Company Registration No. 2110600

ASTRAC Limited

Report and Financial Statements

31 December 2005

REPORT AND FINANCIAL STATEMENTS 2005

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Patrick Joseph Manning
Johan Harold Gedda
Andrew Youniss

SECRETARY

Druces & Attlee Secretarial Services Limited

REGISTERED OFFICE

Salisbury House
London Wall
London
EC2M 5PS

BANKERS

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LS1 1NX

SOLICITORS

Druces & Attlee
Salisbury House
London Wall
London
EC2M 5PS

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Birmingham

Directors' report

The directors present their annual report and the audited financial statements for the fifteen month period ended 31 December 2005.

Activities

The profit and loss account for the period is set out on page 4.

The principal activity of the company is the development, distribution and servicing of enterprise-wide business intelligence software for international and domestic markets.

Review of developments

A review of the company's business is included within the consolidated financial statements of Rocket Software UK Limited.

Results and Dividends

The profit for the year after tax amounted to £3,179,983 (2004:£2,063,129). During the year, the directors paid dividends totalling 1,058p per ordinary share (2004: 192p).

Directors and their interests

The directors of the company during the year were as follows:

C J Titcomb BA	(resigned 24 May 2005)
R W Cobley	(resigned 24 May 2005)
S J Titcomb FCA	(resigned 24 May 2005)
P J Manning	(appointed 24 May 2005)
J H Gedda	(appointed 24 May 2005)
A Youniss	(appointed 27 June 2005)

Secretary

Etchco (number 6) Limited	(resigned 24 May 2005)
Druces & Attlee Secretarial Services Limited	(appointed 24 May 2005)

Directors' shares interests

No director had any beneficial interests in the shares of the company or the immediate parent company at either the beginning or the end of the year under review.

The directors' interests in the shares and options of the ultimate parent company Rocket Software Incorporated are disclosed in that company's accounts, which can be obtained from the address shown in note 17.

Directors' interests in contracts

The directors report no interests in contracts with the company.

Directors' report

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

J. Gedda

Johan Harold Gedda
Director
October 24, 2006

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report including the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of ASTRAC Limited

We have audited the financial statements of ASTRAC Limited for the period ended 31 December 2005 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham
26 October 2006

Profit and loss account
15 months ended 31 December 2005

	Note	15 months ended 31 December 2005 £	Year end 30 September 2004 £
Turnover: continuing operations	2	8,883,169	7,808,508
Cost of sales		(586,753)	(405,680)
Gross profit		8,296,416	7,402,828
Administrative expenses		(5,105,893)	(4,421,708)
Operating profit: continuing operations	3	3,190,523	2,981,120
Finance income/(charge)		97,071	(43,605)
Profit on ordinary activities before taxation		3,287,594	2,937,515
Tax on profit on ordinary activities	4	(107,611)	(874,386)
Profit for the financial year		3,179,983	2,063,129
Dividends	5	(3,763,202)	(683,255)
Retained (loss)/profit for the financial year	11	(583,219)	1,379,874

There are no recognised gains or losses in either period other than the profit or loss for that period.

All the above activities refer to continuing operations.

Balance sheet
31 December 2005

	Note	31 December 2005 £	30 September 2004 £
Fixed assets			
Intangible assets	6	2,232,349	4,584,945
Tangible assets	7	40,042	-
		2,272,391	4,584,945
Current assets			
Debtors	8	1,916,257	776,649
Cash at bank and in hand		745,523	581,331
		2,661,780	1,357,980
Creditors: amounts falling due within one year	10	(2,879,462)	(3,304,997)
Net current liabilities		(217,682)	(1,947,017)
Net assets		2,054,709	2,637,928
Capital and reserves			
Called up share capital	12	201,400	201,400
Share premium account	11	346,177	346,177
Profit and loss account	11	1,507,132	2,090,351
Shareholders' funds	13	2,054,709	2,637,928
Non equity shareholders' funds	13	112,500	112,500
Total equity shareholders' funds	13	1,942,209	2,525,428

These financial statements were approved by the Board of Directors on October 24 2006.

Signed on behalf of the Board of Directors

Johan Harold Gedda

Director

Notes to the financial statements
15 months ended 31 December 2005

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis, unless otherwise stated, over its expected useful life as follows:

Computer hardware	-	over 3 years
Office equipment	-	over 4 years

Intangible assets – software intellectual property

Software intellectual property is amortised on a straight-line basis, with 35% of cost charged in the first 12 months following acquisition, and then 28%, 21%, 14% and 2% in the subsequent periods, respectively and ending 31 December 2007.

The rates above reflect management's assessment of the minimum income profile relating to the intellectual property acquired and in accordance with the duration of the asset purchase agreement with IBM Corporation.

Research expenditure

Research expenditure is written off as incurred.

Turnover

Turnover is the sterling equivalent value of goods and services supplied. It also excludes VAT, similar sales-based tariffs or withholding taxes unless there exists a double taxation treaty between the United Kingdom and the country to which the export sale is made. Where invoices are sent to customers in advance an appropriate proportion relating to future periods is included in deferred income.

