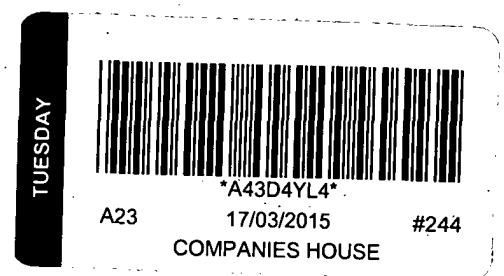


ABSOLUTE SOFTWARE EMEA LIMITED
FINANCIAL STATEMENTS
30 JUNE 2014

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ABSOLUTE SOFTWARE EMEA LIMITED

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ABSOLUTE SOFTWARE EMEA LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

E S Olsen
C Nelson
L P Ramsden

Company secretary

F&L Cosec Limited

Registered number

05802063

Registered office

8 Lincoln's Inn Fields
London
WC2A 3BP

Independent auditor

Blick Rothenberg LLP
Chartered Accountants & Statutory Auditor
16 Great Queen Street
Covent Garden
London
WC2B 5AH

ABSOLUTE SOFTWARE EMEA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

The directors present their report and the financial statements for the year ended 30 June 2014.

Directors

The directors who served during the year were:

J R P Livingston (resigned 11 December 2013)
R G Chase (resigned 24 March 2014)
E S Olsen
C Nelson (appointed 24 March 2014)
L P Ramsden (appointed 24 March 2014)

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



E S Olsen
Director

Date: 20 February 2015

ABSOLUTE SOFTWARE EMEA LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

The directors are responsible for preparing 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 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 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 judgments 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.

ABSOLUTE SOFTWARE EMEA LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ABSOLUTE SOFTWARE EMEA LIMITED

FOR THE YEAR ENDED 30 JUNE 2014

We have audited the financial statements of Absolute Software EMEA Limited for the year ended 30 June 2014, set out on pages 6 to 17. 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 directors and auditor

As explained more fully in the directors' responsibilities statement, 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 directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 30 June 2014 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.

Emphasis of matter

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1.2 of the financial statements concerning the company's ability to continue as a going concern. The company had a deficit of £7,565,297 on its balance sheet as of 30 June 2014. These conditions, as explained in note 1.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

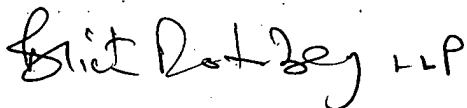
ABSOLUTE SOFTWARE EMEA LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ABSOLUTE
SOFTWARE EMEA LIMITED
FOR THE YEAR ENDED 30 JUNE 2014

In our opinion the information given in the directors' report 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 take advantage of the small companies' exemption from the requirement to prepare a strategic report or in preparing the directors' report.



Simon Mayston (senior statutory auditor)

for and on behalf of
Blick Rothenberg LLP

Chartered Accountants
Statutory Auditor

16 Great Queen Street
Covent Garden
London
WC2B 5AH

Date: 2 March 2015

ABSOLUTE SOFTWARE EMEA LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 £	2013 £
Turnover		3,561,074	3,345,212
Administrative expenses		(3,304,667)	(3,807,274)
Operating profit/(loss)	3	256,407	(462,062)
Interest receivable and similar income		173	66
Profit/(loss) on ordinary activities before taxation		256,580	(461,996)
Tax on profit/(loss) on ordinary activities	5	(35)	-
Profit/(loss) for the financial year	14	256,545	(461,996)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the profit and loss account.

The notes on pages 8 to 17 form part of these financial statements.

ABSOLUTE SOFTWARE EMEA LIMITED

REGISTERED NUMBER: 05802063

**BALANCE SHEET
AS AT 30 JUNE 2014**

	Note	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	6		84,035		98,711
Current assets					
Debtors	7	1,727,603		1,744,043	
Cash at bank		922,036		501,952	
		<u>2,649,639</u>		<u>2,245,995</u>	
Creditors: amounts falling due within one year	8	<u>(8,699,087)</u>		<u>(8,625,675)</u>	
Net current liabilities			<u>(6,049,448)</u>		<u>(6,379,680)</u>
Total assets less current liabilities			<u>(5,965,413)</u>		<u>(6,280,969)</u>
Creditors: amounts falling due after more than one year	9		<u>(1,599,884)</u>		<u>(1,560,973)</u>
Net liabilities			<u>(7,565,297)</u>		<u>(7,841,942)</u>
Capital and reserves					
Called up share capital	13		100		100
Other reserves	14		288,409		268,309
Profit and loss account	14		<u>(7,853,806)</u>		<u>(8,110,351)</u>
Shareholder's deficit	15		<u>(7,565,297)</u>		<u>(7,841,942)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

