Grant Thornton

Financial Statements Charles River Development Limited

For the Year Ended 31 December 2007

Company No. 3944511

Company information

Company registration number	3944511
Registered office	Churchill House Chalvey Road East Slough Berkshire SL1 2LS
Director	Peter K Lambertus
Secretary	Ann W Lambertus
Bankers	Bank of America 26 Elmfield Road Bromley Kent BR1 1WA
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 2007

Principal activities and business review

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

During the year the company transferred the trade and assets of its Australian branch to an affiliated company Charles River Development Inc

Financial overview
Turnover for the year ended 31 December 2007 was £12.4 million - a rise of 28% on last year (2006 £9 7 million) Profit before tax was £1 2 million, generating an increase of £1 8 million over prior year loss (2006 loss £0 6 million)

The director is pleased with the performance during the year and believes that Charles River Development Limited is in a strong position to continue to expand its market share

Financial performance
Management of the company monitors financial performance by reviewing turnover, gross profit, profit before taxation and current assets such as cash and accounts receivable to manager the business and assess it's performance

Results and dividends

The profit for the year, after taxation, amounted to £926,191 The director has not recommended a dividend

Financial risk management objectives and policies

The company uses a variety of financial instruments including cash, trade debtors and trade creditors, that arise directly from its operations The main purpose of these financial instruments is to provide working capital for the company's operations

The director is of the view that main risks arising from the group's financial instruments are currency risk and credit risk Given the strong financial position of the company the director does not consider interest rate risk and liquidity risk to be significant to the company at this time The director sets and reviews policies for managing each of these risks and they are summarised below These policies have remained unchanged from previous years

Currency risk
The company is exposed to translation and foreign exchange risk This risk is mitigated, where possible, by undertaking transactions with overseas customers and suppliers in sterling

Credit risk
The principal credit risk arises from its trade debtors In order to manage credit risk management set limits for customers and conduct a regular review of trade debtors outstanding Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history

Director

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

Peter K Lambertus

Director's responsibilities

The director is responsible for preparing the Report of the director 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 auditor is 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 auditor is aware of that information

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006

ON BEHALF OF THE BOARD

Peter K Lambertus

Peter K Lambertus
Director
August 19, 2008

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 2007 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement, statement of total recognised gains and losses and notes 1 to 22 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 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, of the state of the company's affairs as at 31 December 2007 and of its profit 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

26 August 2008

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention

The principal accounting policies of the company are set out below The policies have remained unchanged from the previous year, except as noted below

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

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards

-FRS 20 'Share-based payment (IFRS 2)'

FRS 20 'Share-based payment (IFRS 2)'

The financial statements for the year ended 31 December 2006 were prepared under the Financial Reporting Standard for Smaller Entities (FRSSE) For the year ended 31 December 2007 the company qualifies as a medium sized company and therefore has no longer applied the FRSSE and has adopted full Financial Reporting Standards The only standard which has a material impact on the financial statements is the first year adoption of FRS 20 'Share-Based Payment (IFRS 2)'

FRS 20 requires the recognition of equity-settled share-based payments at fair value at the date of the grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each balance sheet date Prior to the adoption of FRS 20, the company did not recognise the financial effect of share-based payments until such payments were settled

In accordance with the transitional provisions of FRS 20, the Standard has been applied retrospectively with prior year information being restated accordingly

For year ended 31 December 2006, the change in accounting policy has resulted in a net decrease in the profit for the year of £137,803 The balance sheet at 31 December 2006 has been restated to reflect the recognition of a liability for share-based payments of £551,016 and an additional deferred tax asset of £165,305

For the year ended 31 December 2007 the change in accounting policy has resulted in a net charge to the profit and loss account of £238,429 At 31 December 2007, the liability recognised for share-based payments amounted to £716,545 and the related deferred tax asset amounted to £200,633

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 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 for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced

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
Telecom	- 5 years straight line
Computers and equipment	- 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

