

REGISTERED NUMBER. 05611507 (England and Wales)

SUCCESSFACTORS UK LIMITED
REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

THURSDAY



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06/12/2012
COMPANIES HOUSE

Murphy Salisbury
Chartered Accountants and Registered Auditors
15 Warwick Road
Stratford Upon Avon
Warwickshire
CV37 6YW

SUCCESSFACTORS UK LIMITED (REGISTERED NUMBER 05611507)

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7

SUCCESSFACTORS UK LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS:

B Kinton
H B Smith
C Klein
Ms C Ohlgart

REGISTERED OFFICE:

The Oriel
Sydenham Road
Guildford
Surrey
GU1 3SR

REGISTERED NUMBER:

05611507 (England and Wales)

AUDITORS:

Murphy Salisbury
Chartered Accountants and Registered Auditors
15 Warwick Road
Stratford Upon Avon
Warwickshire
CV37 6Y W

SUCCESSFACTORS UK LIMITED (REGISTERED NUMBER: 05611507)

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report with the financial statements of the company for the year ended 31 December 2011

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of provision of sales, marketing and professional services to the parent company SuccessFactors Inc

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2011 to the date of this report

B Kinton
H B Smith

Other changes in directors holding office are as follows

C Klein and Ms C Ohlgart were appointed as directors after 31 December 2011 but prior to the date of this report

B C Felt Jr ceased to be a director after 31 December 2011 but prior to the date of this report

GOING CONCERN

As described above, the company principal activity is the provision of sales, marketing and professional services to the parent company SuccessFactors Inc. This arrangement is subject to a rolling, automatically renewing one year contract. The agreement is on a cost plus basis, enabling the company to recharge its costs to its parent company at an appropriate margin. The company has no external financing or facilities as the parent company pays on a timely basis which enables the company to meet any liabilities as they fall due.

The directors have an undertaking from the parent company that the existing contract is to continue for the foreseeable future and also that funding will be made available to the company if required. The directors have also considered the status of the parent company, and have concluded that there is no reason that the contract will not continue. Therefore the directors of the company have concluded that it is appropriate that the company's financial statements are prepared and presented using the going concern principle.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 the directors have 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 directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

SUCCESSFACTORS UK LIMITED (REGISTERED NUMBER: 05611507)

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011

AUDITORS

The auditors, Murphy Salisbury, will be proposed for re-appointment at the forthcoming Annual General Meeting

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies

ON BEHALF OF THE BOARD



Director

B kinion

27 November 2012

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
SUCCESSFACTORS UK LIMITED**

We have audited the financial statements of SuccessFactors UK Limited for the year ended 31 December 2011 on pages five to fourteen. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 a Report of the Auditors 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

As explained more fully in the Statement of Directors' Responsibilities set out on page two, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the 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 Report of the Directors 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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Report of the Directors.



Mark Bullock FCA (Senior Statutory Auditor)
for and on behalf of Murphy Salisbury
Chartered Accountants and Registered Auditors
15 Warwick Road
Stratford Upon Avon
Warwickshire
CV37 6YW

27 November 2012

SUCCESSFACTORS UK LIMITED (REGISTERED NUMBER: 05611507)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
TURNOVER	2	9,156,599	5,977,352
Administrative expenses		8,731,672	5,727,350
		424,927	250,002
Other operating income		9,750	34,387
OPERATING PROFIT	4	434,677	284,389
Interest receivable and similar income		1,353	246
		436,030	284,635
Interest payable and similar charges		3	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		436,027	284,635
Tax on profit on ordinary activities	5	43,314	52,471
PROFIT FOR THE FINANCIAL YEAR		392,713	232,164

The notes form part of these financial statements

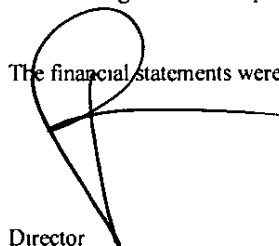
SUCCESSFACTORS UK LIMITED (REGISTERED NUMBER: 05611507)

