

Registered Number. 04429285

ALFRESCO HOLDINGS LIMITED

**Annual report and financial statements for the
year ended 28 February 2014**



Alfresco Holdings Limited

Annual report and financial statements for the year ended 28 February 2014

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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
The Portland Building
25 High Street
Crawley
West Sussex
RH10 1BG

Alfresco Holdings Limited

Strategic report

for the year ended 28 February 2014

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 results for the group for the year ended 28 February 2014 show a loss on ordinary activities before taxation of \$22,058,000 (2013: \$11,304,000) with turnover of \$56,971,000 (2013: \$46,371,000). The planned loss was mainly driven by increased expenditure on staff costs, both within the company and related group charges, 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, considering the cash balances of the group, and the support of the ultimate parent undertaking, 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.

From the 1st March 2013 it was determined the group functional currency had changed from GB Sterling to US Dollars. This determination was made upon application of the group accounting policy on functional currency. The change has arisen as a result of the group concluding the currency for which it generates and expends cash is more significantly biased towards US Dollars than any other currency. The change has predominately been driven by the event of more senior management being implemented in the US parent company leading to higher charges into the group in US Dollars. The change has been applied prospectively, however the comparative figures have been translated, for comparative purposes, using the prior year closing rate from GB Sterling to US Dollars (1.517).

Future outlook

During the year ended 28 February 2014 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 2014/2015 as the group consolidates its position in the marketplace as an open source ECM provider.

On 21 August 2014 Alfresco Software Inc, ultimate parent undertaking, raised \$45 million in its latest round of capital funding. This funding will be used to support the group and to accelerate its growth as part of its Go-to-Market (GTM) strategy which will help Alfresco Holdings Ltd as a group company.

Principal risks and uncertainties

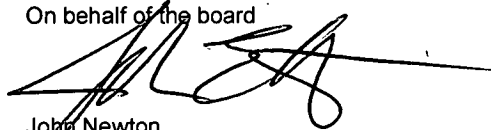
The key business risks and uncertainties affecting the group are considered to relate to the early stage nature of the open source market, competition from established vendors and continued product innovation. The group continues to be at the forefront of innovation within the sector and through its strong partner channels is continuing to accelerate within the market.

Alfresco Holdings Limited
Strategic report
for the year ended 28 February 2014 (continued)

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 at this time.

On behalf of the board



John Newton
Director

Alfresco Holdings Limited

Directors' report

for the year ended 28 February 2014

The directors present their annual report and the audited financial statements of the group for the year ended 28 February 2014.

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 2014 was \$14,067,000 (2013: \$11,647,000).

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 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. The group also has the support of its ultimate parent undertaking to support its position as required

- 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. The currency risk has been reduced as a result of the change in functional currency to US Dollars.

- Interest rate risk

The Company has no exposure to interest rate risk.

Results and dividends

The loss for the financial year of \$21,313,000 (2013: \$11,212,000) will be charged against reserves. The directors do not recommend the payment of dividend (2013: \$nil).

Alfresco Holdings Limited

Directors' report

for the year ended 28 February 2014 (continued)

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

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and 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

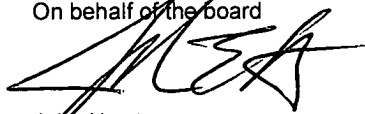
(b) the directors have taken all the steps that they ought to have taken, as a director, in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Alfresco Holdings Limited
Directors' report
for the year ended 28 February 2014 (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

A handwritten signature in black ink, appearing to be 'J. Newton', written over a horizontal line.

John Newton
Director

Alfresco Holdings Limited

Independent auditors' report to the members of Alfresco Holdings Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's and of the company's affairs as at 28 February 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and company financial statements (the "financial statements"), which are prepared by Alfresco Holdings Limited, comprise:

- the consolidated and company balance sheets as at 28 February 2014;
- consolidated profit and loss account for the year then ended;
- consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 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.

Alfresco Holdings Limited

Independent auditors' report to the members of Alfresco Holdings Limited (continued)

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 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 other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Alfresco Holdings Limited
Independent auditors' report to the members of
Alfresco Holdings Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, 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 ISAs (UK & 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.



