

**INGRES EUROPE LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**Company Registration Number 05490314**

FRIDAY



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31/10/2008

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COMPANIES HOUSE

**Tenon Limited**  
Amberley Place  
107 - 111 Peascod Street  
Windsor  
Berkshire  
SL4 1TE

**INGRES EUROPE LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

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**INGRES EUROPE LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**YEAR ENDED 31 DECEMBER 2007**

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<b>The board of directors</b>	T Garnett T Berquist
<b>Company secretary</b>	EPS Secretaries Limited
<b>Business address</b>	51 St Martin's Place Bath Road Slough
<b>Registered office</b>	Lacon House Theobalds Road London WC1X 8RW
<b>Auditor</b>	Tenon Audit Limited Registered Auditor Amberley Place 107-111 Peascod Street Windsor Berkshire SL4 1TE
<b>Accountants</b>	Tenon Limited Amberley Place 107 - 111 Peascod Street Windsor Berkshire SL4 1TE

**INGRES EUROPE LIMITED**  
**THE DIRECTORS' REPORT**  
**YEAR ENDED 31 DECEMBER 2007**

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The directors present their 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 during the year was the provision of business open source database management software and support services

The directors are pleased to report a second successful year of trading for the company. Revenues for the period increased by 59% to £10,765,809 although net profits decreased by 43% to £229,167 as result of significant investment in recruitment in the year to meet current, and expected future, demands.

The costs of running the business continue to be well controlled in the period under review and this has continued to result in positive cash flows for the business and a strong cash position at the year end of £360,114.

The directors have assessed the main risks facing the company as being fundamental changes to the technology underlying the company's software products, competitive pressures in the form of new product introductions by competitors and the loss of significant customers.

In order to mitigate the risk of fundamental changes in technologies underlying the Group's products and to sustain its position within the market place, Ingres Corporation continues to invest significantly in research and development to ensure that Ingres Corporation and its subsidiaries, which includes Ingres Europe Limited, are up to date with technological changes.

The directors will continue to investigate and invest in new technology, and see this as an important safeguard for future success of the company.

In addition to this, the directors believe that the quality of the products offered and customer service will help mitigate any further risks.

The company is positive in its outlook for fiscal year 2008. The company will continue to focus on driving sustainable long-term growth and increasing shareholder value through investing in its people, strengthening product offerings and developing customer relationships.

**Results and dividends**

The profit for the year, after taxation, amounted to £148,901. The directors have not recommended a dividend.

**Financial risk management objectives and policies**

The company makes little use of financial instruments other than an operational bank account and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit or loss of the company.

**Directors**

The directors who served the company during the year were as follows:

T Garnett  
T Berquist

**INGRES EUROPE LIMITED**  
**THE DIRECTORS' REPORT** *(continued)*  
**YEAR ENDED 31 DECEMBER 2007**

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**Directors' responsibilities**

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and estimates that are reasonable and prudent, 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 which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are 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 directors are, individually, aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**Auditor**

A resolution to re-appoint Tenon Audit Limited as auditor for the ensuing year will be proposed at the annual general meeting.

Signed on behalf of the directors



T. Berquist

Director

Approved by the directors on 24/10/08

**INGRES EUROPE LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INGRES**  
**EUROPE LIMITED**  
**YEAR ENDED 31 DECEMBER 2007**

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We have audited the financial statements of Ingres Europe Limited on pages 6 to 18 for the year ended 31 December 2007. 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 auditor**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 judgements 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.

**INGRES EUROPE LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INGRES**  
**EUROPE LIMITED** *(continued)*  
**YEAR ENDED 31 DECEMBER 2007**

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**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 Directors' Report is consistent with the financial statements



Tenon Audit Limited  
Registered Auditor  
Amberley Place  
107-111 Peascod Street  
Windsor  
Berkshire  
SL4 1TE

Date - 31/12/08

**INGRES EUROPE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2007**

	Note	2007 £	2006 £
<b>Turnover</b>	3	10,765,809	6,755,870
Cost of sales		(183,088)	—
<b>Gross profit</b>		<u>10,582,721</u>	<u>6,755,870</u>
Administrative expenses		(10,390,405)	(6,359,275)
<b>Operating profit</b>	4	<u>192,316</u>	<u>396,595</u>
Interest receivable and similar income		36,915	9,406
Interest payable and similar charges	6	(64)	(338)
<b>Profit on ordinary activities before taxation</b>		<u>229,167</u>	<u>405,663</u>
Tax on profit on ordinary activities	7	(80,266)	(105,794)
<b>Profit for the financial year</b>		<u><u>148,901</u></u>	<u><u>299,869</u></u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The notes on page 6 form part of these financial statements



