

Registered Number 04429285

ALFRESCO HOLDINGS LIMITED

**Annual report for the year ended
28 February 2013**

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Alfresco Holdings Limited

Annual report for the year ended 28 February 2013

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Alfresco Holdings Limited Directors and advisers

Directors

Kevin Earle Comolli
John Newton
John Nicholas Powell

Group secretary

John Newton

Registered office

The Place
Bridge Avenue
Maidenhead
Berkshire
United Kingdom
SL6 1AF

Bankers

HSBC Bank PLC
35 High Street
Maidenhead
Berkshire
SL61JQ

Solicitors

DLA Piper UK LLP
3 Noble Street
London
EC2V 7EE

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
First Point
Buckingham Gate
London Gatwick Airport
Gatwick
West Sussex
RH6 0NT

Alfresco Holdings Limited

Directors' report

for the year ended 28 February 2013

The directors present their annual report and the audited financial statements of the group for the year ended 28 February 2013 (2012 year end 29 February 2012)

Principal activities

Alfresco Holdings Limited is a developer of enterprise content management (ECM) software which it distributes under an open source licensing model, generating revenues from the sale of service subscriptions and other professional services

Business review

The group began to ship products in the last quarter of the financial year ended 28 February 2007. The results for the year ended 28 February 2013 show a loss on ordinary activities before taxation of £7,452,000 (2012 £2,742,000) with turnover of £30,568,000 (2012 £24,269,000). The planned loss was mainly due to increased expenditure on staff costs as the Group has continued to grow in the market.

At the balance sheet date the group had net current liabilities and net liabilities. The directors have prepared forecasts and budgets for the foreseeable future to assess the group's ability to meet its ongoing financial obligations. Based on these forecasts and budgets, and considering the cash balances of the group, the directors consider the group is able to meet its obligations as and when they fall due for the foreseeable future and therefore continue to adopt the going concern basis of preparation for the financial statements.

Future outlook

During the year ended 28 February 2013 the group continued to market its software and services by further leverage of a web distribution model and sales via a network of certified partners. The Directors expect revenue to further increase in 2013/2014 as the group consolidates its position in the marketplace as an open source ECM provider.

Research and development

During the year the group continued research and development to broaden its product to be capable of handling any enterprise content, expenditure for the year ended 28 February 2013 was £7,678,000 (2012 £5,376,000).

Principal risks and uncertainties

The key business risks and uncertainties affecting the group are considered to relate to the early stage nature of the open source market, competition from established vendors and continued product innovation.

Alfresco Holdings Limited

Directors' report

for the year ended 28 February 2013 (continued)

Financial risk management

The group's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and currency risk

- Credit risk

The group is continuing to strengthen its credit risk management processes by performing background checks on all new customers and enforcing strict payment terms on all its outstanding debtors. This has resulted in no significant bad debt write offs in the year

- Liquidity risk

The group is cash generative and has a positive cash position which is monitored and forecast on a regular basis to ensure it has sufficient funds so that it can meet its current liabilities as they fall due

- Currency risk

The group has exposure to foreign currency movements as a result of its trading however by continuous forecasting and ensuring sufficient reserves are held in each currency it is able to meet its foreign currency liabilities as they fall due and is able to settle local currencies only when favourable conversion rates are available. In addition the company has exposure to foreign exchange risk as a result of intergroup transactions and losses for accounting purposes only and these are managed at a group level

Key performance indicators (KPI's)

The group's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the group

Results and dividends

The loss for the financial year of £7,391,000 (2012 £2,371,000) will be charged against reserves. The directors do not recommend the payment of dividend (2012 £nil)

Directors

The directors who served during the year and up to the date of signing of these financial statements were

Kevin Earle Comolli
John Newton
John Nicholas Powell

Alfresco Holdings Limited

Directors' report

for the year ended 28 February 2013 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 prepared the group and parent company 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 group and the company and of the profit or loss of the group 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

So far as each director is aware at the date of approval of this report:


- (a) there is no relevant audit information of which the group's auditors are unaware, and
- (b) the directors have taken all the steps that they ought to have taken, as a director, in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Alfresco Holdings Limited
Directors' report
for the year ended 28 February 2013 (continued)