BALANCE SHEET
31 DECEMBER 2011

	Notes	2011 £	2010 £
FIXED ASSETS			
Tangible assets	6	283,036	124,090
CURRENT ASSETS			
Debtors	7	1,102,567	883,770
Cash at bank		1,552,498	803,156
		<u>2,655,065</u>	<u>1,686,926</u>
CREDITORS			
Amounts falling due within one year	8	<u>1,511,911</u>	<u>1,125,984</u>
NET CURRENT ASSETS		<u>1,143,154</u>	<u>560,942</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,426,190</u>	<u>685,032</u>
CREDITORS			
Amounts falling due after more than one year	9	<u>90,995</u>	<u>-</u>
NET ASSETS		<u><u>1,335,195</u></u>	<u><u>685,032</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	1	1
Profit and loss account	13	<u>1,335,194</u>	<u>685,031</u>
SHAREHOLDERS' FUNDS		<u><u>1,335,195</u></u>	<u><u>685,032</u></u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved by the Board of Directors on 27 November 2012 and were signed on its behalf by


Director
B Kinion

SUCCESSFACTORS UK LIMITED (REGISTERED NUMBER 05611507)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

Turnover

Turnover represents net invoiced sales of services, excluding value added tax

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Short leasehold	- in accordance with the term of the lease
Fixtures and fittings	- Straight line over 3 years
Computer equipment	- at variable rates on straight line basis

Deferred tax

Full provision is made in respect of timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the accounts. Deferred tax is measured on a non-discounted 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 that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets are only recognised where their recoverability in the short term is regarded as more likely than not. Deferred tax is not provided on revalued assets unless a binding agreement to sell has been entered into before the year.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Operating lease agreements

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Financial support

The parent company, SuccessFactors Inc has provided in writing that it is its intention to continue with the existing contract with the company and provide sufficient finance for the company to meet its liabilities when they fall due if required, for a period of at least 12 months from the date of approval of the financial statements. The financial statements have therefore been prepared on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011**

1 ACCOUNTING POLICIES - continued

Share based payments

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet is recognised in the income statement, with a corresponding entry in equity.

2 TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below.

	2011	2010
USA	100.00%	100.00%
	<u>100.00%</u>	<u>100.00%</u>

3 STAFF COSTS

	2011	2010
	£	£
Wages and salaries	5,907,082	3,930,082
Social security costs	698,555	427,952
Other pension costs	76,561	38,264
	<u>6,682,198</u>	<u>4,396,298</u>

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

	2011	2010
Sales and distribution service	<u>53</u>	<u>30</u>

4 OPERATING PROFIT

The operating profit is stated after charging:

	2011	2010
	£	£
Depreciation - owned assets	73,044	10,723
Auditors' remuneration - audit services	12,000	9,750
Foreign exchange differences	2,001	2,970
Operating lease rentals - land and buildings	<u>225,777</u>	<u>129,072</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011**

4 OPERATING PROFIT - continued

Directors' remuneration and other benefits etc	<u>-</u>	<u>-</u>
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5 TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows

	2011 £	2010 £
Current tax		
UK corporation tax	95,000	88,027
Prior year	(51)	(35,155)
Total current tax	<u>94,949</u>	<u>52,872</u>
Origination and reversal of timing differences	<u>(51,635)</u>	<u>(401)</u>
Tax on profit on ordinary activities	<u>43,314</u>	<u>52,471</u>

UK corporation tax has been charged at 26% (2010 - 28%)

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	2011 £	2010 £
Profit on ordinary activities before tax	<u>436,027</u>	<u>284,635</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26% (2010 - 28%)	113,367	79,698
Effects of		
Expenses not deductible for tax purposes	5,217	7,123
Capital allowances in excess of depreciation	(12,325)	(24,529)
FRS 20 share option charge	(19,789)	24,930
Adjustments in respect of previous periods	(51)	(35,155)
Foreign exchange	520	832
Other	3,424	(27)
Employee pension contribution accrual	<u>4,586</u>	<u>-</u>
Current tax charge	<u>94,949</u>	<u>52,872</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011**

6 TANGIBLE FIXED ASSETS

	Short leasehold £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 January 2011	6,150	31,741	94,758	132,649
Additions	83,636	56,731	91,623	231,990
At 31 December 2011	89,786	88,472	186,381	364,639
DEPRECIATION				
At 1 January 2011	633	1,997	5,929	8,559
Charge for year	4,144	18,640	50,260	73,044
At 31 December 2011	4,777	20,637	56,189	81,603
NET BOOK VALUE				
At 31 December 2011	85,009	67,835	130,192	283,036
At 31 December 2010	5,517	29,744	88,829	124,090

