

**Trapeze Group (UK) Limited (formerly Trapeze
Software UK Ltd)**

**Directors' report and financial
statements**

Registered number 04160790

31 December 2006

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activities

The principal activity of the company is that of software sales and consulting

Business review

The results for the period are set out on page 6 of the financial statements

The company changed its name on 3 May 2007 from Trapeze Software UK Limited to Trapeze Group (UK) Limited

During 2006, following the acquisition of Action Information Management in December 2005, the company went through a recapitalisation process. This process included increasing the share capital within the company and strengthening our Balance Sheet position

Proposed dividend and transfer to reserves

The directors do not recommend the payment of dividend

The loss after taxation for the year is £502,439

Directors and directors' interests

The directors who held office during the year were as follows

Ian Keaveny
Klavs Vejlang
Fran Fendelet
Simon Parmar (appointed 25 04 06)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Directors' report *(continued)*

Auditors

In accordance with section 384(1) of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the Board

Simon Parmar
Director



The Mill
Staverton
Trowbridge
Wiltshire BA14 6PH

14 June 2007

Statement of directors' responsibilities in respect of the Directors' Report and financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK 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 directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent auditors' report to the members of Trapeze Group (UK) Limited (formerly Trapeze Software UK Ltd)

We have audited the financial statements of Trapeze Software UK Ltd for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. 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 directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 Directors' Report 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 directors' remuneration and other transactions is not disclosed.

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

Basis of audit 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 judgments made by the directors 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.

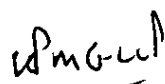
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of Trapeze Group (UK)
Limited (formerly Trapeze Software UK Ltd) (continued)**

Opinion

In our opinion

- the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice, 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 Directors' Report is consistent with the financial statements



KPMG LLP
Chartered Accountants
Registered Auditor

14 June 2007

Profit and loss account
for the year ended 31 December 2006

	<i>Note</i>	2006 £	2005 £
Turnover	2	2,935,029	2,999,099
Cost of sales		(2,419,699)	(2,232,502)
Gross profit		515,330	766,597
Distribution costs		-	(239,158)
Administrative expenses		(888,457)	(777,213)
Operating loss		(373,127)	(249,774)
Other interest receivable and similar income	6	47,853	8,686
Interest payable and similar charges	7	(177,165)	(317,533)
Loss on ordinary activities before taxation	3	(502,439)	(558,621)
Tax on loss on ordinary activities	8	-	201,401
Loss for the financial year		(502,439)	(357,220)
Retained loss brought forward		(1,551,901)	(1,194,681)
Retained loss carried forward	16	(2,054,340)	(1,551,901)

The company has no recognised gains or losses other than the loss in the current and preceding years and therefore no statement of total recognised gains and losses has been presented

All results are from continuing operations

Balance sheet
at 31 December 2006

		2006	2005
		£	£
Fixed assets			
Intangible assets	9	567,696	756,928
Tangible assets	10	9,576	-
Investment	11	2,984,492	3,104,211
		<u>3,561,764</u>	<u>3,861,139</u>
Current assets			
Debtors	12	2,436,821	2,613,859
Cash at bank and in hand		178,488	111,665
		<u>2,615,309</u>	<u>2,725,524</u>
Creditors amounts falling due within one year	13	(4,556,413)	(8,138,563)
Net current liabilities		<u>(1,941,104)</u>	<u>(5,413,039)</u>
Net assets/ (liabilities)		<u>1,620,660</u>	<u>(1,551,900)</u>
Capital and reserves			
Called up share capital	15	3,675,000	1
Profit and loss account	16	(2,054,340)	(1,551,901)
Equity shareholder's funds / (deficit)		<u>1,620,660</u>	<u>(1,551,900)</u>

These financial statements were approved by the Board of Directors on
signed on its behalf by

2007 and were



Simon Parmar
Director

Reconciliation of Movement in Shareholders' Funds
for the year ended 31 December 2006

	2006 £	2005 £
Loss for the financial year	(502,439)	(357,220)
Share issue (see note 15)	3,674,999	-
	<hr/>	<hr/>
Net increase / (decrease) in shareholder's deficit	3,172,560	(357,220)
Opening shareholder's deficit	(1,551,900)	(1,194,680)
	<hr/>	<hr/>
Closing shareholder's funds / (deficit)	<u>1,620,660</u>	<u>(1,551,900)</u>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The financial statements have been prepared under the going concern basis on the assumption that the ultimate parent company, Constellation Software Inc, will continue to provide financial support. If the company were unable to continue to trade adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for any further liabilities that may arise, and to reclassify fixed assets as current assets