Independent auditors

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next Annual General Meeting

On behalf of the board,



John Newton
Director

Alfresco Holdings Limited

Independent auditors' report to the members of

Alfresco Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of Alfresco Holdings Limited for the year ended 28 February 2013 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Director's Responsibilities set out on page 4 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 group's and parent 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 group's and the parent company's affairs as at 28 February 2013 and of the group's loss and cash flows 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

Alfresco Holdings Limited

Independent auditors' report to the members of

Alfresco Holdings Limited (continued)

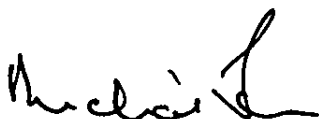
Opinion on other matter prescribed by the Companies Act 2006

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



Michael Jones (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick

29 November 2013

Alfresco Holdings Limited
Consolidated profit and loss account
For the year ended 28 February 2013

	Note	2013 £'000	2012 £'000
Turnover	2	30,568	24,269
Cost of sales		(2,563)	(1,573)
Gross profit		28,005	22,696
Selling and distribution expenses	3	(7,555)	(5,205)
Administrative expenses	3	(27,903)	(20,235)
Operating loss	3	(7,453)	(2,744)
Interest receivable and similar income	6	1	2
Loss on ordinary activities before taxation		(7,452)	(2,742)
Tax on loss on ordinary activities	7	61	371
Loss for the financial year	18	(7,391)	(2,371)

The above results relate to the continuing operations of the group

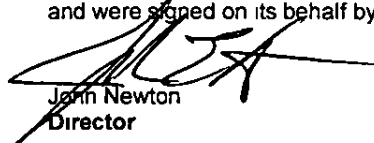
The group has no gains or losses other than its loss for the financial years disclosed above, and therefore no separate statement of total recognised gains and losses have been presented

There is no material difference between the loss on ordinary activities before taxation and loss for the financial years stated above and their historical cost equivalents

Alfresco Holdings Limited
Consolidated balance sheet
As at 28 February 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Intangible assets	8	-	-
Tangible assets	10	766	431
		766	431
Current assets			
Debtors	11	11,371	9,983
Cash at bank and in hand		14,292	15,506
		25,663	25,489
Creditors amounts falling due within one year	12	(26,071)	(21,901)
Net current (liabilities)/assets		(408)	3,588
Total assets less current liabilities		358	4,019
Creditors amounts falling due after more than one year	13	(8,512)	(5,200)
Provisions for liabilities	14	(200)	(100)
Net liabilities		(8,354)	(1,281)
Capital and reserves			
Called up share capital	15	-	-
Share premium account	17	3,681	3,681
Capital contribution	17	16,398	16,080
Profit and loss account	17	(28,433)	(21,042)
Total shareholders' deficit	18	(8,354)	(1,281)

The financial statements on pages 8 to 25 were approved by the board of directors on
and were signed on its behalf by


John Newton
Director

Registered number 04429285

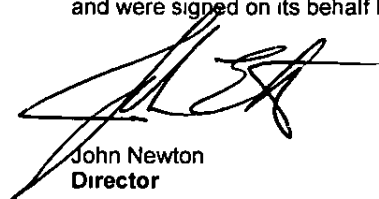
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Alfresco Holdings Limited
Company balance sheet
As at 28 February 2013

	Note	2013 £'000	2012 £'000
Fixed asset			
Investments	9	20,079	19,577
Net assets			
		20,079	19,577
Capital and reserves			
Called up share capital	15	-	-
Share premium account	17	3,681	3,681
Capital contribution	17	16,398	15,896
Total shareholders' funds		20,079	19,577

The financial statements on pages 8 to 25 were approved by the board of directors on
and were signed on its behalf by

27/11/2013



John Newton
Director

Registered number 04429285

Alfresco Holdings Limited
Consolidated cash flow statement
For the year ended 28 February 2013

	Note	2013 £'000	2012 £'000
Net cash (outflow)/inflow from operating activities	20	(525)	4,920
Returns on investments and servicing of finance			
Interest received		1	2
Net cash inflow from returns on investments and servicing of finance		1	2
Taxation		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(690)	(138)
Net cash outflow from capital expenditure and financial investment		(690)	(138)
(Decrease)/increase in net cash		(1,214)	4,784
Reconciliation to net cash			
Net cash at 1 March	21	15,506	10,722
(Decrease)/increase in net cash		(1,214)	4,784
Net cash at 28 February 2013/29 February 2012	21	14,292	15,506

Alfresco Holdings Limited

Notes to the financial statements

for the year ended 28 February 2013

1 Principal accounting policies

These financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year are set out below.