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

27 November 2014

Alfresco Holdings Limited
Consolidated profit and loss account
For the year ended 28 February 2014

	Note	2014 \$'000	2013 \$'000
Turnover	2	56,971	46,371
Cost of sales		(4,821)	(3,888)
Gross profit		52,150	42,483
Distribution expenses		(12,313)	(11,460)
Administrative expenses		(61,895)	(42,328)
Operating loss	3	(22,058)	(11,305)
Interest receivable and similar income	6	-	1
Loss on ordinary activities before taxation		(22,058)	(11,304)
Tax on loss on ordinary activities	7	745	92
Loss for the financial year	17, 18	(21,313)	(11,212)

The above results relate to the continuing operations of the group.

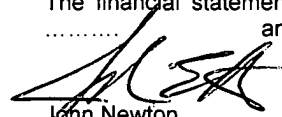
The group has no gains or losses other than its loss for the financial years disclosed above, and therefore no separate statement of total recognised gains and losses have been presented.

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 2014

	Note	2014 \$'000	2013 \$'000
Fixed assets			
Intangible assets	8	68	-
Tangible assets	10	1,062	1,162
		1,130	1,162
Current assets			
Debtors	11	19,617	17,249
Cash at bank and in hand		12,479	21,681
		32,096	38,930
Creditors: amounts falling due within one year	12	(52,442)	(39,549)
Net current liabilities		(20,346)	(619)
Total assets less current liabilities		(19,216)	543
Creditors: amounts falling due after more than one year	13	(13,832)	(12,913)
Provisions for liabilities	14	(334)	(303)
Net liabilities		(33,382)	(12,673)
Capital and reserves			
Called up share capital	15	-	-
Share premium account	17	5,584	5,584
Other reserves	17	25,479	24,875
Profit and loss account	17	(64,445)	(43,132)
Total shareholders' deficit	18	(33,382)	(12,673)

The financial statements on pages 10 to 29 were approved by the board of directors on 27 November 2014 and were signed on its behalf by:

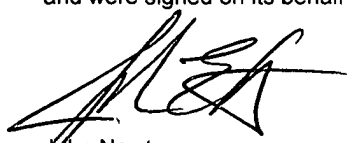

John Newton
Director

Registered number : 04429285

Alfresco Holdings Limited
Company balance sheet
As at 28 February 2014

	Note	2014 \$'000	2013 \$'000
Fixed asset			
Investments	9	31,063	30,459
Net assets			
Capital and reserves			
Called up share capital	15	-	-
Share premium account	17	5,584	5,584
Other reserves	17	25,479	24,875
Total shareholders' funds		31,063	30,459

The financial statements on pages 10 to 29 were approved by the board of directors on **27 November 2014**
and were signed on its behalf by:


John Newton
Director

Registered number : 04429285

Alfresco Holdings Limited
Consolidated cash flow statement
For the year ended 28 February 2014

	Note	2014 \$'000	2013 \$'000
Net cash outflow from operating activities	20	(8,369)	(796)
Returns on investments and servicing of finance			
Interest received		-	1
Net cash inflow from returns on investments and servicing of finance		-	1
Capital expenditure and financial investment			
Purchase of fixed assets		(833)	(1,046)
Net cash outflow from capital expenditure and financial investment		(833)	(1,046)
Decrease in net cash		(9,202)	(1,841)
Reconciliation to net cash			
Net cash at 1 March	21	21,681	23,522
Decrease in net cash		(9,202)	(1,841)
Net cash at 28 February	21	12,479	21,681

Alfresco Holdings Limited

Notes to the financial statements

for the year ended 28 February 2014

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 2014. 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 \$21,313,000 for the year ended 28 February 2014 (2013: \$11,212,000) and has a deficit on shareholders' funds of \$33,382,000 as at 28 February 2014 (2013: \$12,673,000). 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, considering the cash balances of the group, and the support of the ultimate parent undertaking, 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 2014 (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 estimated useful 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 provision for 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

In determining the functional currency, which we deem is interchangeable with the term local currency under UK GAAP, the group considers the indicators as the currency for which it generates, expends and holds cash. Once the local currency is determined, it is not changed unless there is a change in the underlying transactions, events and circumstances that are relevant to the company.

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 US Dollar at the average rates for the year. Balance sheet items of overseas subsidiaries are translated into US Dollar 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.