The Company is exempt by virtue of s228A of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of Constellation Software Inc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Constellation Software Inc, within which this Company is included, can be obtained from the address given in note 18

Taxation

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19

Long term contracts

Revenue from the sale and license of products is recognised on a percentage-of-completion basis, generally representing the achievement of project milestones. Work in progress is carried at cost plus profit recognised to date based on the percentage of work completed, less progress billings and provision for foreseeable losses. Amounts received in advance of revenue recognition are treated as deferred revenue. Provisions for estimated losses on contracts are recorded when identifiable. The difference between costs plus estimated earnings and billings on individual contracts is reported as either work-in-progress or deferred revenue. Maintenance revenue is deferred and recognised over the terms of the maintenance agreements. Hardware sales are recognised upon shipment. Warranty revenue is deferred and recognised rateably over the warranty period

Goodwill and negative goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets

Depreciation is provided to write off the cost of tangible fixed assets over their expected useful economic life on a reducing balance basis as follows

Furniture and equipment - 20%

Investments

Investments in subsidiary companies are stated at cost less provisions for any impairment in value

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

2 Analysis of turnover and loss on ordinary activities before taxation

All of the company's turnover and loss on ordinary activities before taxation is derived in the UK from its principal activity

3 Loss on ordinary activities before taxation

	2006 £	2005 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Amortisation of goodwill	189,232	189,232
Depreciation	-	21,907
Amounts receivable by the auditors and their associates in respect of		
- Audit of these financial statements	16,000	15,250
- Other services pursuant to such legislation	-	5,700
Other operating lease payments	146,892	89,600
	<u> </u>	<u> </u>

Notes (continued)

4 Remuneration of directors

	2006 £	2005 £
Directors' emoluments	262,728	181,666
Directors' pension contributions to money purchase schemes	22,334	14,668
	<u>285,062</u>	<u>196,334</u>

The number of directors to whom retirement benefits were accruing was as follows

	2006 £	2005 £
Money purchase schemes	4	4
	<u>4</u>	<u>4</u>

The aggregate of emoluments receivable of the highest paid director was £67,114 (2005 £153,438), and company pension contributions of £6,580 (2005 £4,317) were made to a money purchase scheme on his behalf

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2006	2005
Sales and administration	28	27
	<u>28</u>	<u>27</u>

The aggregate payroll costs of these persons were as follows

	2006 £	2005 £
Wages and salaries	1,469,751	1,319,066
Social security costs	138,162	127,871
Pension costs	40,621	40,295
	<u>1,648,534</u>	<u>1,487,232</u>

There are no pension contributions accrued or prepaid at the year-end

Notes *(continued)*

6 Interest receivable and similar income

	2006 £	2005 £
Bank interest receivable	6,881	8 686
Interest receivable from group undertakings	40,972	-
	<u>47,853</u>	<u>8 686</u>

7 Interest payable and similar charges

	2006 £	2005 £
Interest payable to group undertakings	81,471	106,289
Foreign exchange loss	95,694	211 244
	<u>177,165</u>	<u>317 533</u>

Notes (continued)

8 Taxation

Analysis of charge for the year

	2006 £	2005 £
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Adjustments in respect of prior years	-	-
	<hr/>	<hr/>
Total current tax	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences		
Current year	-	(71,132)
Prior year	-	(130,269)
	<hr/>	<hr/>
Total deferred tax (note 12)	-	(201,401)
	<hr/>	<hr/>
Tax on loss on ordinary activities	-	(201,401)
	<hr/>	<hr/>

Factors affecting the tax charge for the current year

	2006 £	2005 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(502,439)	(558,621)
	<hr/>	<hr/>
Current tax at 30% (2005: 30%)	(150,732)	(167,586)
<i>Effects of</i>		
Capital allowances (less than) / in excess of depreciation	(6,260)	12,340
Expenses not deductible for tax purposes	29,806	41,627
Utilisation of tax losses	4,040	54,827
Short term timing differences	123,146	58,792
	<hr/>	<hr/>
Total current tax charge for the year	-	-
	<hr/>	<hr/>

Notes (continued)

9 Intangible fixed assets

	Goodwill £
<i>Cost</i>	
At beginning and end of year	946 160
	<u> </u>
<i>Amortisation</i>	
At beginning of year	(189 232)
Charged in year	(189,232)
	<u> </u>
At end of year	(378 464)
	<u> </u>
<i>Net book value</i>	
At 31 December 2006	567,696
	<u> </u>
At 31 December 2005	756 928
	<u> </u>

Goodwill arose on the purchase of Anite Public Sector Limited's trade and assets in December 2004. It is being amortised over five years. This period was chosen because it is in line with group policy and the goodwill based on existing software rights in general tends to be without real value after this period due to replacements and new developments.