Basis of consolidation

The group financial statements consolidate the financial statements of Alfresco Holdings Limited and its subsidiary undertakings at 28 February 2013. The acquisition method of accounting has been adopted. Under this method, the results of subsidiaries acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. The date of acquisition and disposal is determined as the date of which control passes to or from the company. Intercompany trading and balances are eliminated on consolidation.

Basis of preparation

The group made a loss of £7,391,000 for the year ended 28 February 2013 (2012 £2,371,000) and has a deficit on shareholders' funds of £8,354,000 as at 28 February 2013 (2012 £1,281,000). At the balance sheet date the group had net current liabilities and net liabilities. The directors have prepared forecasts and budgets for the foreseeable future to assess the group's ability to meet its ongoing financial obligations. Based on these forecasts and budgets, and considering the cash balances of the group, the directors consider the group is able to meet its obligations as and when they fall due for the foreseeable future and therefore continue to adopt the going concern basis of preparation for the financial statements.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the amounts receivable for services supplied. The group provides Enterprise Content Management ("ECM"), document and records management solutions and training. Income arising from consulting and training is recognised on delivery of the services and when the group has earned the right to consideration. Income arising from subscriptions is recognised on a straight line basis over the period of the subscription contract with invoiced but unearned income being shown in deferred income.

Research and development

Research and development expenditure is written off to the profit and loss account as incurred.

Alfresco Holdings Limited

Notes to the financial statements

for the year ended 28 February 2013 (continued)

1 Principal accounting policies (continued)

Intangible fixed assets

Intangible fixed assets represent the capitalised cost of intellectual property rights, which are amortised over a five year period equal to the remaining life of each asset. The carrying value is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical purchase price (cost) less accumulated depreciation and where applicable impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at rates calculated to write off the cost of each asset, less their estimated residual value, over their expected useful economic lives. The principal rates used for this purpose are:

Office equipment	- 50% straight line basis
Short leasehold improvements	- over the period of the lease

Foreign currencies

Foreign currency transactions are recorded in the functional currency of the relevant subsidiary at the exchange rate at the date of transaction. Foreign currency monetary assets and liabilities are retranslated into the relevant functional currency at the exchange rate at the balance sheet date. Trading results and cash flows of overseas subsidiaries are translated into sterling at the average rates for the year. Balance sheet items of overseas subsidiaries are translated into sterling at the exchange rates at the balance sheet date. Material exchange differences arising on the translations of the net investment in overseas subsidiaries are taken to the Statement of total group recognised gains and losses. Other exchange differences are taken to the profit and loss account.

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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average 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 substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Alfresco Holdings Limited

Notes to the financial statements

for the year ended 28 February 2013 (continued)

1 Principal accounting policies (continued)

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Employee share scheme

The ultimate parent group, Alfresco Holdings Inc, operates an employee share scheme, which entails the granting of stock options in the ultimate parent company to a selection of the group's employees. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. In accordance with FRS 20 the cost of the awards is recognised over the period to which the performance criteria relate and is included as a charge within wages and salaries. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

Pension costs

The group does not have a pension scheme in operation, but offers employees the opportunity to have a stakeholder pension scheme. The amount charged against the profit and loss account represents the group contributions payable to the scheme in the year. The assets of the scheme are held separately from those of the group in an independently administered fund.

Investments

Shares in fixed asset investments are valued at cost. Investments are tested for impairment whenever there is an indication of impairment.

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2013 (continued)

2 Turnover

Turnover is attributable to one continuing activity, service subscriptions and other professional services. An analysis of turnover by geographical market is given below.