7 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Other debtors	202,977	242,002
Amounts due from group companies	663,887	514,355
Corporation tax	-	18,727
Deferred tax asset	83,000	31,365
Prepayments and accrued income	152,703	77,321
	<u>1,102,567</u>	<u>883,770</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Trade creditors	235,835	72,385
Corporation tax	50,000	-
Social security and other taxes	216,012	313,181
Accruals and deferred income	1,010,064	740,418
	<u>1,511,911</u>	<u>1,125,984</u>

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £	2010 £
Accruals and deferred income	<u>90,995</u>	<u>-</u>

SUCCESSFACTORS UK LIMITED (REGISTERED NUMBER. 05611507)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

10 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	2011 £	2010 £
Expiring		
Within one year	32,500	30,000
Between one and five years	2,221	2,221
In more than five years	175,000	113,021
	<u>209,721</u>	<u>145,242</u>

11 DEFERRED TAX

	£
Balance at 1 January 2011	(31,365)
Movement in year	<u>(51,635)</u>
Balance at 31 December 2011	<u><u>(83,000)</u></u>

The deferred tax consists of

	2011 £	2010 £
Accelerated capital allowances	25,308	21,997
FRS 20 share option reserve	(108,308)	(52,333)
General provisions	-	1,029
	<u>(83,000)</u>	<u>(31,365)</u>

The deferred tax asset has been recognised as it is expected to be recoverable in future years, due to future profits being generated

12 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid Number	Class	Nominal value £1	2011 £	2010 £
1	Ordinary shares		<u>1</u>	<u>1</u>

SUCCESSFACTORS UK LIMITED (REGISTERED NUMBER: 05611507)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

13 RESERVES

	Profit and loss account £
At 1 January 2011	685,031
Profit for the year	392,713
Credit in respect of share option scheme	257,450
At 31 December 2011	<u>1,335,194</u>

Included in the profit and loss account reserve is £451,284 (2010 £193,835) in respect of other reserves for share based payments

14 PENSION COMMITMENTS

The group operates a defined contribution pension scheme for the benefit of certain Directors and group employees. The assets of the scheme are administered by a trustee in a fund independent from those of the group. The amount paid to the scheme during the year was £76,561 (2010 £38,264). The accrued contribution at the balance sheet date is £17,638 (2010 -£490).

15 ULTIMATE PARENT COMPANY

The immediate parent undertaking and ultimate holding company is SuccessFactors Inc., which is registered in Delaware, USA.

The smallest and largest group of which the company is a member and for which group financial statements are drawn up is that headed by SuccessFactors Inc, whose principal place of business is at 1500 Fashion Island Boulevard, Suite 300, San Mateo, CA 94404 USA.

16 CAPITAL COMMITMENTS

	2011 £	2010 £
Contracted but not provided for in the financial statements	-	38,346

17 RELATED PARTY DISCLOSURES

During the year, the company made sales to SuccessFactors Inc, the ultimate parent company, of £9,156,599 (2010 £5,977,352).

At 31 December 2011 £663,887 (2010 £514,355) was owed from SuccessFactors Inc.

18 POST BALANCE SHEET EVENTS

On 22 February 2012, the company's parent company SuccessFactors Inc. was acquired by SAP America Inc. and the share options were settled for cash prior to the acquisition.

SUCCESSFACTORS UK LIMITED (REGISTERED NUMBER 05611507)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

19 SHARE BASED PAYMENTS

Certain employees are entitled to participate in the parent company's share option scheme. At 31 December 2011 there were 62 employees who subscribed to the parent company's share option scheme (2010: 41). The share options relate to the parent company's \$0.001 shares. Details of the options in respect of the company's employees are as follows:

Grant date	At 31 December 2010 No	Granted during the year No	Exercised during the year No	Cancelled/lapsed during the year No	At 31 December 2011 No	Price \$
16/1/07	4,000				4,000	1.60
19/4/07	5,000				5,000	4.95
19/7/07	3,000				3,000	8.50
14/9/07	2,833		2,166	667	-	8.75
15/1/08	4,000				4,000	8.31
15/4/08	15,000				15,000	9.92
16/6/08	2,500				2,500	11.31
15/8/08	1,500				1,500	12.47
15/9/08	7,583		1,475		6,108	10.99
15/10/08	719		188		531	7.56
20/10/08	2,500				2,500	8.14
15/12/08	20,000				20,000	7.28
17/2/09	16,500				16,500	6.43
15/6/09	1,292		50		1,242	9.27
15/10/09	2,200		275		1,925	0.00
16/11/09	1,575				1,575	16.70
16/11/09	630		158		472	0.00
15/12/09	3,825		1,519	853	1,453	16.71
15/12/09	1,530		225	472	833	0.00
15/1/10	1,575		427		1,148	17.70
15/1/10	630		158		472	0.00
15/2/10	630				630	18.03
15/2/10	1,575		394		1,181	0.00
15/4/10	5,990				5,990	20.94
15/4/10	15,305		3,828		11,477	0.00
15/6/10	1,125				1,125	23.01
15/6/10	875		219		656	0.00
15/7/10	6,890		242	818	5,830	21.57
15/7/10	3,445		401	412	2,632	0.00
16/8/10	1,350				1,350	19.87
16/8/10	675		169		506	0.00
15/10/10	340		92		248	25.85
15/10/10	170		43		127	0.00
15/11/10	1,810			450	1,360	28.63
15/11/10	31,972		6,878	4,466	20,628	0.00
15/12/10	1,800				1,800	29.68
15/12/10	900		228		672	0.00
13/1/11		12,000			12,000	0.00
19/1/11		1,240		225	1,015	0.00
19/1/11		2,450		450	2,000	32.29
14/2/11		340			340	0.00
14/2/11		680			680	35.99
16/3/11		17,106		1,175	15,931	0.00
16/3/11		450		149	301	34.38
18/4/11		3,670			3,670	0.00
18/4/11		7,335			7,335	38.02
16/5/11		405			405	0.00
C/fwd	173,244	45,676	19,135	10,137	189,648	

SUCCESSFACTORS UK LIMITED (REGISTERED NUMBER: 05611507)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

Share based Payments		(continued)				
B/fwd	173,244	45,676	19,135	10,137	189,648	
16/5/11		810			810	32 31
15/6/11		4,630			4,630	0 00
29/6/11		5,885			5,885	0 00
29/6/11		1,655	312		1,343	6 71
29/6/11		1,490			1,490	9 19
29/6/11		1,639			1,639	10 87
29/6/11		4,993	1,118		3,875	13 62
29/6/11		2,832			2,832	19 45
29/6/11		1,491			1,491	33 40
15/7/11		4,000			4,000	0 00
19/9/11		5,000			5,000	0 00
17/10/11		18,150			18,150	0 00
16/11/11		4,050			4,050	0 00
15/12/11		1,700			1,700	0 00
	<u>173,244</u>	<u>104,001</u>	<u>20,565</u>	<u>10,137</u>	<u>246,543</u>	

Options under the company's 2001 Stock Option Plan (Plan) and 2007 Stock Option Plan (Plan) may be granted for periods not to exceed ten years and at prices no less than 85% of the estimated fair value of the shares on the date of grant as determined by the Board of Directors. The Plan provides for the issuance of 'Incentive Stock Options' (ISO), 'Non-qualifying Stock Options' (NSO) and 'Restricted Stock Units' (RSU). The shares are subject to vesting, which is generally over a 4 year period from the earlier of grant date or employee hire date, as applicable, until vesting is complete. As at 31 December 2011, there were no options granted under the Plan that were subject to performance conditions.

The fair value of equity share options at the date of grant is estimated by using a Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. For each quarter the underlying assumptions in the model are revisited. Assumptions inherent in the model during 2011 are:

	2011	2010
	%	%
Dividend yield	0.0	0.0
Expected volatility	59.0	62.0
Risk-free interest rate 5 years	1.84	1.69
Expected life of option (years)	4.57	4.37

The company recognised net expense of £303,694 related to equity-settled share based payment transactions in the year ended 31 December 2011 (2010: £575,113 net income). Associated foreign exchange loss arose on this expense of £2,001 (2010: loss £2,970).