

**ACTIAN EUROPE LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**Company Registration Number 05490314**



**ACTIAN EUROPE LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

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<b>CONTENTS</b>	<b>PAGES</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>The director's report</b>	<b>2 to 4</b>
<b>Independent auditor's report to the members</b>	<b>5 to 6</b>
<b>Profit and loss account</b>	<b>7</b>
<b>Balance sheet</b>	<b>8</b>
<b>Cash flow statement</b>	<b>9</b>
<b>Notes to the financial statements</b>	<b>10 to 20</b>

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**ACTIAN EUROPE LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**YEAR ENDED 31 DECEMBER 2012**

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<b>The director</b>	<b>M Monohan</b>
<b>Company secretary</b>	<b>EPS Secretaries Limited</b>
<b>Business address</b>	<b>217 Bath Road Slough SL1 4AA</b>
<b>Registered office</b>	<b>Lacon House Theobalds Road London WC1X 8RW</b>
<b>Auditor</b>	<b>Deloitte LLP Chartered Accountants and Statutory Auditor London</b>
<b>Accountants</b>	<b>RSM Tenon Limited Davidson House Forbury Square Reading Berkshire RG1 3EU</b>

**ACTIAN EUROPE LIMITED**  
**THE DIRECTOR'S REPORT**  
**YEAR ENDED 31 DECEMBER 2012**

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The director presents his report and the financial statements of the company for the year ended 31 December 2012

**Principal activities and business review**

The principal activity of the company during the year was the provision of business open source database management software and support services

The director is pleased to report another successful year of trading for the company despite the difficult economic environment. The company considers its key performance indicators to be revenue, net profits/losses and cash. Revenues for the year increased by 20% to £22,099,852 while the net profit for the year was £301,321.

The company operates in a dynamic, high-technology industry and believes that changes in any of the following areas could have a material adverse effect on the company's future financial position, results of operations, and cash flows; ability to obtain additional financing, economic and/or political conditions or regulations, fundamental changes in the technology underlying the company's software products, market acceptance of the company's products under development, loss of significant customers; changes in the overall demand for products offered by the company; changes in certain strategic relationships or customer relationships, successful and timely completion of product development efforts, competitive pressures in the form of new product introductions by competitors or price reductions on current products, development of sales channels, failure to adequately protect the company's intellectual property, and the hiring, training, and retention of key employees.

In order to mitigate the risk of fundamental changes in technologies underlying the company's products and to sustain its position within the market place, Actian Corporation continues to invest significantly in research and development to ensure that Actian Corporation and its subsidiaries, which includes Actian Europe Limited, are up to date with technological changes.

The director will continue to investigate and invest in new technology, and sees this as an important safeguard for the future success of the company. During 2010, Actian Corporation indirectly purchased Vectorwise B.V. a Netherlands technology company.

In addition to this, the director believes that the quality of the products offered and customer service will help mitigate further risks.

The company continues to be positive in its outlook for 2013.

As disclosed further in Note 2, the director has prepared the accounts on a going concern

**basis. Results and dividends**

The profit for the year, after taxation, amounted to £301,321. The director has not recommended a dividend.

**Financial risk management objectives and policies**

The management's financial risk management objectives are to:

- Retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due while maximising returns on surplus funds;
- Minimise the company's exposure to fluctuating exchange rates arising from the company's day to day operations.

**ACTIAN EUROPE LIMITED**  
**THE DIRECTOR'S REPORT** *(continued)*  
**YEAR ENDED 31 DECEMBER 2012**

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**Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company finances through a mixture of retained profits and where necessary through intra group funding. The company has no external borrowing.

**Director**

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

**M Monohan**  
**G Wood**

**M Monohan was appointed as a director on 8 June 2012**

**G Wood resigned as a director on 8 June 2012.**

**Director's responsibilities statement**

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing those financial statements, the director is required to.