# INGRES EUROPE LIMITED

## BALANCE SHEET

31 DECEMBER 2007

	Note	2007 £	£	2006 £	£
<b>Fixed assets</b>					
Tangible assets	8		241,464		279,834
<b>Current assets</b>					
Debtors	9	13,561,027		3,619,028	
Cash at bank and in hand		360,114		231,930	
		<u>13,921,141</u>		<u>3,850,958</u>	
<b>Creditors: Amounts falling due within one year</b>	11	<u>(14,266,391)</u>		<u>(4,383,479)</u>	
<b>Net current liabilities</b>			(345,250)		(532,521)
<b>Total assets less current liabilities</b>			<u>(103,786)</u>		<u>(252,687)</u>
<b>Capital and reserves</b>					
Called-up share capital	16		1		1
Profit and loss account	17		(103,787)		(252,688)
<b>Shareholders' funds</b>	18		<u>(103,786)</u>		<u>(252,687)</u>

These financial statements were approved by the directors and authorised for issue on 24.01.08, and are signed on their behalf by



T Berquist

Director

The notes on page 7 form part of these financial statements

**INGRES EUROPE LIMITED**  
**CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2007**

	Note	2007 £	£	2006 £	£
<b>Net cash inflow from operating activities</b>	19		197,583		429,507
<b>Returns on investments and Servicing of finance</b>					
Interest received		36,915		9,406	
Interest paid		<u>(64)</u>		<u>(338)</u>	
<b>Net cash inflow from returns on investments and servicing of finance</b>			36,851		9,068
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets		<u>(106,250)</u>		<u>(206,645)</u>	
<b>Net cash outflow from capital expenditure</b>			(106,250)		(206,645)
<b>Increase in cash</b>	19		<u>128,184</u>		<u>231,930</u>

The notes on page 8 form part of these financial statements

**INGRES EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

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**1. Accounting policies**

**Basis of accounting**

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

**Turnover**

The company derives its revenue primarily from two sources (1) annual or multiyear subscriptions and (2) fees for professional services, which include services performed in connection with time-and-materials based or fixed price consulting agreements and training

Subscription revenue is recognised rateably over the life of the subscription

Professional services and training revenues are recognised as the services are performed

In addition to the above, the company has entered into an agreement with its ultimate parent undertaking, Ingres Corporation, under the terms of which it receives income based on a targeted operating margin. Amounts receivable in respect of this agreement are included within turnover in the financial statements and are stated exclusive of Value Added Tax

**Depreciation**

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows

Leasehold Property	- Over the term of the lease
Computer Equipment	- 3 years straight line
Fixtures & Fittings	- 3 years straight line

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

**Pension costs**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund

**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 that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

**INGRES EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

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

**Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

**Share-based payments**

Ingres Corporation, the ultimate parent undertaking, operates an equity-settled share-based compensation plan (the 2005 Stock Plan) for itself and its subsidiaries. The fair value of the employee services received in exchange for the grant of the options are charged by Ingres Corporation to subsidiary undertakings through an intercompany account and recognised by the subsidiary undertaking as an expense in their respective profit and loss accounts.

Ingres Corporation established the 2005 Stock Plan ("the 2005 Plan"), which provides for the grant of incentive stock and non qualified stock options and the direct issuances of the company's stock. The Board of Directors of Ingres Corporation has the authority to approve grants of options and the issuances of stock to employees and other service providers and approve the terms of each option and issuance, including (i) the number of shares of Common Stock issuable upon exercise of the option, (ii) when the option becomes exercisable, (iii) the option exercise price, which in the case of incentive stock options, must be at least 100% (110% in the case of incentive stock options granted to a shareholder owning in excess of 10% of the company's Common Stock) of the fair market value of the Common Stock as of the date of grant, and (iv) the duration of the option (which, in the case of incentive stock options, may not exceed 10 years). Options granted under the 2005 Plan vest over various periods and expire no later than 10 years from the date of grant.

The company uses the Black-Scholes option pricing model to determine the fair value of its stock options. The determination of the fair value of stock based awards on the date of grant using an option-pricing model is affected by the company's stock price as well as assumptions regarding a number of complex and subjective variables. These variables include the expected stock price volatility over the term of the awards, the expected life of stock options, actual and projected employee stock option exercise behaviours, risk-free interest rate, and expected dividends. The company's expected volatility is derived from an average of historical volatilities of comparable companies within the technology sector. The interest rate assumption is based upon the observed Treasury Yield Curve rates appropriate for the company's stock options. The company does not anticipate paying any cash dividends in the foreseeable future and, therefore, uses an expected dividend yield of zero in the option-pricing model. The company uses historical data to estimate pre-vesting option forfeitures and records stock based compensation expense only for those awards that are expected to vest.

**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.

**INGRES EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

**2. Going concern - basis of preparation**

The financial statements have been prepared on the going concern basis. The directors believe this basis of preparation to be appropriate as the ultimate parent company, Ingres Corporation, has provided a written undertaking not to withdraw existing funds and to provide additional funding for at least 12 months from the date of approval of these financial statements to enable the company to continue to trade and meet its obligations as they fall due.