Deferred taxation

Provision for deferred taxation is made in respect of all timing differences arising from the different treatment of items for accounts and taxation purposes, except in relation to gains covered by rollover relief. Deferred taxation provisions are not discounted. Deferred taxation assts are recognised when, in the opinion of the directors, they are more likely than not to be recovered, based on current and past trading levels and profitability.

Leases

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term.

Pension scheme

The company operates a defined contribution scheme, the assets of which are held separately from those of the company in an independently administered fund. Contributions are charged to the profit and loss account as they become payable.

Foreign exchange

Assets and liabilities denominated in overseas currencies are translated at the rates ruling at the balance sheet date or the appropriate forward contract or other rate if hedging is used. Exchange differences arising in respect of revenue transactions in the accounting period are included in the profit and loss account at the rate ruling at the date of the transaction.

Notes to the financial statements
15 months ended 31 December 2005

1. Accounting policies (continued)

Cash flow statement

Under the provisions of FRS 1, the company has not prepared a cash flow statement because its ultimate parent company, Rocket Software Incorporated, which controls more than 90% of the share capital of the company, has prepared consolidated financial statements which include the financial statements of the company for the year ended 31 December 2005, which contain a consolidated cash flow statement and which are available from the address shown in note 21.

2. Turnover

All turnover is derived within the UK. An analysis of turnover by destination is as follows:

	15 months ended 31 December 2005 £	Year ended 30 September 2004 £
United Kingdom	940,271	736,706
Europe (excluding UK)	4,782,284	3,969,780
North America	1,802,159	1,632,039
Rest of the world	1,358,455	1,469,983
	8,883,169	7,808,508

3. Operating profit

	Note	15 months ended 31 December 2005 £	Year ended 30 September 2004 £
Directors' emoluments	14	892,993	488,667
Auditors' remuneration			
- audit		12,000	8,400
- other services		3,750	35,555
Amortisation of intangible fixed assets	6	2,352,596	2,468,818
Depreciation of tangible fixed assets	7	6,458	2,260
Hire of plant and machinery – operating leases		887	5,666
Other operating leases		80,268	66,086
Foreign exchange (gains)/losses		(26,605)	(274,578)

Notes to the financial statements
15 months ended 31 December 2005

4. Taxation

a) Analysis of tax charge in the period

	15 months ended 31 December 2005 £	Year ended 30 September 2004 £
Current tax		
UK Corporation Tax on profit of ordinary activities at 30% (2004:30%)	225,950	876,107
(Over)/under provision in respect of prior years	(122,868)	(82)
	103,082	876,025
Deferred tax:		
Origination and reversal of timing differences	4,529	(1,639)
Tax on profit on ordinary activities	107,611	874,386

b) Factors affecting tax charge for the period

	15 months ended 31 December 2005 £	Year ended 30 September 2004 £
Profit on ordinary activities before tax	3,287,593	2,937,515
At standard rate of 30% (2004:30%)	986,278	881,255
Expenses not tax deductible	1,043	749
Timing differences	(8,202)	(1,052)
Group relief claimed	(753,169)	(4,845)
Adjustments in respect of prior year	(122,868)	(82)
Current tax charge for the period	103,082	876,025

Notes to the financial statements
15 months ended 31 December 2005

5. Dividends

	15 months ended 31 December 2005 £	Year ended 30 September 2004 £
On equity shares:		
Dividends paid of 1,058p per ordinary share (2004: 192p).	3,763,203	683,255

6. Intangible assets

	2005 £	2004 £
Software – Intellectual Property		
Balance brought forward 1 October 2004	4,584,945	6,938,160
Additions	-	115,603
Amortisation	(2,352,596)	(2,468,818)
Net book value at 31 December 2005	2,232,349	4,584,945

On 30 September 2003 the group purchased outright from IBM Corporation the Intellectual Property Rights that form the substantial party of ASTRAC's core AS software offering. The purchase of these rights removed the obligation on the group to pay royalties in respect of existing ASTRAC customers to the IBM Corporation after 30 September 2003. The purchase consideration was funded from the group's own resources and through a flexible bank facility provided by ASTRAC's bankers.

In 2004 the group acquired from IBM Corporation the rights relating to two additional customers for £115,603.