E-S. Olsen
Director

Date: 20 February 2015

ABSOLUTE SOFTWARE EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Accounting policies

1.1 Basis of preparation of financial statements

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

1.2 Going concern

The financial statements have been prepared on a going concern basis notwithstanding the fact that the company has a deficiency of £7,565,297 on shareholder's funds at the year end. The directors consider this basis to be appropriate as the company has sufficient facilities available from its parent undertaking to fund its working capital requirements over the next 12 months. The company has also received a letter of support from its parent undertaking, confirming that such facilities will be made available until at least 31 March 2016.

1.3 Cash flow statement

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.4 Revenue recognition and deferred revenue

The company sells services and products including endpoint management, secure asset tracking, forensic investigation and device recovery. Revenue represents the fair value of consideration received or receivable from clients for services and products provided by the company, net of discounts. Revenues are recognised when a contractual arrangement is in place, the fee is fixed and determinable, the services and products have been delivered, and collectability is reasonably assured. Amounts invoiced but not yet earned are recorded as deferred revenue.

The company's principal source of revenue results from sales contracts for the above services, with subscription terms ranging from one to five years. The full value of each sales contract is invoiced and receivable upon execution of the contract, delivery of the products and initiation of the services. Typically, sales contracts are comprised of multiple elements, as they include software licensing, asset monitoring, theft recovery, and maintenance and support services over the term. These elements are typically not separable for accounting purposes, and as a result, revenue from sales contracts is recognised ratably over the subscription term. Direct contract acquisition costs associated with sales contracts are deferred and amortised over the same period (see note 1.12, Deferred contract costs).

A portion of the company's sales contracts are accounted for as product revenue. Product revenue is recognised when the company has an executed agreement, the product has been delivered, the amount of the fee to be paid by the customer is fixed and determinable, and the collection of the related receivable is deemed probable from the outset of the arrangement.

Post-contract support, or maintenance, revenue associated with certain of the company's products is recognised on a straight-line basis over the maintenance term, which is generally one year. Revenue not recognised in profit or loss under this policy is classified as deferred revenue in the balance sheet when amounts have been billed in advance.

ABSOLUTE SOFTWARE EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. Accounting policies (continued)

1.4 Revenue recognition and deferred revenue (continued)

The company obtains the majority of its sales contracts through OEM and reseller partners. All sales contracts are recorded at the net amount received by Absolute from the reseller, provided that all significant contractual obligations have been satisfied and collection is reasonably assured. For direct sales, sales contracts are recorded at the amount received from the end customer.

Deferred revenue is comprised of the remaining unamortised balance of sales contracts sold, and is generally recognised ratably over the remaining contract term.

1.5 Fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	33.3% straight line
Equipment	-	20 - 33.3% straight line

1.6 Leases

Operating lease rentals are charged to the profit and loss account in equal instalments over the lease term.

1.7 Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

1.9 Foreign currencies

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

ABSOLUTE SOFTWARE EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. Accounting policies (continued)

1.10 Share-based payments

The ultimate parent company issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed, together with a corresponding increase in equity, based upon the company's estimate of the shares that will eventually vest.

Fair value is measured using the Black Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where the terms of an equity-settled transaction are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognized for the transaction is recognized immediately. However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph.

1.11 Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

1.12 Deferred contract costs

The company sells service contracts with monitoring and theft recovery terms ranging from one to five years. Certain direct contract costs associated with service contracts are deferred and amortized ratably over the contract term. The deferred contract cost is generally comprised of prepaid employee sales commissions. Other costs, such as selling and marketing, development, and new customer training and delivery, which are incurred to generate overall sales contracts, are expensed in the period in which they are incurred.