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

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the director is aware

- there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

**ACTIAN EUROPE LIMITED**  
**THE DIRECTOR'S REPORT** *(continued)*  
**YEAR ENDED 31 DECEMBER 2012**

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**Auditor**

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting

Approved by the board and signed on its behalf

A handwritten signature in black ink, appearing to be 'M Monahan', consisting of a series of loops and a final vertical stroke.

M Monahan

Director

Approved by the director on 29 November 2013

**ACTIAN EUROPE LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACTIAN**  
**EUROPE LIMITED**  
**YEAR ENDED 31 DECEMBER 2012**

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We have audited the financial statements of Actian Europe Limited for the year ended 31 December 2012 on pages 7 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

**Respective responsibilities of director and auditor**

As explained more fully in the Director's Responsibilities Statement set out on page 3, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

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

**ACTIAN EUROPE LIMITED**

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


**YEAR ENDED 31 DECEMBER 2012**

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

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

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



**Peter O'Donoghue (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory  
Auditor London**

Date - . . . . .

29<sup>th</sup> November 2013



**ACTIAN EUROPE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	2011 £
Turnover	3	22,099,852	18,459,940
Cost of sales		(15,038,295)	(11,742,762)
Gross profit		7,061,557	6,717,178
Administrative expenses		(7,588,173)	(7,190,094)
Other operating income	4	749,349	–
Operating profit/(loss)	5	222,733	(472,916)
Interest receivable	7	9,839	123,401
Interest payable and similar charges	8	(16)	(2)
Profit/(loss) on ordinary activities before taxation		232,556	(349,517)
Tax on profit/(loss) on ordinary activities	9	68,765	(50,201)
Profit/(loss) for the financial year		<u>301,321</u>	<u>(399,718)</u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 10 to 20 form part of these financial statements

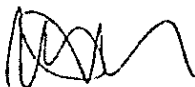
**ACTIAN EUROPE LIMITED**  
Registered Number 05490314

**BALANCE SHEET**

**31 DECEMBER 2012**

	Note	2012 £	£	2011 £	£
<b>Fixed assets</b>					
Tangible assets	10		305,554		386,102
<b>Current assets</b>					
Debtors	11	11,850,889		6,082,166	
Cash at bank		2,456,549		9,959,237	
		<u>14,307,438</u>		<u>16,041,403</u>	
Creditors Amounts falling due within one year	13	(13,657,463)		(14,285,032)	
<b>Net current assets</b>			649,975		1,756,371
<b>Total assets less current liabilities</b>			955,529		2,142,473
Creditors Amounts falling due after more than one year	14		(707,317)		(2,195,582)
			<u>248,212</u>		<u>(53,109)</u>
<b>Capital and reserves</b>					
Called-up share capital	19		1		1
Profit and loss account	20		248,211		(53,110)
<b>Shareholders' funds</b>	21		<u>248,212</u>		<u>(53,109)</u>

These financial statements were approved and signed by the director and authorised for issue on



M Monahan

Director

29 November 2013

The notes on pages 10 to 20 form part of these financial statements

**ACTIAN EUROPE LIMITED**  
**CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	£	2011 £	£
Net cash (outflow)/inflow from operating activities	22		(7,433,127)		5,829,470
Returns on investments and Servicing of finance					
Payment to group undertakings		(31,250)		114,075	
Interest received		41,089		9,326	
Interest paid		<u>(16)</u>		<u>(2)</u>	
Net cash inflow from returns on investments and servicing of finance			9,823		123,399
Taxation			(257,549)		184,261
Capital expenditure					
Payments to acquire tangible fixed assets		(47,003)		(372,903)	
Receipts from sale of fixed assets		<u>6,430</u>		<u>—</u>	
Net cash outflow from capital expenditure			(40,573)		(372,903)
(Decrease)/increase in cash	22		<u>(7,502,688)</u>		<u>5,764,227</u>

The notes on pages 10 to 20 form part of these financial statements

**ACTIAN EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

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**1 Accounting policies**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable law and UK accounting standards

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year

**Turnover**

The company derives its revenue primarily from two sources:

- (i) annual or multiyear subscriptions, and
- (ii) fees for professional services, which include services performed in connection with time-and-materials based or fixed price consulting agreements and training.

