

Charles River Development Limited

Financial statements

For the year ended 31 December 2005

Grant Thornton 



Company No. 3944511

Company information

Company registration number	3944511
Registered office	22 Melton Street London NW1 2BW
Director	Peter K Lambertus
Secretary	Ann W Lambertus
Bankers	National Westminster Bank Plc PO Box 34 135 Bishopgate London EC2M 3UR
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Churchill House Chalvey Road East Slough Berkshire SL1 2LS

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Report of the director

The director presents his report and the financial statements of the company for the year ended 31 December 2005.

Principal activities

The principal activity of the company is computer software development, sales and support.

Director

The director who served the company during the year was as follows:

Peter K Lambertus

The company is a wholly owned subsidiary and the interests of the group director are disclosed in the financial statements of the parent company.

No rights to subscribe for shares in the company were granted or exercised in the year.

Peter K Lambertus is a Trustee of the ultimate parent company.

Director's responsibilities

The director is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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

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

The director is responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

ON BEHALF OF THE BOARD


Peter K Lambertus
Director
15 June 2006

Report of the independent auditor to the members of Charles River Development Limited

We have audited the financial statements of Charles River Development Limited for the year ended 31 December 2005 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 17. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005), 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditor

The director's responsibilities for preparing the Report of the Director and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of director's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you if, in our opinion, the Report of the Director 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 director's remuneration and other transactions is not disclosed.

We read the Report of the Director and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

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

Report of the independent auditor to the members of Charles River Development Limited (continued)

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, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and

have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON THAMES VALLEY OFFICE
SLOUGH

11 July 2006
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Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

The principal accounting policies of the company are set out below. The policies have remained unchanged from the previous year.

The director has reviewed the principal accounting policies of the company and considers they remain the most appropriate for the company.

Turnover

Turnover excludes value added tax (or overseas equivalent) and trade discounts and represents amounts invoiced to customers (net of sales taxes) for services performed.

Professional services, such as implementation, training and consultancy, are recognised as the services are performed.

The company receives agent fee revenue from Charles River Systems Inc., the parent company, based upon the software lease revenue recognised by the parent on the company's end user customer. This agent fee revenue is recognised as earned.

Support revenue is recognised as it is earned with end user customers.

In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Property	- 5 years straight line
Fixtures and Fittings	- 10 years straight line
Equipment	- 7 years straight line
Telecommunications	- 5 years straight line
Computers	- 3 years straight line

Leasing

Lease payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year.

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

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

Going concern

The parent company has confirmed to the directors that it will continue to provide ongoing financial support and other assistance to the company for a period of not less than 12 months from the date of approval of these financial statements.

The director has considered this in conjunction with plans for the future trading of the company and considers it appropriate to prepare the financial statements on the going concern basis.

Profit and loss account

	Note	2005 £	2004 £
Turnover	1	6,918,894	6,300,197
Other operating charges	2	7,233,980	5,549,143
Operating (loss)/profit	3	(315,086)	751,054
Interest receivable and similar income	4	13,598	10,023
(Loss)/profit on ordinary activities before taxation		(301,488)	761,077
Tax on (loss)/profit on ordinary activities	7	67,410	225,870
(Loss)/profit for the financial year	14	(368,898)	535,207


Balance sheet

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	8	<u>232,045</u>	<u>232,578</u>
Current assets			
Debtors	9	<u>2,023,513</u>	<u>1,371,375</u>
Cash at bank		<u>364,332</u>	<u>488,202</u>
		<u>2,387,845</u>	<u>1,859,577</u>
Creditors: amounts falling due within one year	10	<u>1,355,577</u>	<u>458,944</u>
Net current assets		<u>1,032,268</u>	<u>1,400,633</u>
Total assets less current liabilities		<u>1,264,313</u>	<u>1,633,211</u>
Capital and reserves			
Called-up equity share capital	13	<u>1,000</u>	<u>1,000</u>
Profit and loss account	14	<u>1,263,313</u>	<u>1,632,211</u>
Shareholders' funds		<u>1,264,313</u>	<u>1,633,211</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

These financial statements were approved and signed by the director on

15 JUNE 2006


Peter K Lambertus
Director

Notes to the financial statements

1 Turnover

Sales originated from the following geographical markets:

	2005 £	2004 £
USA	3,673,344	5,863,371
Asia Pacific	273,629	436,826
Europe	2,971,921	-
	<u>6,918,894</u>	<u>6,300,197</u>

2 Other operating charges

	2005 £	2004 £
Administrative expenses	<u>7,233,980</u>	<u>5,549,143</u>

3 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	2005 £	2004 £
Staff pension costs	158,563	89,149
Depreciation of owned fixed assets	87,935	77,486
Auditor's fees	10,950	6,450
Net (profit)/loss on foreign currency translation	<u>(24,730)</u>	<u>84,237</u>

4 Interest receivable and similar income

	2005 £	2004 £
Other interest	-	(1,350)
Other similar income receivable	<u>13,598</u>	<u>11,373</u>
	<u>13,598</u>	<u>10,023</u>

5 Director's Emoluments

The director received no remuneration during the year (2004 - nil).