ABSOLUTE SOFTWARE EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Turnover

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

An analysis of turnover is given below:

	2014 £	2013 £
United Kingdom	1,295,157	1,359,616
Rest of the world	2,265,917	1,985,596
	<u>3,561,074</u>	<u>3,345,212</u>

3. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2014 £	2013 £
Depreciation of tangible fixed assets:		
- owned by the company	47,611	38,029
Auditor's remuneration	31,400	9,000
Auditor's remuneration - non-audit	3,000	2,500
Operating lease rentals:		
- other operating leases	105,699	100,926
Difference on foreign exchange	(565,779)	(136,887)
Equity share-based payments	19,115	4,548
	<u></u>	<u></u>

During the year, no director received any emoluments (2013 - £NIL).

4. Particulars of employees

Staff costs were as follows:

	2014 £	2013 £
Wages and salaries	1,851,440	1,890,705
Social security costs	126,175	112,602
Other pension costs	11,200	35,486
	<u>1,988,815</u>	<u>2,038,793</u>

ABSOLUTE SOFTWARE EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. Particulars of employees (continued)

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

	2014 No.	2013 No.
Number of administrative staff	2	2
Number of sales and marketing staff	20	20
Number of production staff	10	9
	<u>32</u>	<u>31</u>

5. Taxation on ordinary activities

	2014 £	2013 £
UK corporation tax charge on profit/loss for the year	<u>35</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013 - higher than) the standard rate of corporation tax in the UK of 20% (2013 - 23.75%). The differences are explained below:

	2014 £	2013 £
Profit/loss on ordinary activities before tax	<u>256,580</u>	<u>(461,996)</u>
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2013 - 23.75%)	51,316	(109,724)
Effects of:		
Disallowable expenditure	8,644	(2,826)
Fixed asset timing differences	2,880	(12,611)
Utilisation of tax losses	(62,805)	-
Unrelieved tax losses carried forward	-	125,161
Current tax charge for the year (see note above)	<u>35</u>	<u>-</u>

ABSOLUTE SOFTWARE EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

5. Taxation on ordinary activities (continued)

Factors that may affect future tax charges

The company has estimated tax losses of £7,632,000 (2013: £7,886,000) available for carry forward against future trading profits.

There is a potential deferred tax asset in respect of losses of approximately £1,526,000 (2013: £1,813,000) which has not been recognised in the financial statements due to the uncertainty concerning the timescale as to its recovery.

It is anticipated that the deferred tax asset will be recovered when the company makes sufficient taxable profits.

The UK corporation tax rate was reduced to 21% effective from 1 April 2014 and 20% effective from 1 April 2015 on 2 July 2013.

6. Tangible fixed assets

	Leasehold improvements £	Equipment £	Total £
Cost			
At 1 July 2013	55,428	173,961	229,389
Additions	1,497	31,438	32,935
At 30 June 2014	56,925	205,399	262,324
Depreciation			
At 1 July 2013	3,079	127,599	130,678
Charge for the year	18,975	28,636	47,611
At 30 June 2014	22,054	156,235	178,289
Net book value			
At 30 June 2014	34,871	49,164	84,035
At 30 June 2013	52,349	46,362	98,711

ABSOLUTE SOFTWARE EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

7. Debtors

	2014 £	2013 £
Trade debtors	988,060	1,128,878
Amounts owed by group undertakings	126,630	-
Prepayments and accrued income	173,280	141,226
Deferred contract costs	344,681	293,870
Other debtors	94,952	180,069
	<u>1,727,603</u>	<u>1,744,043</u>

The debtors above include the following amounts falling due after more than one year:

	2014 £	2013 £
Deferred contract costs	157,159	119,524
Other debtors	47,300	120,761
	<u>204,459</u>	<u>240,285</u>

8. Creditors: Amounts falling due within one year

	2014 £	2013 £
Trade creditors	214,757	243,169
Amounts owed to group undertakings	5,684,337	5,614,192
Corporation tax	35	-
Other creditors	28,998	49,101
Accruals and deferred income	2,770,960	2,719,213
	<u>8,699,087</u>	<u>8,625,675</u>

The amounts owed to group undertakings are interest free, unsecured and have no fixed repayment date. Included in other creditors is an amount of £5,734 (2013: £21,230) relating to pension contributions.

