2018 Performance Share Programs are yet to be achieved.

### *Employee Share Purchase Plan*

ADOBE's Employee Share 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 twenty-four-month offering periods 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 termination by ADOBE's Board of Directors or the date on which all of the shares available for issuance under the plan have been issued.

In April 2020, ADOBE's stockholders approved the 2020 Employee Share Purchase Plan which amended and restated the 1997 ESPP to increase the maximum number of shares of ADOBE common stock that may be issued under the plan. ADOBE uses the Black-Scholes option pricing model to determine the fair value of ESPP shares. This fair value is affected by the share price as well as assumptions regarding a number of complex and subjective variables. These variables include the expected share price volatility over the expected term of the awards, actual and projected employee stock option exercise behaviours, a risk-free interest rate and any expected dividends.

ADOBE uses a 24-month expected term, which approximates the offering period. ADOBE estimates the volatility of its common stock by using a blend of historical volatility of ADOBE's stock and implied volatility in market-traded options. ADOBE bases the risk-free interest rate on zero-coupon yields implied from U.S. Treasury issues with remaining terms similar to the expected term. ADOBE 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.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

### 18. Pension commitments

The Company participated in a defined contribution pension scheme for the year ended 30 November 2020. Contributions are charged to the profit and loss account in the year in which they become payable. The pension charge for the year was £5,024,000 (2019: £4,587,000). At the end of year, the Company had no pension liabilities (30 November 2019: £639,000).

### 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:

	2020 £'000	2019 £'000
Adobe Inc.	6,729	5,780
Adobe Systems Software Ireland Ltd	192,907	186,950
Total	199,636	192,730

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 20.

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.

### Operating lease commitments

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

	2020 Buildings £'000	2019 Buildings £'000
Less than one year	4,576	4,853
Between one and five years	14,144	18,080
After more than five years	8,305	11,926
Total	27,025	34,859

During the year £3,351,000 was recognised in the profit and loss account in respect of operating leases (2019: £4,036,000).

### 20. 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, ADOBE Inc, 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 the Company 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).

### 21. Subsequent events

There have been no material events subsequent to the period end which would require adjustment to, or disclosure in, the financial statements.

### 22. 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.