Notes to the financial statements
15 months ended 31 December 2005

7. Tangible fixed assets

	Computer Hardware & Office Equipment £
Cost	
At 1 October 2004	57,829
Additions	46,500
At 31 December 2005	104,329
Accumulated depreciation	
At 1 October 2004	57,829
Charge for the period	6,458
At 31 December 2005	64,287
Net book value	
At 31 December 2005	40,042
At 30 September 2004	-

8. Debtors

	31 December 2005 £	30 September 2004 £
Trade debtors	1,718,164	709,844
Amounts owed by group companies	44,121	-
Overseas tax	80,724	-
Other debtors	27,663	36,375
Prepayments and accrued income	31,484	11,800
Deferred taxation (note 9)	14,101	18,630
	1,916,257	776,649

Notes to the financial statements
15 months ended 31 December 2005

9. Deferred taxation

a) Deferred tax asset movement

	2005 £	2004 £
1 October 2004	18,630	16,991
(Charge) credit for the year (note 4)	(4,529)	1,639
At 31 December 2005	14,101	18,630

b) Deferred tax asset comprises:

	2005 £	2004 £
Tax effect of timing differences at 30% (2004: 30%)		
Excess depreciation over capital allowances	12,901	17,430
Short term timing differences	1,200	1,200
	14,101	18,630

10. Creditors: amounts falling due within one year

	31 December 2005 £	30 September 2004 £
Trade creditors	12,013	37,365
Other taxes and social security costs	168,623	29,822
Corporation tax	50,951	260,824
Accruals and deferred income	2,647,875	2,799,186
Proposed dividend	-	177,800
	2,879,462	3,304,997

Accruals and deferred income principally comprises customer payments received in advance.

11. Reserves

	Share premium account £	Profit and loss account £
1 October 2004	346,177	2,090,351
Profit/(loss) for the year	-	(583,219)
31 December 2005	346,177	1,507,132

Notes to the financial statements
15 months ended 31 December 2005

12. Called up share capital

	Number	£
Authorised:		
25p ordinary shares	500,000	125,000
25p deferred shares	450,000	112,500
At 30 September 2004 and 31 December 2005	950,000	237,500
Called up, allotted and fully paid		
25p ordinary shares	355,599	88,900
25p deferred shares	450,000	112,500
At 30 September 2004 and 31 December 2005	805,599	201,400

The 25p Deferred shares have no right to receive a dividend and no right to receive notice of, or to attend, any general meeting.

On winding up, the holders of the Deferred shares shall be entitled, out of surplus assets of the company, to a return of capital paid by them after a total amount of £20,000,000 has been distributed in such winding up in respect of the Ordinary shares.

13. Reconciliation of movements in shareholders' funds

	15 months ended 31 December 2005 £	Year ended 30 September 2004 £
Profit for the financial year	3,179,983	2,063,129
Dividends	(3,763,202)	(683,255)
Retained profit for the financial year	(583,219)	1,379,874
Opening shareholders' funds	2,637,928	1,258,054
Closing shareholders' funds	2,054,709	2,637,928
Which comprise non-equity interest		
Non-equity interest	112,500	112,500
Equity interest	1,942,209	2,525,428
	2,054,709	2,637,928

Notes to the financial statements
15 months ended 31 December 2005

14. Directors' emoluments

	15 months ended 31 December 2005 £	Year ended 30 September 2004 £
Emoluments (including benefits in kind)	754,155	436,500
Pension contributions	8,638	52,167
Compensation for loss of office	130,200	-
	892,993	488,667

The number of directors who were accruing benefits under pension schemes at the year end was:

	Number	Number
Money purchase schemes	-	2

The emoluments of the highest paid director were as follows:

	15 months ended 31 December 2005 £	Year ended 30 September 2004 £
Emoluments (including benefits in kind)	403,735	264,005
Pension contributions	4,938	6,617
Compensation for loss of office	100,100	-
	508,773	270,622

Notes to the financial statements
15 months ended 31 December 2005

15. Employee information

The average monthly number of persons (including executive directors) calculated on a full-time equivalent basis, employed by the company during the year was 22 (2004:20).

Their aggregate remuneration comprised:

	15 months ended 31 December 2005 £	Year ended 30 September 2004 £
Wages and salaries	1,949,953	1,418,836
Social security costs	217,899	173,779
Pension costs	56,815	81,006
	2,224,667	1,673,621

16. Financial commitments

	31 December2005 £		30 September 2004 £	
Operating leases which expire:	**Plant and machinery**	**Land and buildings**	**Plant and machinery**	**Land and buildings**
Within one year	-	40,101	1,330	-
Between two and five years inclusive	-	-	-	51,000
	-	40,101	1,330	51,000

17. Related party transactions

Advantage has been taken of the exemption available in FRS8 not to disclose transactions with entities that are part of the group headed by Rocket Software Inc. Copies of the consolidated financial statements of Rocket Software Incorporated can be obtained from the address shown in note 18.

18. Immediate and ultimate parent company

The company's immediate parent company is ASTRAC Holdings Limited. Prior to 25 May 2005, ASTRAC Holdings Limited was also the ultimate parent company. With effect from 25 May 2005, the ultimate parent company and controlling party is Rocket Software Incorporated, a company registered in the USA.

The smallest group to consolidate the results of this company is that headed by Rocket Software UK Limited, a company registered in the United Kingdom whose accounts may be obtained from Salisbury House, London Wall, London, EC2M 5PS.

The largest group to consolidate the results of this company is that headed by Rocket Software Incorporated, a company registered in the United States of America, whose accounts may be obtained from 2, Apple Hill Road, Natick, MA 01760, USA.