	2013 £'000	2012 £'000
Turnover by destination		
United Kingdom	2,454	1,795
United States of America	10,409	8,700
Europe	13,550	11,121
Rest of the world	4,155	2,653
	30,568	24,269

3 Operating loss

	2013 £'000	2012 £'000
Operating loss is stated after charging/(crediting)		
Staff costs (note 4)	15,309	10,551
Depreciation of tangible fixed assets		
- Owned assets	355	236
Amortisation of intangible assets	-	45
Research and development expenditure	7,678	5,376
Operating lease rentals - other	406	226
Foreign exchange loss/(gain)	628	(137)

Analysis of total operating expenses	2013 £'000	2012 £'000
Selling and distribution expenses	7,555	5,205
Administrative expenses	27,903	20,235
Total operating expenses	35,458	25,440

Services provided by the group's auditor and its associates	2013 £'000	2012 £'000
Fees payable to the group's auditor for the audit of the parent and consolidated financial statements	25	25
Fees payable to the group's auditor for other services		
- Tax services	66	66
- The audit of company's subsidiaries	15	10
	106	101

All audit fees are borne by Alfresco Software Limited a subsidiary company

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2013 (continued)

4 Staff costs

	2013	2012
	£'000	£'000
Wages and salaries	12,765	8,776
Social security costs	2,047	1,450
Other pensions costs	179	141
Share based payments	318	184
	15,309	10,551

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

	2013	2012
By activity	Number	Number
Administration	8	8
Sales and marketing	106	83
Research and development	75	43
	189	134

5 Directors' emoluments

	2013	2012
	£'000	£'000
Aggregate emoluments	468	459
Pension contributions to a defined contribution scheme	-	12
	468	471

Highest paid director

	2013	2012
Aggregate emoluments	234	233
Contributions to a defined contribution pension scheme	-	12
	234	245

No Director exercised share options during the year (2012 nil) The number of directors accruing benefits under the defined contribution scheme amounted to 2 (2012 2)

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2013 (continued)

6 Interest receivable and similar income

	2013 £'000	2012 £'000
Bank interest receivable	1	2

7 Tax on loss on ordinary activities

a) Analysis for the year

	2013 £'000	2012 £'000
Current tax		
UK		
Corporation tax	(250)	(250)
Adjustment in respect of prior years	-	(248)
	(250)	(498)
Foreign tax		
Corporation tax	189	127
Adjustment in respect of prior years	-	-
Tax on loss on ordinary activities	(61)	(371)

(b) Factors affecting tax for the year

The tax assessed on the loss on ordinary activities for the year is the higher (2012 higher) than the standard rate of corporation tax in the UK 24% (2012 26%). The differences are explained below

	2013 £'000	2012 £'000
Loss on ordinary activities before taxation	(7,452)	(2,742)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012 26%)	(1,788)	(713)
Effect of		
Disallowed expenses and general provisions	87	57
Depreciation in excess of capital allowances	80	12
Tax losses carried forward	1,560	521
Adjustment in respect of prior years	-	(248)
Current tax for the year	(61)	(371)

The adjustment in respect of prior periods relates to a claim submitted to HMRC relating to a tax credit for research and development expenditure incurred in prior periods

Deferred tax is calculated using a tax rate of 23% (2012 26%). Net deferred tax assets not recognised in the financial statements are as follows

	2013 £'000	2012 £'000
Short term timing difference	260	(21)
Tax losses	4,569	4,202
	4,829	4,181

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2013 (continued)

7 Tax on loss on ordinary activities (continued)

A deferred tax asset has not been recognised as due to the uncertainty that suitable taxable profits will arise in the foreseeable future to allow for the future reversal of the underlying timing differences. Deferred tax has been calculated based on the tax rate effective from April 2012.

The Finance Act 2012 included legislation reducing the main UK corporation tax rate from 24% to 23%, effective from 1 April 2013. Further reductions to the UK corporation tax rate were announced in the Finance Act 2013. This Act includes legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and 20% from 1 April 2015.

8 Intangible assets

	Intellectual property rights £'000
Cost	
At 1 March 2012	300
At 28 February 2013	300
Accumulated amortisation	
At 1 March 2012	300
Charge for the year	-
At 28 February 2013	300
Net book value	
At 28 February 2013	-
At 29 February 2012	-

9 Fixed asset investments

	£'000
Investment in subsidiary	
As at 1 March 2012	19,577
Additions	502
As at 28 February 2013	20,079

The above investment represents an investment of 100% in the ordinary share capital of Alfresco Software Limited, registered in England and Wales and Alfresco Software Costa Rica Ltd, registered in Costa Rica. Alfresco Software Limited is a developer of enterprise content management (ECM) software and they distribute this under an open source licensing model while Alfresco Software Costa Rica Ltd operates as a support centre in Costa Rica. The directors believe that the carrying value of the investments is supported by their underlying assets.