From the 1st March 2013 it was determined the group's functional currency had changed from GB Sterling to US Dollar. This determination was made upon application of the group's accounting policy on functional currency. The change has arisen as a result of the group concluding the currency for which it generates and expends cash is more significantly bias towards US Dollar than any other currency. The change has predominately been driven by the event of more senior management being implemented in the US parent company leading to higher charges into the group in US Dollar. The change has been applied prospectively, however the comparative figures have been translated, for comparative purposes, using the prior year closing rate from GB Sterling to US Dollar of 1.517.

Alfresco Holdings Limited

Notes to the financial statements

for the year ended 28 February 2014 (continued)

1 Principal accounting policies (continued)

Deferred taxation

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

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.

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2014 (continued)

1 Principal accounting policies (continued)

Investments

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

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:

	2014	2013
	\$'000	\$'000
Turnover by destination:		
United Kingdom	5,675	3,723
United States of America	21,311	15,790
Europe	21,847	20,555
Rest of the world	8,138	6,303
	56,971	46,371

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2014 (continued)

3 Operating loss

	2014	2013
	\$'000	\$'000
Operating loss is stated after charging/(crediting):		
Staff costs (note 4)	25,810	23,223
Depreciation of tangible fixed assets:		
- Owned assets	799	538
Amortisation of intangible assets	-	-
Research and development expenditure	14,067	11,647
Operating lease rentals - other	847	615
Foreign exchange (gain)/loss	(633)	952

Services provided by the group's auditor and its associates:	2014	2013
	\$'000	\$'000
Fees payable to the group's auditor for the audit of the parent and consolidated financial statements	45	37
Fees payable to the group's auditor for other services:		
- Tax services	34	100
- The audit of company's subsidiaries	28	22
	107	159

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 2014 (continued)

4 Staff costs

	2014	2013
	\$'000	\$'000
Wages and salaries	21,433	19,364
Social security costs	3,419	3,105
Other pensions costs	354	272
Share based payments	604	482
	25,810	23,223

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

	2014	2013
By activity	Number	Number
Administration	11	8
Sales and marketing	127	106
Research and development	75	75
	213	189

5 Directors' emoluments

	2014	2013
	\$'000	\$'000
Aggregate emoluments	687	709
Pension contributions to a defined contribution scheme	-	-
	687	709
Highest paid director		
Aggregate emoluments	476	354
Contributions to a defined contribution pension scheme	-	-
	476	354

No Director exercised share options during the year (2013: nil). The number of directors accruing benefits under the defined contribution scheme amounted to 2 (2013: 2).

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2014 (continued)

6 Interest receivable and similar income

	2014 \$'000	2013 \$'000
Bank interest receivable	-	1

7 Tax on loss on ordinary activities

a) Analysis for the year:

	2014 \$'000	2013 \$'000
Current tax		
UK		
Corporation tax	(830)	(379)
Adjustment in respect of prior years	(337)	-
	(1,167)	(379)
Foreign tax		
Corporation tax	422	287
Adjustment in respect of prior years	-	-
Tax on loss on ordinary activities	(745)	(92)

(b) Factors affecting tax for the year

The tax assessed on the loss on ordinary activities for the year is the higher (2013: higher) than the standard rate of corporation tax in the UK 23% (2013: 24%). The differences are explained below:

	2014 \$'000	2013 \$'000
Loss on ordinary activities before taxation	(22,058)	(11,304)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013: 24%)	(5,073)	(2,712)
Effect of:		
Disallowed expenses and general provisions	162	133
Depreciation in excess of capital allowances	180	121
Tax losses carried forward	4,323	2,366
Adjustment in respect of prior years	(337)	-
Current tax for the year	(745)	(92)

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% (2013: 24%). Net deferred tax assets not recognised in the financial statements are as follows:

	2014 \$'000	2013 \$'000
Short term timing difference	559	394
Tax losses	11,759	6,931
	12,318	7,325

Alfresco Holdings Limited

Notes to the financial statements

for the year ended 28 February 2014 (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.

