

SPHERA EUROPE LIMITED
ABBREVIATED FINANCIAL STATEMENTS
31 DECEMBER 2007

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SPHERA EUROPE LIMITED
ABBREVIATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

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SPHERA EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT TO SPHERA EUROPE LIMITED

UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated financial statements set out on pages 2 to 4, together with the financial statements of Sphera Europe Limited for the year ended 31 December 2007 prepared under Section 226 of the Companies Act 1985

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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 for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the director and the auditors

The director is responsible for preparing the abbreviated financial statements in accordance with Section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with Sections 246(5) and (6) of the Act to the Registrar of Companies and whether the abbreviated financial statements have been properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated financial statements in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with Sections 246(5) and (6) of the Companies Act 1985, and the abbreviated financial statements have been properly prepared in accordance with those provisions.

Other information

On *5 August 2008* we reported as auditors to the members of the company on the financial statements prepared under Section 226 of the Companies Act 1985 and our report included the following paragraph:

Comparative figures

The figures for the year ended 31 December 2006 are unaudited.

12 York Gate
Regent's Park
London, NW1 4QS

5 August 2008

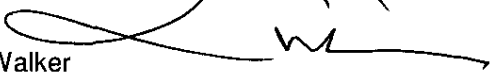
Blück Rothenberg
BLICK ROTHENBERG
Chartered Accountants and
Registered Auditors

SPHERA EUROPE LIMITED
ABBREVIATED BALANCE SHEET
31 DECEMBER 2007

	Note	£	2007 £	£	2006 £
Current assets					
Debtors		7,740		85,117	
Cash at bank and in hand		<u>53,402</u>		<u>129,974</u>	
		61,142		215,091	
Creditors: Amounts falling due within one year		<u>(17,662)</u>		<u>(964,729)</u>	
Net current assets/(liabilities)			<u>43,480</u>		(749,638)
Total assets less current liabilities			<u>43,480</u>		<u>(749,638)</u>
Capital and reserves					
Called-up equity share capital	2		10,000		10,000
Other reserves			1,898,798		1,111,411
Profit and loss account			<u>(1,865,318)</u>		<u>(1,871,049)</u>
Shareholders' funds/(deficit)			<u>43,480</u>		<u>(749,638)</u>

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

These abbreviated financial statements were approved and signed by the director and authorised for issue on 21/9/2008


F Walker
Director

SPHERA EUROPE LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

1. Accounting policies

1.1 Basis of accounting

The financial statements have been prepared on the going concern basis and under the historical cost convention

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 Cash flow statement

The director has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small

1.3 Turnover

Turnover represents amounts receivable for services, net of VAT and trade discounts

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

1.4 Fixed assets

All fixed assets are initially recorded at cost

1.5 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

Computer equipment - 33% Straight line

1.6 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 to receive more tax, with the following exception

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

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

SPHERA EUROPE LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

1. Accounting policies *(continued)*

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.

1.8 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

1.9 Other reserves

Capital contributions are credited to other reserves.

1.10 Comparative figures

The figures for the year ended 31 December 2006 are unaudited.

2. Share capital

	2007		2006	
	No	£	No	£
Authorised share capital:				
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Called up, allotted and fully paid:				
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Equity shares:				
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

3. Ultimate parent company

The immediate parent undertaking is Parallels Software Inc (formerly SWsoft Sphera Inc), a company registered in the United States of America. The ultimate parent company is Parallels Holdings Limited (formerly SWsoft Holdings Limited), a company registered in Bermuda. Group financial statements for this company are prepared, but are not available to the public.

12 York Gate
Regent's Park
London NW1 4QS
United Kingdom

Telephone
+44 (0)20 7486 0111
Fax
+44 (0)20 7935 6852

Email
email@blickrothenberg.com
Web
www.blickrothenberg.com

**BLICK
ROTHENBERG**
Chartered Accountants

The Registrar of Companies
Companies House
Crown Way
Cardiff
CF14 3UZ

Our ref SJM/19342/NK



14 August 2008

Dear Sir

Sphera Europe Limited

On behalf of the above named company we enclose accounts for the year ended 31 December 2007.

Please could you stamp the enclosed copy of this letter as confirmation of receipt and return it to us in the prepaid envelope provided

Yours faithfully

Enc

Bob Rothenberg MBE
Angela Beech
Jim Brown
Steven Bruck
Jan Ellis
Ross Fabian
Mark Hart

Darren Jordan
Martin Korn
Colin Lehmann
Simon Mayston
John Newman
Alan Pearce
David Rothenberg

Toby Ryland
Andrew Sanford
Mike Scoltock
Nilesh Shah
Tim Shaw
Chris Shepherd
Simon Wagman

Consultant
Martin Donn
Non Chartered Accountant