Share-based payments

The company issues cash-settled share-based payments to certain employees

For cash-settled share-based payments, a liability equal to the portion of the goods and services received is recognised at the current fair value determined at each balance sheet date

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	2007 £	2006 *(restated)* £
Turnover	1	**12,395,136**	9,671,732
Other operating charges	2	**11,218,097**	10,240,391
Operating profit/(loss)	3	**1,177,039**	(568,659)
Interest receivable and similar income		**59,512**	12,594
Profit/(loss) on ordinary activities before taxation		**1,236,551**	(556,065)
Tax on profit/(loss) on ordinary activities	7	**310,360**	72,041
Profit/(loss) for the financial year	18	**926,191**	(628,106)

All of the activities of the company are classed as continuing

Balance sheet

	Note	2007 £	2006 *(restated)* £
Fixed assets			
Tangible assets	8	**82,970**	194,417
Current assets			
Debtors	9	**3,963,532**	3,335,215
Cash at bank		**2,201,221**	1,303,626
		6,164,753	4,638,841
Creditors: amounts falling due within one year	11	**4,197,067**	3,935,284
Net current assets		**1,967,686**	703,557
Total assets less current liabilities		**2,050,656**	897,974
Creditors: amounts falling due after more than one year	12	**716,545**	551,016
		1,334,111	346,958
Provisions for liabilities			
Other provisions	13	**60,962**	-
		1,273,149	346,958
Capital and reserves			
Called-up equity share capital	17	**1,000**	1,000
Profit and loss account	18	**1,272,149**	345,958
Shareholders' funds	18	**1,273,149**	346,958

These financial statements were approved and signed by the director and authorised for issue on
AUGUST 19 2008

Peter K Lambertus

Peter K Lambertus
Director

Cash flow statement

	Note	2007 £	2006 *(restated)* £
Net cash inflow from operating activities	19	**934,068**	1,080,596
Returns on investments and servicing of finance	19	**59,512**	12,594
Taxation	19	**(88,865)**	(85,893)
Capital expenditure and financial investment	19	**(7,120)**	(68,003)
Increase in cash	19	**897,595**	939,294

Other primary statements

Statement of total recognised gains and losses

	2007	2006 *(restated)*
	£	£
Profit/(loss) for the financial year	**926,191**	(628,106)
Total recognised gains and losses for the year	**926,191**	(628,106)
Prior year adjustment	–	(289,249)
Total gains and losses recognised since the last financial statements	**926,191**	(917,355)

The accompanying accounting policies and notes form part of these financial statements

Notes to the financial statements

1 Turnover

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

	2007 £	2006 £
United Kingdom	**5,130,443**	3,913,887
Asia Pacific	**1,121,294**	57,092
Europe	**6,143,399**	5,700,753
	12,395,136	9,671,732

2 Other operating charges

	2007 £	2006 *(restated)* £
Administrative expenses	**11,218,097**	10,240,391

3 Operating profit/(loss)

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

	2007 £	2006 £
Depreciation of owned fixed assets	**117,713**	105,631
Loss on disposal of fixed assets	**854**	–
Operating lease costs		
Other	**398,646**	347,268
Net profit on foreign currency translation	**(189,848)**	(227,145)
Auditor's remuneration - audit of the financial statements	**14,500**	12,000
Auditor's remuneration - other fees	**3,000**	1,950

	2007 £	2006 £
Auditor's remuneration - audit of the financial statements	**14,500**	12,000
Auditor's remuneration - other fees		
- Taxation services	**3,000**	1,950

4 Directors and employees

The average number of persons employed by the company during the financial year, including the director, amounted to 71 (2006 - 72)

The aggregate payroll costs of the above were

	2007	2006 *(restated)*
	£	£
Wages and salaries	**6,134,933**	6,259,823
Social security costs	**668,656**	562,215
Other pension costs	**229,915**	236,526
Cash-settled share-based payments	**238,429**	137,803
	7,271,933	7,196,367

5 Director's Emoluments

The director received no remuneration during the year (2006 - 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 £229,915 (2006 - £236,526) The amount due at the year end was £22,068 (2006 £29,573)

