

**Adobe Systems Europe Limited**

**Directors' report and financial  
statements**

**Registered number SC101089**

**30 November 2002**



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## **Directors and advisors**

### **Directors**

M J Demo  
MA Higgins  
C Csubak

### **Secretary**

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

### **Auditors**

KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

### **Registered office**

151 St Vincent Street  
Glasgow  
G2 5NJ

## Directors' report

The directors have pleasure in submitting their annual report and audited financial statements for the year ended 30 November 2002.

### Principal activities

The principal activities of the company during the year were the marketing and support of the sale of business communication computer software.

### Business review

During the year Adobe Systems Europe Limited continued to trade as a sales agent for Adobe BV operating under a commercial agency agreement.

### Results and dividends

The profit and loss account is shown on page 5. The directors recommend that no dividend is paid and the retained profit for the year of £635,000 is transferred to reserves.

### Directors and directors' interests

The current directors are noted on page 1.

The directors who served during the year were as follows:

M J Demo

MA Higgins (appointed 27/06/2001)

C Csubak (appointed 21/10/2002)

D Bulbeck (resigned 01/12/2001)

B Chizen (resigned 21/10/2002)

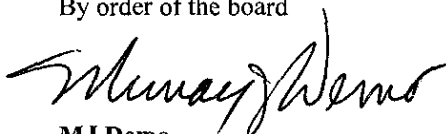
None of the directors who held office at the year end had any disclosable interest in the shares of the company or of any other group company.

### Directors' share options

According to the Register of Directors' interests, no rights to subscribe for shares in the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Since the company meets the definition in s736(2)(3) of the Companies Act 1985 of a wholly owned subsidiary of a body corporate incorporated outside Great Britain, the company has taken advantage of regulation 3(1)(a) of Statutory Instrument 1985/802 exempting the company from the requirement to disclose directors' share interests and options in group companies.

By order of the board



**MJ Demo**  
Director

31 August 2003

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the profit or loss for that period. In preparing those 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;*
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG  
United Kingdom

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

We have audited the financial statements on pages 5 to 13.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 November 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

**31** August 2003

**Profit and loss account**  
*for the year ended 30 November 2002*

	<i>Note</i>	<b>2002</b> £000	2001 £000 restated
<b>Turnover</b>	2	<b>14,862</b>	14,539
Cost of sales		<b>(4,782)</b>	(5,117)
<b>Gross profit</b>		<b>10,080</b>	9,422
Administrative expenses		<b>(9,318)</b>	(8,773)
<b>Operating profit</b>	3	<b>762</b>	649
Interest receivable and similar income	6	<b>348</b>	443
Interest payable and similar charges		<b>(27)</b>	(27)
<b>Profit on ordinary activities before taxation</b>		<b>1,083</b>	1,065
Tax on profit on ordinary activities	7	<b>(448)</b>	889
<b>Profit on ordinary activities after tax being retained profit for the financial year</b>	13	<b>635</b>	1,954

The results in the above profit and loss account relate entirely to continuing operations.

**Statement of total recognised gains and losses**

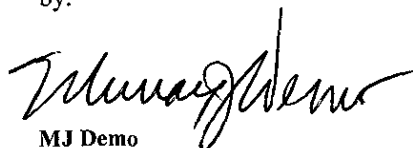
*For the year ended 30 November 2002*

	<b>2002</b> £000	2001 £000 restated
Profit for the financial year	635	1,954
Prior year adjustment (as explained at note 10)	329	
<b>Total gains and losses since last annual report</b>	<b>964</b>	

**Balance sheet**  
*at 30 November 2002*

	<i>Note</i>	<b>2002</b> <b>£000</b>	2001 £000 restated
<b>Fixed assets</b>			
Tangible assets	8	293	739
Investments	9	51	51
		<hr/>	<hr/>
		344	790
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	10	1,965	2,408
Investments		9,081	8,089
Cash at bank and in hand		142	83
		<hr/>	<hr/>
		11,188	10,580
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	11	(1,758)	(2,231)
		<hr/>	<hr/>
<b>Net current assets</b>		9,430	8,349
		<hr/>	<hr/>
<b>Net assets</b>		9,774	9,139
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	12	355	355
Share premium		5,039	5,039
Profit and loss account	13	4,380	3,745
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		9,774	9,139
		<hr/>	<hr/>

These financial statements were approved by the board of directors on <sup>31</sup> August 2003 and were signed on its behalf by:

  
MJ Demo  
Director



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The company has adopted FRS 19 'Deferred Tax' for the first time in these financial statements resulting in a prior year adjustment (see note 10).