Subscription revenue is recognised rateably over the life of the subscription.

Professional services and training revenues are recognised as the services are performed

In addition to the above, the company has entered into an agreement with its ultimate parent undertaking, Actian Corporation, under the terms of which it receives income based on a targeted operating margin. Amounts receivable in respect of this agreement are included within turnover in the financial statements and are stated exclusive of Value Added Tax

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation.

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Leasehold property	- Over the term of the lease
Computer equipment	- 3 years straight line
Fixtures & fittings	- 3 years straight line

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

**Pension costs**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund

**ACTIAN EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

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**1. Accounting policies *(continued)***

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

**Share-based payments**

Action Corporation, the ultimate parent undertaking, operates an equity-settled share-based compensation plan (the 2005 Stock Plan) for itself and its subsidiaries. The fair value of the employee services received in exchange for the grant of the options are recognised by the company as an expense in its profit and loss account with a corresponding increase recognised through intercompany balances. In prior years, this increase has been recognised in reserves as a contribution from the parent.

Action Corporation established the 2005 Stock Plan ("the 2005 Plan"), which provides for the grant of incentive stock and non qualified stock options and the direct issuances of the company's stock. The Board of Directors of Action Corporation has the authority to approve grants of options and the issuances of stock to employees and other service providers and approve the terms of each option and issuance, including (i) the number of shares of Common Stock issuable upon exercise of the option; (ii) When the option becomes exercisable; (iii) the option exercise price, which in the case of incentive stock options, must be at least 100% (110% in the case of incentive stock options granted to a shareholder owning in excess of 10% of the company's Common Stock) of the fair market value of the Common Stock as of the date of grant; and (iv) the duration of the option (which, in the case of incentive stock options, may not exceed 10 years). Options granted under the 2005 Plan vest over various periods and expire no later than 10 years from the date of grant.

The company uses the Black-Scholes option pricing model to determine the fair value of its stock options. The determination of the fair value of stock based awards on the date of grant using an option-pricing model is affected by the ultimate parent company's stock price determined based on its estimated market value as well as assumptions regarding a number of complex and subjective variables. These variables include the expected stock price volatility over the term of the awards, the expected life of stock options, actual and projected employee stock option exercise behaviours, risk-free interest rate, and expected dividends. The company's expected volatility is derived from an average of historical volatilities of comparable companies within the technology sector. The interest rate assumption is based upon the observed Treasury Yield Curve rates appropriate for the company's stock options. The company 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. The company uses historical data to estimate pre-vesting option forfeitures and records stock based compensation expense only for those awards that are expected to vest.

**ACTIAN EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

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**2. Going concern - basis of preparation**

In accordance with their responsibilities, the director of Actian Europe Limited has considered the appropriateness of the going concern basis, which has been used in the preparation of these financial statements. The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Director's Report. Further the amounts due to creditors are stated in note 13 of these financial statements.

The current economic conditions do create uncertainty but the director believes that the continued growth and profitability of the company will be sustained through the future period as set out in the Director's Report

The company's forecasts and projections for the years ending 31 December 2013, 31 December 2014 and beyond, taking account of risk factors and possible changes in trading performance, show that the company should be able to operate within the level of its current facilities

In making this assessment the director has considered the company's interaction with its parent company, Actian Corporation and, in particular, the expected inter-company revenues it will earn and costs it will incur through this relationship. Further, management has considered the recoverability of all inter-company receivables due to the company and concluded they are presented at their fair value.

