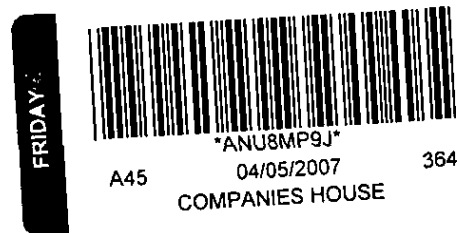


**SPHERA EUROPE LIMITED**  
**UNAUDITED ABBREVIATED FINANCIAL**  
**STATEMENTS**  
**31 DECEMBER 2005**

**FILING COPY**



**SPHERA EUROPE LIMITED**  
**ABBREVIATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

---

<b>Contents</b>	<b>Pages</b>
Chartered accountants' report to the director	<b>1</b>
Abbreviated balance sheet	<b>2</b>
Notes to the abbreviated financial statements	<b>3 to 5</b>

---

# **SPHERA EUROPE LIMITED**

## **CHARTERED ACCOUNTANTS' REPORT TO THE DIRECTOR ON THE UNAUDITED FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2005**

---

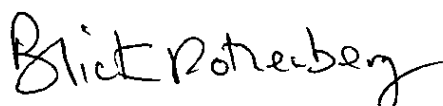
In accordance with our current terms of engagement, and in order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the abbreviated accounts of the company on pages 2 to 5 from the accounting records and information and explanations you have given to us

This report is made to the company's director in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the abbreviated accounts that we have been engaged to compile, report to the company's director that we have done so, and state those matters that we have agreed to state to him in this 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 director for our work or for this report.

We have carried out this engagement in accordance with technical guidance issued by the Institute of Chartered Accountants in England and Wales and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of abbreviated accounts.

You have acknowledged on the balance sheet as at 31 December 2005 your duty to ensure that the company has kept proper accounting records and to prepare abbreviated accounts that give a true and fair view under the Companies Act 1985. You consider that the company is exempt from the statutory requirement for an audit for the year.

We have not been instructed to carry out an audit of the abbreviated accounts. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the abbreviated accounts.



12 York Gate  
Regent's Park  
London  
NW1 4QS

**BLICK ROTHENBERG**  
Chartered Accountants

30 April 2007

# SPHERA EUROPE LIMITED

## ABBREVIATED BALANCE SHEET

31 DECEMBER 2005

	Note	£	2005 £	£	2004 £
<b>Fixed assets</b>	<b>2</b>				
Tangible assets			29		7,624
<b>Current assets</b>					
Debtors		12,965		21,572	
Cash at bank and in hand		76,713		14,698	
		89,678		36,270	
<b>Creditors: Amounts falling due within one year</b>		(1,015,728)		(918,360)	
<b>Net current liabilities</b>			(926,050)		(882,090)
<b>Total assets less current liabilities</b>			(926,021)		(874,466)
<b>Capital and reserves</b>					
Called-up share capital	4		10,000		10,000
Other reserves			1,111,411		1,111,411
Profit and loss account			(2,047,432)		(1,995,877)
<b>Deficiency</b>			(926,021)		(874,466)

The director is satisfied that the company is entitled to exemption from the provisions of the Companies Act 1985 (the Act) relating to the audit of the financial statements for the year by virtue of section 249A(1), and that no member or members have requested an audit pursuant to section 249B(2) of the Act

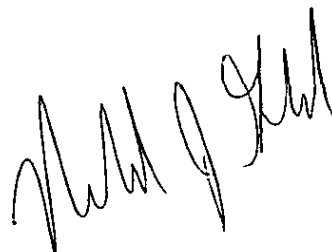
The director acknowledges his responsibility for

- (i) ensuring that the company keeps proper accounting records which comply with section 221 of the Act, and
- (ii) preparing financial statements 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 its profit or loss for the financial year in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Act relating to financial statements, so far as applicable to the company

These abbreviated accounts have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985

These abbreviated accounts were approved and signed by the director on 20 April 2007

M Gold  
Director



# **SPHERA EUROPE LIMITED**

## **NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2005**

---

### **1. Accounting policies**

#### **1.1 Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

The financial statements have been prepared on a going concern basis as the company has received a letter of financial support from its parent company

#### **1.2 Turnover**

Turnover represents amounts receivable for services, net of VAT

Revenues from software arrangements are recognised when persuasive evidence of an agreement exists, delivery of the product has occurred, no significant obligations with regard to implementation remain, the fee is fixed or determinable and collectibility is probable

Revenues arising from multiple element transactions (software licences, training, maintenance and support) are recognised on a straight line basis over the term of the agreement when the company can not establish vendor specific objective evidence of fair values for all undelivered elements

Revenues arising from multiple element transactions are recognised under a residual value method when vendor specific objective evidence of fair value for all undelivered elements can be established

#### **1.3 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

Fixtures & fittings	-	7% Straight line
Computer equipment	-	33% Straight line

#### **1.4 Leases**

Operating lease rentals are charged to the profit and loss account in equal instalments over the lease term

#### **1.5 Pensions**

Contributions to individuals' personal pension plans are charged to the profit and loss account as they fall due

#### **1.6 Deferred taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

#### **1.7 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account

# SPHERA EUROPE LIMITED

## NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

### 1. Accounting policies *(continued)*

#### 1.8 Other reserves

Capital contributions are credited to other reserves

### 2. Fixed assets

	Tangible assets £
<b>Cost</b>	
At 1 January 2005	31,117
Disposals	<u>(6,627)</u>
<b>At 31 December 2005</b>	<b><u>24,490</u></b>
<b>Depreciation</b>	
At 1 January 2005	23,493
Charge for year	2,741
On disposals	<u>(1,773)</u>
<b>At 31 December 2005</b>	<b><u>24,461</u></b>
<b>Net book value</b>	
<b>At 31 December 2005</b>	<b><u>29</u></b>
At 31 December 2004	<u>7,624</u>

### 3. Related party transactions and controlling party

Transactions with related parties are as follows

Name (Relationship)	Transaction	Amount		Amount due (to)/from related parties	
		2005 £	2004 £	2005 £	2004 £
Sphera Corporation (Parent undertaking)	Purchases	(19,714)	(49,443)	(895,410)	(817,999)
Sphera Technologies Limited (Fellow subsidiary undertaking)	Purchases	(7,076)	—	(51,590)	(33,419)

In the opinion of the directors, there is no ultimate controlling party

# SPHERA EUROPE LIMITED

## NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

---

### 4. Share capital

	2005		2004	
	Number	£	Number	£
<b>Authorised share capital.</b>				
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
<b>Called up, allotted and fully paid.</b>				
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

### 5. Ultimate parent company

The immediate and ultimate parent undertaking is Sphera Corporation, a company registered in the U S A. Group financial statements for this company are prepared, but not available to the public.