6 Pension Costs

The company operates a defined contribution pension scheme. The scheme and its assets are held by independent manager. The pension charge represents contributions due from the company and amounts to £158,563 (2004 - £89,149). The amount due at year was £14,060 (2004: £3,840).

7 Taxation on ordinary activities

	2005 £	2004 £
Current tax:		
UK Taxation		
UK Corporation tax based on the results for the year at 30% (2004 - 30%)	(52,052)	228,943
Under/(over) provision in prior year	37,670	(3,073)
	<u>(14,382)</u>	<u>225,870</u>
Foreign tax		
Current tax on income for the year	77,781	-
Adjustments in respect of prior periods	4,011	-
	<u>81,792</u>	<u>-</u>
Total current tax	<u>67,410</u>	<u>225,870</u>

8 Tangible fixed assets

	Leasehold Property £	Fixtures & Fittings £	Equipment £	Telecoms £	Computers & Equipment £	Total £
Cost						
At 1 Jan 2005	176,549	26,263	14,703	19,697	144,836	382,048
Additions	-	1,745	3,044	-	82,613	87,402
At 31 Dec 2005	<u>176,549</u>	<u>28,008</u>	<u>17,747</u>	<u>19,697</u>	<u>227,449</u>	<u>469,450</u>
Depreciation						
At 1 Jan 2005	51,230	3,336	4,923	6,205	83,776	149,470
Charge for the year	35,310	2,829	2,317	3,924	43,555	87,935
At 31 Dec 2005	<u>86,540</u>	<u>6,165</u>	<u>7,240</u>	<u>10,129</u>	<u>127,331</u>	<u>237,405</u>
Net book value						
At 31 Dec 2005	<u>90,009</u>	<u>21,843</u>	<u>10,507</u>	<u>9,568</u>	<u>100,118</u>	<u>232,045</u>
At 31 Dec 2004	<u>125,319</u>	<u>22,927</u>	<u>9,780</u>	<u>13,492</u>	<u>61,060</u>	<u>232,578</u>

9 Debtors

	2005 £	2004 £
Trade debtors	1,129,329	108,023
Amounts owed by group undertakings	–	745,671
Corporation tax repayable	107,863	–
Other debtors	279,807	356,539
Prepayments and accrued income	506,514	161,142
	<u>2,023,513</u>	<u>1,371,375</u>

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

	2005 £	2004 £
Other debtors	<u>253,551</u>	<u>264,823</u>

10 Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	113,303	4,827
Amounts owed to group undertakings	395,361	–
Corporation tax	–	222,797
Other creditors	512,229	110,320
Accruals and deferred income	334,684	121,000
	<u>1,355,577</u>	<u>458,944</u>

11 Leasing commitments

At 31 December 2005 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2005 £	2004 £
Operating leases which expire:		
Within 2 to 5 years	<u>215,750</u>	<u>233,983</u>

12 Related party transactions

During the year the company invoiced Charles River Systems Inc. £3,673,344 (2004 - £5,629,284) in respect of agency fees. During the year the company was charged £162,352 (2004 - £144,403) by Charles River Systems Inc. in respect of management expenses. The company recharged to its parent £84,117 in respect of wages (2004: nil). At the year end the company owed £395,361 to Charles River Systems Inc. (2004 - owed by £745,671).

13 Share capital

Authorised share capital:

	2005 £	2004 £
10,000,000 Ordinary shares of £0.01 each	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

	2005 No	£	2004 No	£
Ordinary shares of £0.01 each	<u>100,000</u>	<u>1,000</u>	<u>100,000</u>	<u>1,000</u>

14 Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Profit and loss account £	Total share- holders' funds £
At 1 January 2005	1,000	1,632,211	1,633,211
Loss for the year	—	(368,898)	(368,898)
At 31 December 2005	<u>1,000</u>	<u>1,263,313</u>	<u>1,264,313</u>

15 Capital commitments

The company had no capital commitments at 31 December 2005 and 31 December 2004.

16 Contingent liabilities

There were no contingent liabilities at 31 December 2005 and 31 December 2004.

17 Ultimate parent company

The immediate parent undertaking of this company is Charles River Systems Inc., incorporated in the USA. The director, Peter K Lambertus, is a Trustee of the ultimate parent company, Charles River Systems Holding Company.