After making inquiries, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements

**3. Turnover**

The turnover and profit before tax are attributable to the principal activities of the company as described in the turnover accounting policy above

An analysis of turnover is given below

	2012 £	2011 £
United Kingdom	21,441,021	17,502,766
United States of America	658,831	957,174
	<u>22,099,852</u>	<u>18,459,940</u>

**4 . Other operating income**

	2012 £	2011 £
Other operating income	<u>749,349</u>	<u>—</u>

**ACTIAN EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

**5 Operating profit/(loss)**

Operating profit/(loss) is stated after charging/(crediting):

	2012	2011
	£	£
Depreciation of owned fixed assets	122,297	92,921
(Profit)/loss on disposal of fixed assets	(1,176)	178,927
Operating lease costs.		
- Other	110,167	85,915
Net loss on foreign currency translation	523,389	86,714
Auditor's remuneration		
- Company's accounts	35,000	35,000

**6 Particulars of employees**

The average number of staff employed by the company during the financial year amounted to:

	2012	2011
	No	No
Professional services	57	51
	==	==

The aggregate payroll costs of the above were

	2012	2011
	£	£
Wages and salaries	4,514,447	4,347,729
Social security costs	560,450	516,613
Other pension costs	216,282	169,768
Equity-settled share-based payments	274,225	339,712
	<u>5,565,404</u>	<u>5,373,822</u>

Directors' remuneration in both years was borne by the ultimate parent undertaking, Actian Corporation.

**7 Interest receivable**

	2012	2011
	£	£
Bank interest receivable	41,089	9,326
Interest to group undertakings	(31,250)	114,075
	<u>9,839</u>	<u>123,401</u>
	===	===

**8 Interest payable and similar charges**

	2012	2011
	£	£
Other charges payable	16	2
	==	==

**ACTION EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

**9 Interest payable and similar charges**

**Taxation on ordinary activities**

**(a) Analysis of charge in the year**

	2012		2011	
	£	£	£	£
<b>UK taxation</b>				
<b>In respect of the year</b>				
UK Corporation tax		15,302		-
Over/under provision in prior year		3,558		61
		<u>18,860</u>		<u>61</u>
<b>Foreign tax</b>				
Current tax on income for the year		19,951		26,195
		<u>38,811</u>		<u>26,256</u>
<b>Deferred tax.</b>				
<b>Origination and reversal of timing differences</b>	(107,576)		23,945	
<b>Total deferred tax (note 12)</b>		(107,576)		23,945
<b>Tax on profit/(loss) on ordinary activities</b>		(68,765)		50,201

**(b) Factors affecting current tax charge**

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 24.50% (2011 26%)

	2012	2011
	£	£
<b>Tax charge/(credit) at standard rate</b>	232,556	(349,517)
<b>Profit/(loss) on ordinary activities by rate of tax</b>	56,970	(90,874)
<b>Effects of.</b>		
Expenses not deductible for tax purposes	9,976	52,340
Capital allowances for period in excess of depreciation	12,872	(13,423)
Other permanent differences	(4,887)	-
Unrelieved tax losses arising in the period	41,591	-
Income not taxable for tax purposes	(183,570)	-
Foreign tax credits	19,951	-
Adjustments to tax charge in respect of previous periods	3,558	61
Marginal relief	-	(385)
Other short term timing differences	(137)	26,188
Share option expense timing differences	67,185	88,325
Liabilities transferred in	-	(35,976)
<b>Total current tax (note 9(a))</b>	<u>23,509</u> =====	<u>26,256</u> =====



**ACTIAN EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

**10 Tangible fixed assets**

	Leasehold Property £	Computer Equipment £	Fixtures & Fittings £	Total £
<b>Cost</b>				
At 1 January 2012	216,218	631,097	8,839	856,154
Additions	3,655	43,348	—	47,003
Disposals	—	(7,274)	—	(7,274)
<b>At 31 December 2012</b>	<b>219,873</b>	<b>667,171</b>	<b>8,839</b>	<b>895,883</b>
<b>Depreciation</b>				
At 1 January 2012	20,073	446,356	3,623	470,052
Charge for the year	27,854	92,054	2,389	122,297
On disposals	—	(2,020)	—	(2,020)
<b>At 31 December 2012</b>	<b>47,927</b>	<b>536,390</b>	<b>6,012</b>	<b>590,329</b>
<b>Net book value</b>				
At 31 December 2012	171,946	130,781	2,827	305,554
At 31 December 2011	196,145	184,741	5,216	386,102