#### *Basis of preparation*

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. The financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

The company, as a wholly owned subsidiary of Adobe Systems Inc., has taken advantage of the exemption contained in FRS 8, "Related Party Disclosure", in preparing its accounts. This exemption allows the company not to disclose details of transactions with other group companies or investees of the group qualifying as related parties, as the consolidated financial statements of Adobe Systems Inc., in which the company is included, can be obtained from the address given in note 16.

#### *Fixed assets and depreciation*

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life as follows:

Leasehold improvements	life of lease
Computer hardware and software	33% per annum
Furniture, fittings and equipment	25% per annum
Motor vehicles	25% per annum

#### *Investments*

Current asset investments are stated at the lower of cost and estimated net realisable value.

#### *Foreign currencies*

Transactions in foreign currency are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange ruling at the balance sheet date. All differences on exchange are taken to the profit and loss account.

#### *Leases*

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

## Notes (continued)

### 1 Accounting policies (continued)

#### Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

#### Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

#### Turnover

Turnover represents expenses reimbursed from Adobe BV and an element of commission resulting from the marketing and support services provided as part of a commercial agency agreement.

### 2 Turnover

An analysis of turnover by geographical market is given below:

	2002 £000	2001 £000
Europe	12,858	12,630
The Americas	2,004	1,909
	<hr/>	<hr/>
	14,862	14,539
	<hr/>	<hr/>

### 3 Operating profit

	2002 £000	2001 £000
<i>Operating profit is stated after charging:</i>		
Depreciation	566	586
Operating lease rentals	97	122
- plant and machinery		
- land and buildings	584	584
Auditors' remuneration	13	13
- company audit services		
- non-audit services	43	49
	<hr/>	<hr/>

### 4 Remuneration of directors

	2002 £000	2001 £000
Directors' emoluments	105	87
Company contributions to money purchase schemes	6	3
	<hr/>	<hr/>
	111	90
	<hr/>	<hr/>

Retirement benefits are accruing to 1 (2001: 1) director under money purchase schemes.

**Notes** *(continued)*

**5 Staff numbers and costs**

	<b>2002</b>	<b>2001</b>
	<b>Number</b>	<b>Number</b>
The average number of employees during the year was:		
Finance and administration	8	8
Sales and support	98	88
	<hr/>	<hr/>
	106	96
	<hr/>	<hr/>

Staff costs during the year:

	<b>£000</b>	<b>£000</b>
Wages and salaries	4564	4,118
Social security costs	505	519
Pension costs	175	133
	<hr/>	<hr/>
	5244	4,770
	<hr/>	<hr/>

**6 Interest receivable and similar income**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Bank	11	47
Short term investments	337	396
	<hr/>	<hr/>
	348	443
	<hr/>	<hr/>

**7 Tax on profit on ordinary activities**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Analysis of charge in year		Restated
<i>UK corporation tax</i>		
Current tax on income for the year	418	380
Adjustment in respect of prior years	(2)	(1,230)
	<hr/>	<hr/>
<b>Total current tax</b>	<b>416</b>	<b>(850)</b>
<b>Deferred tax (see note 10)</b>		
Timing differences	32	(39)
	<hr/>	<hr/>
<b>Tax on profit on ordinary activities</b>	<b>448</b>	<b>(889)</b>
	<hr/>	<hr/>

## Notes (continued)

### 7 Tax on profit on ordinary activities (continued)

#### Factors affecting the tax charge for the current year

The current tax charge for the period is higher (2001: lower) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below:

	2002 £000	2001 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,083	1,065
	<hr/>	<hr/>
Current tax at 30% (2001: 30%)	325	320
<i>Effects of:</i>		
Expenses not deductible for tax purposes	32	28
Capital allowances for the year in excess of depreciation	60	40
Other	1	(8)
Adjustments to tax charge in respect of previous years	(2)	(1,230)
	<hr/>	<hr/>
Total current tax charge	416	(850)
	<hr/>	<hr/>

### 8 Tangible fixed assets

	Leasehold improvements £000	Computer hardware & software £000	Furniture fittings & equipment £000	Total £000
<i>Cost</i>				
At start of year	853	990	636	2,479
Additions	-	119	-	119
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	853	1,109	636	2,598
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At start of year	473	728	539	1,740
Provided in the year	336	159	70	565
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	809	887	609	2,305
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 1 December 2002	44	222	27	293
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 December 2001	380	262	97	739
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes (continued)**

**9 Fixed asset investments**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Investment in subsidiary undertaking	50	50
Investment in fellow subsidiary undertaking	1	1
	<u>51</u>	<u>51</u>

The company owns 100% of the ordinary share capital of Adobe Systems Direct Limited, a company registered in Scotland and 5% of the ordinary share capital of Adobe Systems Italia, a company incorporated in Italy. Adobe Systems Direct Limited ceased trading in 1999.

**10 Debtors**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
		restated
Amounts owed by parent and fellow subsidiary undertakings	1,255	1,729
Other debtors	163	155
Prepayments and accrued income	250	195
Deferred tax asset	297	329
	<u>1,965</u>	<u>2,408</u>

The elements of deferred taxation are as follows

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Difference between accumulated depreciation and capital allowances	259	292
Other timing differences	38	37
	<u>297</u>	<u>329</u>

As a result of the adoption of FRS19 'Deferred Tax' a prior year adjustment has been made in respect of the recognition of a deferred tax asset. The adjustment has resulted in a decrease in the current year profit of £32,000 (2001: increase £39,000). A deferred tax asset of £297,000 (2001: £329,000) has increased reported net assets by this amount.

**11 Creditors: amounts falling due within one year**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	240	521
Amounts due to subsidiary undertaking	264	264
Corporation tax	145	414
Other taxes and social security costs	163	-
Accruals	946	1,032
	<u>1,758</u>	<u>2,231</u>

**Notes** *(continued)*

**12 Called up share capital**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
<b>Equity</b>		
<i>Authorised</i>		
Ordinary shares of £1 each	<b>500</b>	500
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<b>355</b>	355
	<hr/>	<hr/>

**13 Profit and loss account**

	<b>£000</b>
At beginning of year- as previously stated	3,416
Prior year adjustment (note 10)	329
	<hr/>
As restated	3,745
Retained profit for the financial year	635
	<hr/>
<b>At end of year</b>	<b>4,380</b>
	<hr/>

**14 Reconciliation of movements in shareholders' funds**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
<b>Profit for the financial period – as previously stated</b>	<b>635</b>	1,915
Prior year adjustment	-	39
	<hr/>	<hr/>
As restated	<b>635</b>	1,954
Opening shareholders' funds (originally £6,895,000 for 2001 before adding prior year adjustment of £290,000)	<b>9,139</b>	7,185
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>9,774</b>	9,139
	<hr/>	<hr/>

## Notes (continued)

### 15 Commitments

The commitments under non-cancellable operating leases are as follows:

	2002		2001	
	Land and buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	-	60	-	43
In the second to fifth years inclusive	-	37	-	79
Over five years	584	-	584	-
	<hr/>	<hr/>	<hr/>	<hr/>
	584	97	584	122
	<hr/>	<hr/>	<hr/>	<hr/>

### 16 Parent undertaking and ultimate parent undertaking

The company is a wholly owned subsidiary of Adobe Systems Benelux BV, a company incorporated in the Netherlands.

The ultimate parent undertaking of Adobe Systems Europe Limited is Adobe Systems Inc., a company incorporated in the USA.

Copies of the group financial statements can be obtained from the Investor Relations Department, Adobe Systems Inc., 345 Park Avenue, San Jose, California 95110, USA.

### 17 Post balance sheet event

In December 2002 the company purchased 325,000 of its own shares for an aggregate amount of £9,425,000, of which £5,318,179 was out of capital.