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2007	2006 *(restated)*
	£	£
Current tax		
UK Taxation In respect of the year		
UK Corporation tax based on the results for the year at 30% (2006 - 19%)	**272,825**	-
Under/(over) provision in prior year	**2,287**	(50,724)
	275,112	(50,724)
Foreign tax Current tax on income for the year	**110,649**	164,106
Total current tax	**385,761**	113,382
Deferred tax		
Origination and reversal of timing differences	**(75,401)**	(41,341)
Tax on profit/(loss) on ordinary activities	**310,360**	72,041

7 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2006 - 19%)

	2007 £	2006 *(restated)* £
Profit/(loss) on ordinary activities before taxation	**1,236,551**	(556,065)
Profit/(loss) on ordinary activities by rate of tax	**370,965**	(105,652)
Expenses not deductible for tax purposes	**46,483**	3,792
Capital allowances for period in excess of depreciation	**15,765**	7,820
Utilisation of tax losses	**(120,034)**	-
Unrelieved tax losses	**-**	63,986
Adjustments to tax charge in respect of previous periods	**2,287**	(50,724)
Other timing differences	**65,013**	30,054
Double tax relief	**(105,367)**	-
Foreign tax	**110,649**	164,106
Total current tax (note 7(a))	**385,761**	113,382

8 Tangible fixed assets

	Leasehold Property £	Fixtures & Fittings £	Equipment £	Telecoms £	Computers & Equipment £	Total £
Cost						
At 1 Jan 2007	179,030	37,294	281,978	18,957	20,194	537,453
Additions	10,922	4,184	62,519	660	5,352	83,637
Disposals	(10,922)	(14,530)	(78,547)	(1,209)	(5,849)	(111,057)
At 31 Dec 2007	179,030	26,948	265,950	18,408	19,697	510,033
Depreciation						
At 1 Jan 2007	122,122	9,486	187,562	9,776	14,090	343,036
Charge for the year	51,386	3,269	56,007	2,691	4,360	117,713
On disposals	(446)	(2,927)	(29,570)	(90)	(653)	(33,686)
At 31 Dec 2007	173,062	9,828	213,999	12,377	17,797	427,063
Net book value						
At 31 Dec 2007	**5,968**	**17,120**	**51,951**	**6,031**	**1,900**	**82,970**
At 31 Dec 2006	56,908	27,808	94,416	9,181	6,104	194,417

9 Debtors

	2007 £	2006 *(restated)* £
Trade debtors	**2,318,366**	2,030,123
Other debtors	**800,334**	407,916
Corporation tax repayable	**–**	104,753
Prepayments and accrued income	**604,126**	627,118
Deferred taxation (note 10)	**240,706**	165,305
	3,963,532	3,335,215

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

	2007 £	2006 *(restated)* £
Other debtors	**350,000**	253,551
Deferred taxation	**200,633**	165,305
	550,633	418,856

10 Deferred taxation

The deferred tax included in the Balance sheet is as follows

	2007 £	2006 *(restated)* £
Included in debtors (note 9)	**240,706**	165,305

The movement in the deferred taxation account during the year was

	2007 £
Balance brought forward	**165,305**
Profit and loss account movement arising during the year	**75,401**
Balance carried forward	**240,706**

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2007 £	2006 *(restated)* £
Excess of depreciation over taxation allowances	**33,894**	-
Deferred tax in relation to share based payments	**200,633**	165,305
Other timing differences	**6,179**	-
	240,706	165,305

11 Creditors amounts falling due within one year

	2007	2006 *(restated)*
	£	£
Trade creditors	**223,412**	335,328
Amounts owed to group companies	**2,574,444**	2,309,767
Corporation tax	**321,275**	129,132
Social security and other taxes	**308,084**	256,914
Other creditors	**420,028**	539,164
Accruals and deferred income	**349,824**	364,979
	4,197,067	3,935,284

12 Creditors amounts falling due after more than one year

	2007	2006 *(restated)*
	£	£
Liability for cash-settled share-based payments	**716,545**	551,016