Future developments

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

8 Intangible assets

	Intellectual property rights \$'000
Cost	
At 1 March 2013	455
Additions	68
At 28 February 2014	523
Accumulated amortisation	
At 1 March 2013	455
Charge for the year	-
At 28 February 2014	455
Net book value	
At 28 February 2014	68
At 28 February 2013	-

9 Fixed asset investments

	\$'000
Investment in subsidiary	
As at 1 March 2013	30,459
Additions	604
As at 28 February 2014	31,063

The above investment represents an investment of 100% in the ordinary share capital of Alfresco Software Limited, registered in England and Wales. Alfresco Software Limited is a developer of enterprise content management (ECM) software and they distribute this under an open source licensing model. 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 2014 (continued)

10 Tangible fixed assets

Group	Office equipment \$'000	Short leasehold improvements \$'000	Total \$'000
Cost			
At 1 March 2013	1,479	1,567	3,046
Additions	601	164	765
Disposals	(111)	-	(111)
At 28 February 2014	1,969	1,731	3,700
Accumulated depreciation			
At 1 March 2013	1,150	735	1,885
Charge for the year	413	386	799
Disposals	(46)	-	(46)
At 28 February 2014	1,517	1,121	2,638
Net book value			
At 28 February 2014	452	610	1,062
At 28 February 2013	329	832	1,162

The parent company has no tangible fixed assets.

11 Debtors

Group	2014 \$'000	2013 \$'000
Trade debtors	16,047	15,079
Amounts owed by group undertakings	268	298
Other debtors	2,265	1,420
Prepayments and accrued income	1,037	452
	19,617	17,249

Amounts owed by group undertakings are unsecured, interest free and have no set terms for repayment. Other debtors includes a balance of \$2,090,000 (2013: \$1,186,000) relating to a tax credit for research and development expenditure.

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2014 (continued)

12 Creditors: amounts falling due within one year

Group	2014 \$'000	2013 \$'000
Trade creditors	1,001	822
Amounts owed to group undertakings	83	1,770
Taxation and social security	2,317	1,573
Accruals and deferred income	49,041	35,384
	52,442	39,549

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). The group has provided for the costs (including legal costs) incurred in its dispute with Open Text which has now been resolved. The specific terms and conditions of the settlement agreement are confidential.

13 Creditors: amounts falling due after more than one year

Group	2014 \$'000	2013 \$'000
Accruals and deferred income	13,832	12,913
	13,832	12,913

14 Provisions for liabilities

Group	Dilapidation provision \$'000
At 1 March 2013	303
Charged to the profit and loss account	31
At 28 February 2014	334

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 2014 (continued)

15 Called up share capital

Group & Company

	2014	2013
	\$'000	\$'000
Allotted and fully paid		
100 (2013: 100) ordinary shares of £1 each	-	-

16 Share based payments

The ultimate parent company operates an Enterprise Incentive Management Scheme and an unapproved option scheme in which it grants share options to employees of the Company. 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 company has made grants since June 2005 to employees of the Company. 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 company 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 company in which to exercise any vested options that have not yet lapsed. The share price at time of grant dates of Alfresco Software Inc has remained unchanged at \$0.0001.

In November 2013 the stock was split in three so one option became three options and the original price per option was divided by three.

The range of assumptions used in the calculation are as follows:

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2014 (continued)

16 Share based payments (continued)

Grant Date	8 May 2013	25 June 2013	3 July 2013	31 July 2013	19 Sept 2013	31 Oct 2013	29 Jan 2014	04 Feb 2014
Share price at grant date (dollars)	2.413	2.413	2.413	2.413	2.413	2.413	2.61	2.61
Exercise price (dollars)	2.413	2.413	2.413	2.413	2.413	2.413	2.61	2.61
Number of employees	5	5	1	7	11	3	152	2
Shares under option	6,000	47,250	15,000	15,000	84,000	26,250	677,310	100,000
Vesting period (years)	4	4	4	4	4	4	4	4
Expected volatility	100%	100%	100%	100%	100%	100%	100%	100%
Option life (years)	10	10	10	10	10	10	10	10
Expected life (years)	4	4	4	4	4	4	4	4
Risk-free interest rate	3%	3%	3%	3%	3%	3%	3%	3%
Expected dividends expressed as dividend yield	0%	0%	0%	0%	0%	0%	0%	0%
FRS20 Fair value per option (dollars)	1.69	1.69	1.69	1.69	1.69	1.69	1.83	1.83

A reconciliation of option movements over the year to 28th February 2014 is shown below:

	2014		2013	
	Number	Weighted average exercise price USD	Number	Weighted average exercise price USD
Outstanding at 1 March 2013 (1 March 2014)	2,891,325	2.02	2,729,625	1.62
Forfeited	(655,639)	1.64	(101,037)	3.59
Exercised	(436,935)	0.43	(88,713)	2.24
Granted	970,810	2.57	351,450	5.23
Outstanding at 28 February 2014 (28 Feb 2013)	2,769,561	1.48	2,891,325	2.02
Exercisable at 28 February 2014 (28 Feb 2013)	1,683,917	0.80	2,287,578	1.32