**11. Debtors**

	2012 £	2011 £
Trade debtors	4,194,155	3,754,135
Amounts owed by group undertakings	7,298,724	2,177,292
Other debtors	59,104	59,104
Prepayments and accrued income	160,347	60,652
Deferred taxation (note 12)	138,559	30,983
	<b>11,850,889</b>	<b>6,082,166</b>

Amounts owed by group undertakings above totalling £7,298,724 (2011: £2,177,292) includes a loan to the ultimate parent company of £575,253 (2011: £575,253) which represents an advance to fund the Group's on going development and working capital needs. The loan is unsecured, interest-free and has no fixed repayment schedule.

**ACTIAN EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

**12 Deferred taxation**

The deferred tax included in the Balance sheet is as follows.

	2012 £	2011 £
Included in debtors (note 11)	138,559	30,983

The movement in the deferred taxation account during the year was

	2012 £	2011 £
At 1 January 2012	30,983	54,928
Profit and loss account movement arising during the year	107,576	(23,945)
At 31 December 2012	138,559	30,983

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2012 £	2011 £
Excess of depreciation over taxation allowances	35,644	29,987
Other timing differences	102,915	996
	138,559	30,983

**13 Creditors Amounts falling due within one year**

	2012 £	2011 £
Trade creditors	39,260	42,415
Amounts owed to group undertakings	—	749,349
PAYE and social security	7,962	14,202
VAT	418,504	497,835
Other creditors	3,454	14,332
Accruals and deferred income	13,188,283	12,966,899
	13,657,463	14,285,032

**14 Creditors Amounts falling due after more than one year**

	2012 £	2011 £
Accruals and deferred income	707,317	2,195,582

**15 Pensions**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. Contributions totalling £216,282 (2011: £169,768) were payable to the fund during the year. At the year end, contributions totalling £3,454 (2011: £3,982) were outstanding and are included within Creditors: amounts falling due within one year, above.

**ACTION EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

**16. Share-based payments**

**Equity-settled share-based payments**

Actian Corporation, the ultimate parent undertaking, operates an equity-settled share-based compensation plan (the 2005 Stock Plan) for itself and its subsidiaries. The fair value of the employee services received in exchange for the grant of the options is as an expense in their respective profit and loss account with a corresponding credit to intercompany.

Actian Corporation established the 2005 Stock Plan ("the 2005 Plan"), which provides for the grant of incentive stock and non qualified stock options and the direct issuances of the company's stock. The Board of Directors of Actian Corporation has the authority to approve grants of options and the issuances of stock to employees and other service provides and approve the terms of each option and issuance, including (i) the number of shares of Common Stock issuable upon exercise of the option; (ii) when the option becomes exercisable; (iii) the option exercise price, which in the case of incentive stock options, must be at least 100% (110% in the case of incentive stock options granted to a shareholder owning in excess of 10% of the company's Common Stock) of the fair market value of the Common Stock as of the date of grant, and (iv) the duration of the option (which, in the case of incentive stock options, may not exceed 10 years). Options granted under the 2005 Plan vest over various periods and expire no later than 10 years from the date of grant.

Details of the number of share options and the weighted average exercise price (WAEP), denominated in US Dollars (\$), outstanding during the year are as follows.