13 Other provisions

	2007
	£
Dilapidation provision:	
Provided during year in profit and loss account	**60,962**
At 31 December 2007	**60,962**
Total provisions	**60,962**

14 Share-based payments

Cash-settled share-based payments

The company issued to certain employees phantom stock units that require the company to pay the intrinsic value of the units to the employee upon a triggering event At 31 December 2007, the company had recorded liabilities of £716,545 (2006 - £551,016) in respect of the phantom stock units The fair value of the phantom stock units are determined using the estimated share price of the ultimate parent undertaking as at the balance sheet date less the strike price of each unit The company recorded total expenses of £238,429 during the year ended 31 December 2007 (2006 - £137,803) in respect of phantom stock units

15 Leasing commitments

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	Land & buildings	
	2007	2006
	£	£
Operating leases which expire		
Within 1 year	**63,797**	-
Within 2 to 5 years	**-**	215,750
After more than 5 years	**464,205**	-
	528,002	215,750

16 Related party transactions

During the year the company invoiced Charles River Systems Inc £4,028,760 (2006 - £3,913,887) in respect of agency fees During the year the company was charged £223,849 (2006 - £216,390) by Charles River Systems Inc in respect of management expenses The company was recharged from its parent £94,537 in respect of wages (2006 - £131,189) At the year end the company owed £2,574,444 to Charles River Systems Inc (2006 - £2,309,767)

17 Share capital

Authorised share capital

	2007	2006
	£	£
10,000,000 Ordinary shares of £0 01 each	**100,000**	100,000

Allotted, called up and fully paid

	2007		2006	
	No	**£**	No	£
Ordinary shares of £0 01 each	**100,000**	**1,000**	100,000	1,000

18 Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Profit and loss account £	Total shareholders' funds (restated) £
At 1 January 2006	1,000	1,263,313	1,264,313
Prior year adjustment	–	(289,249)	(289,249)
Restated balance brought forward	1,000	974,064	975,064
Restated loss for the year	–	(628,106)	(628,106)
At 31 December 2006 and 1 January 2007	1,000	345,958	346,958
Profit for the year	–	926,191	926,191
At 31 December 2007	1,000	1,272,149	1,273,149

19 Notes to the statement of cash flows

Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2007 £	2006 *(restated)* £
Operating profit/(loss)	1,177,039	(568,659)
Depreciation	117,713	105,631
Loss on disposal of fixed assets	854	–
Increase in debtors	(657,669)	(1,071,010)
Increase in creditors	69,640	2,352,867
Increase in liability for cash-settled share-based payments	165,529	261,767
Increase in provisions	60,962	–
Net cash inflow from operating activities	934,068	1,080,596

Returns on investments and servicing of finance

	2007 £	2006 £
Interest received	59,512	12,594
Net cash inflow from returns on investments and servicing of finance	59,512	12,594

Taxation

	2007 £	2006 £
Taxation	(88,865)	(85,893)

19 Notes to the statement of cash flows (continued)

Capital expenditure

	2007 £	2006 £
Payments to acquire tangible fixed assets	**(83,637)**	(68,003)
Receipts from sale of fixed assets	**76,517**	-
Net cash outflow from capital expenditure	**(7,120)**	(68,003)

Reconciliation of net cash flow to movement in net funds

	2007 £	2006 £
Increase in cash in the period	**897,595**	939,294
Movement in net funds in the period	**897,595**	939,294
Net funds at 1 January 2007	**1,303,626**	364,332
Net funds at 31 December 2007	**2,201,221**	1,303,626

Analysis of changes in net funds

	At 1 Jan 2007 £	Cash flows £	At 31 Dec 2007 £
Net cash			
Cash in hand and at bank	**1,303,626**	**897,595**	**2,201,221**
Net funds	**1,303,626**	**897,595**	**2,201,221**

20 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £308,785 (2006 - £Nil)

21 Contingent liabilities

There were no contingent liabilities at 31 December 2007 and 31 December 2006

22 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