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2014 (continued)

16 Share based payments (continued)

Range of exercise prices	Weighted average exercise price USD	2014		Weighted average		2013		Weighted average	
		Number of shares		remaining life:		Number of shares		remaining life:	
		('000)		Expected	Contractual	('000)		Expected	Contractual
0.02	0.02	578,250	0.00	142	0.02	603,000	-	195	
0.09	0.09	192,510	0.00	2.98	0.09	771,000	-	3.77	
1.07	1.07	384,207	0.00	5.09	1.07	484,125	-	5.42	
1.22	1.22	213,000	0.05	6.06	1.22	255,000	1	6.52	
1.27	1.27	29,250	0.79	6.80	1.27	33,000	1	7.30	
1.43	1.43	74,500	1.13	7.13	1.43	111,000	2	7.82	
2.10	2.10	137,469	1.83	7.83	2.10	229,500	2	8.02	
2.41	2.41	186,734	3.03	9.04	2.41	101,250	3	8.78	
2.46	2.46	227,631	2.25	8.25	2.46	303,450	3	8.79	
2.61	2.61	746,010	3.92	9.93					
0.03 - 2.40	1.48	2,789,561	2.19	7.77	2.02	2,691,325	1	5.10	

A charge of \$604,000 (2013: \$482,000) 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 2014 (continued)

17 Reserves

Group	Share premium account \$'000	Other reserves \$'000	Profit and loss account \$'000	Total \$'000
At 1 March 2013	5,584	24,875	(43,132)	(12,673)
Loss for the financial year	-	-	(21,313)	(21,313)
Share based payment	-	604	-	604
At 28 February 2014	5,584	25,479	(64,445)	(33,382)

Company	Share premium account \$'000	Other reserves \$'000	Total \$'000
At 1 March 2013	5,584	24,875	30,459
Share based payment	-	604	604
At 28 February 2014	5,584	25,479	31,063

18 Reconciliation of movements in shareholders' deficit

	2014 \$'000	2013 \$'000
Loss for the financial year	(21,313)	(11,212)
Share based payment	604	482
Net movement to shareholders' deficit	(20,709)	(10,730)
Opening shareholders' deficit	(12,673)	(1,943)
Closing shareholders' deficit	(33,382)	(12,673)

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2014 (continued)

19 Other financial commitments

At 28 February 2014 the group had annual commitments under non-cancellable operating leases for land and buildings as follows:

	2014 \$'000	2013 \$'000
Operating leases which expire:		
Within one year	143	-
In the second to fifth years inclusive	292	468
	435	468

20 Cash flows from operating activities

	2014 \$'000	2013 \$'000
Operating loss	(22,058)	(11,305)
Depreciation and amortisation	799	538
Loss on disposal of fixed assets	65	-
Share based payments	604	482
Dilapidation provision	31	151
Increase in debtors	(1,494)	(1,807)
Increase in creditors	15,341	11,305
Decrease in intergroup	(1,657)	(160)
Net cash outflow from operating activities	(8,369)	(796)

21 Reconciliation of movement in net funds

	2013 \$'000	Cash flow \$'000	2014 \$'000
Cash at bank and in hand	21,681	(9,202)	12,479
Net funds	21,681	(9,202)	12,479

Alfresco Holdings Limited
Notes to the financial statements
for the year ended 28 February 2014 (continued)

22 Related party transactions

During the year, the company paid charges to Alfresco Software Americas Inc., a fellow group company of \$28,305,000 (2013: \$22,213,000) for research and development and sales agency costs. It also paid Alfresco Software AG charges of the same nature amounting to \$2,375,000 (2013: nil). At 28 February 2014 \$96,000 (2013: \$1,770,000 payable) remained outstanding and owed by Alfresco Software Americas Inc. As at 28 February 2014 \$172,000 receivable (2013: \$283,000 receivable), and \$83,000 payable (2013: \$15,000 receivable) remained outstanding with Alfresco Software AG (formerly WeWebU Software AG) and Alfresco Software Inc respectively.

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 (2013: \$nil). The cost of contributions to the defined contribution scheme amounts to \$354,000 (2013: \$272,000).

24 Ultimate controlling party

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

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.