	2012		2011	
	No	WAEP \$	No	WAEP \$
Outstanding at the beginning of the year	2,898,273	1 50	1,617,300	1 50
Granted during the year	2,943,723	1 50	1,385,700	1 50
Forfeited during the year	(2,930,741)	1 50	(185,250)	1 50
Transferred during the year	(26,532)	—	80,523	1 50
Exercised during the year	—	—	—	—
Outstanding at the end of the year	2,884,723	1.50	2,898,273	1 50
Exercisable at the end of the year	1,852,112	1 50 ===	1,434,467	1 50 ==

The share options outstanding at the end of the year have the following weighted average contractual lives (years) and exercise prices (\$)

Options outstanding at 31 December 2012 No	Weighted average of remaining contractual life Yrs	Weighted average exercise price \$	Exercisable shares at 31 December 2012 No	Weighted average exercise price \$
2,884,723	6.0335	1 50	1,852,112	1 50

The weighted average fair value of shares granted during the year was \$1.50 (2011: \$1.27). The fair values were calculated using the Black-Scholes model. The inputs into the model were as follows:

**ACTION EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

**16 Share-based payments (continued)**

	2012	2011
Weighted average share price - \$	1.50	1 50
Weighted average exercise price - \$	1.50	1 50
Expected volatility - %	50.50	53.30
Expected life - years	6.50	6.50
Risk free rate - %	1 10	1 59

The company's expected volatility is derived from an average of historical volatilities of comparable companies within the technology sector. The interest rate assumption is based upon the observed Treasury Yield Curve rates appropriate for the company's stock options. The company 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. The company uses historical data to estimate pre-vesting option forfeitures and records stock based compensation expense only for those awards that are expected to vest.

The company recognised total expenses of £274,225 (2011 £339,712) related to equity-settled share-based payment transactions during the year.

**17. Commitments under operating leases**

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2012 £	Land and buildings 2011 £
Operating leases which expire Within 2 to 5 years	176,333	176,333

**18. Related party transactions**

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard No 8.

**19. Share capital**

Authorised, allotted, called up and fully paid:

	2012		2011	
	No	£	No	£
1 Ordinary shares of £1 each	1	1	1	1

**20. Profit and loss account**

	2012 £	2011 £
Balance brought forward	(53,110)	346,608
Profit/(loss) for the financial year	301,321	(399,718)
Balance carried forward	248,211	(53,110)

**ACTIAN EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

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

	2012 £	2011 £
Profit/(loss) for the financial year	301,321	(399,718)
Opening shareholders' (deficit)/funds	(53,109)	346,609
Closing shareholders' funds/(deficit)	248,212	(53,109)

**22 Notes to the cash flow statement**

**Reconciliation of operating profit/(loss) to net cash (outflow)/inflow from operating activities**

	2012 £	2011 £
Operating profit/(loss)	222,733	(472,916)
Depreciation	122,297	92,921
(Profit)/loss on disposal of fixed assets	(1,176)	178,927
(Increase)/decrease in debtors	(5,935,372)	7,068,691
Decrease in creditors	(2,115,834)	(1,377,865)
Equity-settled share-based payments	274,225	339,712
Net cash (outflow)/inflow from operating activities	(7,433,127)	5,829,470

**Reconciliation of net cash flow to movement in net funds**

	2012 £	2011 £
(Decrease)/increase in cash in the period	(7,502,688)	5,764,227
Change in net funds	(7,502,688)	5,764,227
Net funds at 1 January 2012	9,959,237	4,195,010
Net funds at 31 December 2012	2,456,549	9,959,237

**Analysis of changes in net funds**

	At 1 January 2012 £	Cash flows £	At 31 December 2012 £
Net cash.			
Cash in hand and at bank	9,959,237	(7,502,688)	2,456,549
Net funds	9,959,237	(7,502,688)	2,456,549

**ACTIAN EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2012**

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**23 Ultimate parent company and controlling party**

The directors consider the immediate parent company to be Actian International, Inc , a company registered in United States of America and organised under the laws of the state of Delaware.

The directors also consider the ultimate parent undertaking and largest group for which consolidated accounts are prepared, to be Actian Corporation, a company incorporated in the United States of America and organised under the laws of state of Delaware

The directors consider there to be no ultimate controlling party.