Charles River Development Limited
Financial statements
For the year ended 31 December 2006

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 2006

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 Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The financial statements are required by law to 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 period In preparing these 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 that disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985 He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the director is aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information

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

JULY 9, 2007

Grant Thornton

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 2006 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 whether in our opinion the information given in the Report of the Director is consistent with the financial statements

In addition we report to you if, in our opinion, 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 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Director is consistent with the financial statements

Grant Thornton UK LLP
GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

LONDON THAMES VALLEY OFFICE
SLOUGH
16 August 2007

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 the value of services performed (net of sales taxes)

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

The company receives agent fee revenue from Charles River 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

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Going concern

The parent company has confirmed to the director 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	2006 £	2005 £
Turnover	1	**9,671,732**	6,918,894
Other operating charges	2	**10,102,588**	7,233,980
Operating loss	3	**(430,856)**	(315,086)
Interest receivable and similar income	4	**12,594**	13,598
Loss on ordinary activities before taxation		**(418,262)**	(301,488)
Tax on loss on ordinary activities	7	**113,382**	67,410
Loss for the financial year	14	**(531,644)**	(368,898)

Balance sheet

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	8	**194,417**	232,045
Current assets			
Debtors	9	**3,169,910**	2,023,513
Cash at bank		**1,303,626**	364,332
		4,473,536	2,387,845
Creditors: amounts falling due within one year	10	**3,935,284**	1,355,577
Net current assets		**538,252**	1,032,268
Total assets less current liabilities		**732,669**	1,264,313
Capital and reserves			
Called-up equity share capital	13	**1,000**	1,000
Profit and loss account	14	**731,669**	1,263,313
Shareholders' funds		**732,669**	1,264,313

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 JULY 9, 2007

Peter K Lambertus

Peter K Lambertus
Director

Notes to the financial statements

1 Turnover

The turnover and loss before tax are attributable to the one principal activity of the company
An analysis of turnover is given below

	2006	2005
	£	£
United Kingdom	**3,913,887**	3,673,344
Asia Pacific	**57,092**	273,629
Europe	**5,700,753**	2,971,921
	9,671,732	6,918,894

2 Other operating charges

	2006	2005
	£	£
Administrative expenses	**10,102,588**	7,233,980

3 Operating loss

Operating loss is stated after charging/(crediting)

	2006	2005
	£	£
Staff pension costs	**236,526**	164,846
Depreciation of owned fixed assets	**105,631**	87,935
Auditor's fees	**13,950**	12,670
Net profit on foreign currency translation	**(227,145)**	(24,730)

4 Interest receivable and similar income

	2006	2005
	£	£
Other similar income receivable	**12,594**	13,598

5 Director's Emoluments

The director received no remuneration during the year (2005 - 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 £236,526 (2005 - £158,563) The amount due at the year end was £29,573 (2005 £14,060)

7 Taxation on ordinary activities

	2006	2005
	£	£
Current tax		
UK Taxation		
UK Corporation tax based on the results for the year at 19% (2005 - 30%)	-	(52,052)
(Over)/under provision in prior year	**(50,724)**	37,670
	(50,724)	(14,382)
Foreign tax		
Current tax on income for the year	**164,106**	77,781
Adjustments in respect of prior periods	-	4,011
	164,106	81,792
Total current tax	**113,382**	67,410

8 Tangible fixed assets

	Leasehold Property	Fixtures & Fittings	Equipment	Telecoms	Computers & Equipment	Total
	£	£	£	£	£	£
Cost						
At 1 Jan 2006	176,549	28,008	17,747	19,697	227,449	469,450
Additions	2,481	9,286	1,210	497	54,529	68,003
At 31 Dec 2006	179,030	37,294	18,957	20,194	281,978	537,453
Depreciation						
At 1 Jan 2006	86,540	6,165	7,238	10,131	127,331	237,405
Charge for the year	35,582	3,321	2,538	3,959	60,231	105,631
At 31 Dec 2006	122,122	9,486	9,776	14,090	187,562	343,036
Net book value						
At 31 Dec 2006	**56,908**	**27,808**	**9,181**	**6,104**	**94,416**	**194,417**
At 31 Dec 2005	90,009	21,843	10,509	9,566	100,118	232,045

9 Debtors

	2006	2005
	£	£
Trade debtors	**2,030,123**	1,129,329
Corporation tax repayable	**104,753**	107,863
Other debtors	**407,916**	279,807
Prepayments and accrued income	**627,118**	506,514
	3,169,910	2,023,513

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

	2006	2005
	£	£
Other debtors	**253,551**	253,551

10 Creditors: amounts falling due within one year

	2006	2005
	£	£
Trade creditors	**335,328**	113,303
Amounts owed to connected companies	**2,309,767**	395,361
Corporation tax	**129,132**	–
Other creditors	**796,078**	512,229
Accruals and deferred income	**364,979**	334,684
	3,935,284	1,355,577

11 Leasing commitments

At 31 December 2006 the company had aggregate annual commitments under non-cancellable operating leases as set out below

	2006	2005
	£	£
Operating leases which expire		
Within 2 to 5 years	**215,750**	215,750

12 Related party transactions

During the year the company invoiced Charles River Systems Inc £3,913,887 (2005 - £3,673,344) in respect of agency fees During the year the company was charged £216,390 (2005 - £162,352) by Charles River Systems Inc in respect of management expenses The company was recharged from its parent £131,189 in respect of wages (2005 - recharged to £84,117) At the year end the company owed £2,309,767 to Charles River Systems Inc (2005 - £397,816)

13 Share capital

Authorised share capital

	2006 £	2005 £
10,000,000 Ordinary shares of £0 01 each	**100,000**	100,000

Allotted, called up and fully paid

	2006 No	2006 £	2005 No	2005 £
Ordinary shares of £0 01 each	**100,000**	**1,000**	100,000	1,000

14 Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 January 2006	**1,000**	**1,263,313**	**1,264,313**
Loss for the year	–	**(531,644)**	**(531,644)**
At 31 December 2006	**1,000**	**731,669**	**732,669**

15 Capital commitments

The company had no capital commitments at 31 December 2006 and 31 December 2005

16 Contingent liabilities

There were no contingent liabilities at 31 December 2006 and 31 December 2005

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