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2013 (continued)

10 Tangible fixed assets

Group	Office equipment £'000	Short leasehold improvements £'000	Total £'000
Cost			
At 1 March 2012	729	590	1,319
Additions	246	444	690
At 28 February 2013	975	1,034	2,009
Accumulated depreciation			
At 1 March 2012	588	300	888
Charge for the year	170	185	355
At 28 February 2013	758	485	1,243
Net book value			
At 28 February 2013	217	549	766
At 29 February 2012	141	290	431

11 Debtors

Group	2013 £'000	2012 £'000
Trade debtors	9,940	8,767
Amounts owed by group undertakings	197	-
Other debtors	936	739
Prepayments and accrued income	298	477
	11,371	9,983

Amounts owed by group undertakings are unsecured, interest free and have no set terms for repayment. Other debtors includes a balance of £782,000 (2012: £739,000) relating to a tax credit for research and development expenditure.

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2013 (continued)

12 Creditors: amounts falling due within one year

Group	2013 £'000	2012 £'000
Trade creditors	542	1,065
Amounts owed to group undertakings	1,167	1,075
Taxation and social security	1,037	672
Accruals and deferred income	23,325	19,089
	26,071	21,901

Amounts owed to group undertakings are unsecured, interest free and have no set terms for repayment (additional details on related party transactions are disclosed in Note 22)

13 Creditors: amounts falling due after more than one year

Group	2013 £'000	2012 £'000
Deferred income	8,512	5,200
	8,512	5,200

14 Provisions for liabilities

Group	Dilapidation provision £'000
At 1 March 2012	100
Charged to the profit and loss account	100
At 28 February 2013	200

The dilapidation provision relates to obligations of the group on surrender of a property lease to reinstate the premises to their original state as required by the lease agreement. The earliest date for this to come into effect is July 2014.

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2013 (continued)

15 Called up share capital

Group & Company

	2013	2012
	£'000	£'000
Allotted and fully paid		
100 (2012 100) ordinary shares of £1 each	-	-

16 Share based payments

The ultimate parent group operates an Enterprise Incentive Management Scheme in which it grants share options to employees of the group. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 10 years. The parent group has made grants since June 2005 to employees of the group. There are no specific performance criteria attached to the awards. Options were valued using the Black-Scholes option-pricing model. From the date of employment (or if additional grant – one year from date of award) an employee must remain with the group for 1 year before 25% of their options are vested, thereafter options are vested at the rate of 1/48th per month over the next 36 months. Exercise of an option is subject to continued employment. Employees have 90 days from the date of leaving the group in which to exercise any vested options that have not yet lapsed. The share price at time of grant dates of Alfresco Holdings Inc has remained unchanged at \$0.0001. The range of assumptions used in the calculation are as follows:

Grant Date	24 January 2013	19 December 2012	21 November 2012	29 May 2012
Share price at grant date (dollars)	7.24	7.24	7.24	7.37
Exercise price (dollars)	7.24	7.24	7.24	7.37
Exercise price (sterling)	4.57	4.46	4.55	4.70
Number of employees	4	15	31	47
Shares under option	6,250	12,000	16,250	82,650
Vesting period (years)	4	4	4	4
Expected volatility	100%	100%	100%	100%
Option life (years)	10	10	10	10
Expected life (years)	4	4	4	4
Risk-free interest rate	3%	3%	3%	3%
Expected dividends expressed as dividend yield	0%	0%	0%	0%
Fair value per option (dollars)	7.24	7.24	7.24	7.37
(GBP)	4.57	4.46	4.55	4.70

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2013 (continued)

16 Share based payments (continued)

A reconciliation of option movements over the year to 28th February 2013 is shown below

	2013		2012	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 March 2012	899,375	133 26	829,625	107 10
Forfeited	(33,679)	267 27	(39,763)	236 70
Exercised	(29,571)	216 12	(9,237)	147 46
Granted	117,150	464 77	118,750	344 68
Outstanding at 28 February 2013	953,275	155 14	899,375	133 26
Exercisable at 28 February 2013	752,026	104 55	693,890	86 95