9. Creditors: Amounts falling due after more than one year

	2014 £	2013 £
Deferred revenue	<u>1,599,884</u>	<u>1,560,973</u>

ABSOLUTE SOFTWARE EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

10. Share-based payments

Equity-settled share-based payments:

Employees of the company participate in a share option plan established by the ultimate parent company. The ultimate parent company's current share option plan is the Absolute Software Corporation 2000 Share Option Plan (the "2000 Plan") which has no expiry date.

The "2000 Plan" provides that options may be granted to any employee, director, consultant or contractor of the group pursuant to approval by the Board of Directors of the ultimate parent company. The exercise prices for such options are in Canadian dollars, and therefore the exercise price and fair value references in the note below are also stated in Canadian dollars.

Details of the number of share options outstanding during the period and the weighted average exercise price (WAEP) are as follows:

	No	2014 WAEP \$	No	2013 WAEP \$
Outstanding at the beginning of the year	62,700	4.57	130,475	4.50
Granted during the year	11,500	6.90	13,000	5.10
Forfeited during the year				
Exercised during the year	(12,450)	4.23	(33,375)	4.23
Surrendered during the year	(250)	3.89	(11,175)	6.76
Outstanding at the end of the year	61,500	5.08	62,700	4.50
Exercisable during the year	31,000	4.51	26,950	4.50

ABSOLUTE SOFTWARE EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

10. Share-based payments (continued)

The share options outstanding at the end of the year have a weighted average remaining contractual life of 2.4 years (2013: 2.6 years) and have the following exercise prices:

Expiry date	Exercise price \$	2014 No	2013 No
2 Mar 15	3.91	250	250
19 Mar 15	3.97	1,500	7,700
6 May 16	4.48	14,250	20,000
3 Feb 17	3.89	1,250	1,500
7 Mar 17	3.65	7,750	8,250
14 Feb 18	5.22	12,000	12,000
19 Dec 18	5.10	13,000	13,000
20 Feb 20	6.90	11,500	-
		<u>61,500</u>	<u>62,700</u>

In the year ended 30 June 2014, 11,500 options were granted on 20 February 2014. The weighted average estimated fair value of the options granted during the year was \$6.90 (2013: \$5.10).

The fair values were calculated using the Black-Scholes model. The inputs into the model were as follows:

	2014	2013
Weighted average share price - \$	6.90	5.10
Weighted average exercise price - \$	<u>6.90</u>	<u>5.10</u>

Of the options granted during the year, their expected volatility is 33.07 - 58.70% (2013: 40.93 - 62.66%), their expected life is 2.30 - 5.34 years (2013: 2.28 - 5.35 years), and the risk free rate is 1.05 - 2.03% (2013: 1.16 - 1.43%).

The company recognised total expenses of £19,115 (2013: £4,519) related to equity-settled share-based payment transactions during the year.

11. Commitments under operating leases

At 30 June 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2014	2013
	£	£
Expiry date:		
Between 2 and 5 years	<u>78,834</u>	-

ABSOLUTE SOFTWARE EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

12. Related party transactions

The company has taken advantage of the exemption contained in FRS8 "Related Party Disclosures" from disclosing transactions with entities which are wholly owned members of the same group.

13. Share capital

	2014 £	2013 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

14. Reserves

	Share options £	Profit and loss account £
At 1 July 2013	268,309	(8,110,351)
Profit for the financial year		256,545
Contribution from parent company relating to share based payments	<u>20,100</u>	
At 30 June 2014	<u>288,409</u>	<u>(7,853,806)</u>

15. Reconciliation of movement in shareholder's deficit

	2014 £	2013 £
Opening shareholder's deficit	(7,841,942)	(7,384,465)
Profit/(loss) for the financial year	256,545	(461,996)
Contribution from parent company relating to share based payments	<u>20,100</u>	<u>4,519</u>
Closing shareholder's deficit	<u>(7,565,297)</u>	<u>(7,841,942)</u>

16. Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking is Absolute Software Corporation, a company incorporated in Canada. Copies of group financial statements are available from www.absolute.com.

In the opinion of the directors the immediate controlling party is Absolute Software Corporation, a company incorporated in Canada.

In the opinion of the directors there is no ultimate controlling party.