10 Tangible fixed assets

	Computer equipment £	Furniture and equipment £
<i>Cost</i>		
At beginning of year	21 907	-
Additions	-	9,576
	<u> </u>	<u> </u>
At end of year	21 907	9 576
	<u> </u>	<u> </u>
<i>Depreciation</i>		
At beginning of year	21,907	-
Charge in year	-	-
	<u> </u>	<u> </u>
At end of year	21 907	-
	<u> </u>	<u> </u>
<i>Net book value</i>		
At 31 December 2006	-	9,576
	<u> </u>	<u> </u>
At 31 December 2005	-	-
	<u> </u>	<u> </u>

Notes (continued)

11 Fixed asset investments

The investment in which the company's interest is more than 10% is as follows

<i>Subsidiary undertaking</i>	Country of incorporation	Principal activity	Class and percentage of shares held
Action Information Management Limited (AIM)	England	Software, sales and consulting	ordinary 100%
	Shares in group undertakings £000		
<i>Cost</i>			
At beginning of year	3,104,211		
Disposals	(119,719)		
	<hr/>		
At end of year	2,984,492		
	<hr/>		
<i>Provisions</i>			
At beginning and end of year	-		
	<hr/>		
<i>Net book value</i>			
At 31 December 2006	2,984,492		
	<hr/>		
At 31 December 2005	3,104,211		
	<hr/>		

The disposal in the year is a result of adjustments in respect of the fair value of the consideration following the acquisition of AIM in 2005

12 Debtors

	2006 £	2005 £
Trade debtors	735,463	1,210,666
Amounts receivable on contracts	1,126,006	930,442
Other debtors	20,943	14,175
Amounts owed by group undertakings	219,884	114,683
Amounts owed by subsidiary	40,015	45,809
Deferred tax	201,401	201,401
Prepayments and accrued income	93,109	96,683
	<hr/>	<hr/>
	2,436,821	2,613,859
	<hr/>	<hr/>

All debtors fall due within one year

Notes (continued)

12 Debtors (continued)

The deferred tax asset represents the following timing differences

	2006 £	2005 £
Other timing differences	201,401	201,401
	<u>201,401</u>	<u>201,401</u>

13 Creditors: amounts falling due within one year

	2006 £	2005 £
Payments received on account	139,576	160,738
Trade creditors	110,170	63,168
Amounts owed to group undertakings	3,096,811	5,696,283
Taxation and social security	87,978	68,662
Other creditors	22,255	3,365
Accruals and deferred income	1,099,623	2,146,347
	<u>4,556,413</u>	<u>8,138,563</u>

All monies due or to become due from the company are secured by a fixed and floating charge over all the assets of the company

Notes (continued)

14 Provisions for liabilities and charges

The elements of unprovided deferred taxation are as follows

	2006 £	2005 £
Accelerated capital allowances	-	-
Unutilised trading losses	86,269	190,874
	<u>86,269</u>	<u>190,874</u>

Deferred tax assets have not been recognised in respect of the above losses carried forward due to the uncertainty of utilisation of these losses

15 Called up share capital

	2006 £	2005 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	5,000,000	1,000
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1	3,675,000	1

16 Reserves

	Profit and loss account £
At beginning of year	(1,551,901)
Loss for the year	(502,439)
At end of year	<u>(2,054,340)</u>

Notes (continued)

17 Financial commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2006	2005
	£	£
Operating leases which expire		
Within one year	22,400	24,200
	<u>22,400</u>	<u>24,200</u>

18 Ultimate parent company

The company is a subsidiary of Constellation Software Inc, a company incorporated in Canada

The smallest group in which the results of the company are consolidated is that headed by Trapeze Software Inc, a company incorporated in Canada. The largest group in which the results of the company are consolidated is that headed by Constellation Software Inc. The consolidated financial statements of this group are available to the public and may be obtained from The Mill, Staverton, Trowbridge, Wiltshire, BA14 6PH

19 Post Balance Sheet Events

The company purchased 100% of the ordinary share capital of Grampian Software Holdings Limited on 16 April 2007 for a consideration of £1 million