Range of exercise prices	Weighted average exercise price	2013			Weighted average exercise price	Number of shares ('000)	2012	
		Weighted average remaining life		Weighted average remaining life				
		Expected	Contractual					
							Expected	Contractual
0.03	0.03	201,000	-	1.95	0.03	201,000	-	3.04
0.15	0.15	257,000	-	3.77	0.15	262,000	-	4.77
2.26	2.26	161,375	1	5.42	2.26	171,875	1	6.35
2.40	2.40	85,000	2	6.52	2.40	121,500	2	7.48
2.32	2.32	11,000	2	7.30	2.32	26,500	2	8.21
2.68	2.68	37,000	3	7.82	2.68	37,500	3	8.82
3.84	3.84	76,500	3	8.02	3.84	79,000	3	8.91
4.46	4.46	12,000	3	7.97				
4.55	4.55	15,500	3	8.74				
4.57	4.57	6,250	3	9.62				
4.70	4.70	90,650	3	8.79				
0.03 – 2.40	107.1	953,275	1	5.10	107.1	899,375	1	5.69

A charge of £318,000 (2012: £184,000) has been booked in respect of the fair value of the options during the year

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2013 (continued)

17 Reserves

Group	Share premium account	Capital contribution	Profit and loss account	Total
	£'000	£'000	£'000	£'000
At 1 March 2012	3,681	16,080	(21,042)	(1,281)
Loss for the financial year	-	-	(7,391)	(7,391)
Share based payment	-	318	-	318
At 28 February 2013	3,681	16,398	(28,433)	(8,354)

Company	Share premium account	Capital contribution	Total
	£'000	£'000	£'000
At 1 March 2012	3,681	15,896	19,577
Loss for the financial year	-	-	-
Share based payment	-	502	502
At 28 February 2013	3,681	16,398	20,079

18 Reconciliation of movements in shareholders' (deficit)/funds

	2013	2012
	£'000	£'000
Loss for the financial year	(7,391)	(2,371)
Share based payment	318	184
Net movement to shareholders' deficit	(7,073)	(2,187)
Opening shareholders' (deficit)/funds	(1,281)	906
Closing shareholders' deficit	(8,354)	(1,281)

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2013 (continued)

19 Other financial commitments

At 28 February 2013 the group had annual commitments under non-cancellable operating leases for land and buildings as follows

	2013 £'000	2012 £'000
Operating leases which expire		
In the second to fifth years inclusive	309	185
	309	185

20 Cash flows from operating activities

	2013 £'000	2012 £'000
Operating loss	(7,453)	(2,744)
Depreciation and amortisation	355	278
Share based payments	318	184
Dilapidation provision	100	-
Increase in debtors	(1,191)	(2,347)
Increase in creditors	7,452	8,958
(Decrease)/increase in intergroup	(106)	591
Net cash (outflow)/inflow from operating activities	(525)	4,920

21 Reconciliation of movement in net funds

	2012 £'000	Cash flow £'000	2013 £'000
Cash at bank and in hand	15,506	(1,214)	14,292
Net funds	15,506	(1,214)	14,292

22 Related party transactions

During the year, the group paid charges to Alfresco Software Americas Inc, a fellow group company of £14,678,000 (2012 £8,864,000) for research and development and sales agency costs. At 28 February 2013 £1,167,000 (2012 £1,075,000) remained outstanding and payable to Alfresco Software Americas Inc. As at 28 February 2013 £187,000 (2012 £nil) and £10,000 (2012 £nil) remained outstanding and receivable from Alfresco Software AG (formerly WeWebU Software AG) and Alfresco Software Inc respectively.

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2013 (continued)

23 Pensions

The company offers a defined contribution scheme for its employees. At the end of the year there were no outstanding amounts owed into the scheme (2012: £nil). The cost of contributions to the defined contribution scheme amounts to £179,000 (2012: £141,000).

24 Ultimate controlling party

The ultimate parent undertaking is Alfresco Software Inc., a group incorporated in the United States of America.

Alfresco Software Inc. is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 28 February 2013. The consolidated financial statements of Alfresco Software Inc. are available from 428 University Avenue, Palo Alto, CA 94301 USA.

In the opinion of the directors, the ultimate controlling parties are Accel Partners (a group incorporated in the United States) and Mayfield Fund Inc. (a group incorporated in the United States), as majority shareholders of the ultimate holding company.