The directors are confident that the promised support will be forthcoming and accordingly the financial statements do not contain any adjustments which may arise if the ultimate parent company support was withdrawn.

**3. Turnover**

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below.

	<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
United Kingdom	9,196,522	872,608
United States of America	1,569,287	5,883,262
	<u>10,765,809</u>	<u>6,755,870</u>

**4. Operating profit**

Operating profit is stated after charging/(crediting)

	<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
Depreciation of owned fixed assets	144,620	232,796
Auditors remuneration	10,000	7,500
Operating lease costs		
-Other	297,421	238,019
Net (profit)/loss on foreign currency translation	<u>(45,736)</u>	<u>17,893</u>

**5. Particulars of employees**

The average number of staff employed by the company during the financial year amounted to

	<b>2007</b> <b>No</b>	<b>2006</b> <b>No</b>
Professional services	<u>62</u>	<u>47</u>

The aggregate payroll costs of the above were

	<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
Wages and salaries	6,925,760	4,185,666
Social security costs	772,782	459,315
Other pension costs	245,003	149,705
Equity-settled share-based payments	155,957	20,768
	<u>8,099,502</u>	<u>4,815,454</u>

**INGRES EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

**5. Particulars of employees (continued)**

Directors were remunerated by other group companies in the year

**6. Interest payable and similar charges**

	2007 £	2006 £
Interest payable on bank borrowing	<u>64</u>	<u>338</u>

**7. Taxation on ordinary activities**

**(a) Analysis of charge in the year**

	2007 £	£	2006 £	£
In respect of the year				
UK Corporation tax		150,534		1,787
Deferred tax				
Origination and reversal of timing differences	(70,268)		104,007	
Total deferred tax (note 10)		(70,268)		104,007
Tax on profit on ordinary activities		<u>80,266</u>		<u>105,794</u>

**(b) Factors affecting current tax charge**

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

	2007 £	2006 £
Profit on ordinary activities before taxation	<u>229,167</u>	<u>405,663</u>
Profit on ordinary activities by rate of tax	68,750	77,076
Effects of		
Expenses not deductible for tax purposes	23,119	29,878
Depreciation for period in excess of capital allowances	10,864	4,445
Utilisation of tax losses	(3,486)	(117,520)
Stock option expense timing differences	53,018	3,227
Other short term timing differences	(1,731)	4,681
Total current tax (note 7(a))	<u>150,534</u>	<u>1,787</u>

**INGRES EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

**8 Tangible fixed assets**

	<b>Leasehold Property £</b>	<b>Computer Equipment £</b>	<b>Fixtures &amp; Fittings £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 January 2007	189,496	203,826	147,978	541,300
Additions	3,510	101,968	772	106,250
At 31 December 2007	<u>193,006</u>	<u>305,794</u>	<u>148,750</u>	<u>647,550</u>
<b>Depreciation</b>				
At 1 January 2007	183,752	32,026	45,688	261,466
Charge for the year	6,862	87,506	50,252	144,620
At 31 December 2007	<u>190,614</u>	<u>119,532</u>	<u>95,940</u>	<u>406,086</u>
<b>Net book value</b>				
At 31 December 2007	<u>2,392</u>	<u>186,262</u>	<u>52,810</u>	<u>241,464</u>
At 31 December 2006	<u>5,744</u>	<u>171,800</u>	<u>102,290</u>	<u>279,834</u>

**9. Debtors**

	<b>2007 £</b>	<b>2006 £</b>
Trade debtors	9,125,625	3,004,966
Amounts owed by group undertakings	4,223,724	24,330
Other debtors	3,150	3,150
Prepayments and accrued income	115,054	563,376
Deferred taxation (note 10)	93,474	23,206
	<u>13,561,027</u>	<u>3,619,028</u>

**10. Deferred taxation**

The deferred tax included in the Balance sheet is as follows

	<b>2007 £</b>	<b>2006 £</b>
Included in debtors (note 9)	<u>93,474</u>	<u>23,206</u>

The movement in the deferred taxation account during the year was

	<b>2007 £</b>	<b>2006 £</b>
At 1 January 2007	23,206	127,213
Profit and loss account movement arising during the year	70,268	(104,007)
At 31 December 2007	<u>93,474</u>	<u>23,206</u>

**INGRES EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

**10. Deferred taxation (continued)**

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

	2007 £	2006 £
Excess of depreciation over taxation allowances	26,482	10,413
Tax losses available	-	2,324
Other timing differences	66,992	10,469
	<u>93,474</u>	<u>23,206</u>

**11. Creditors: Amounts falling due within one year**

	2007 £	2006 £
Trade creditors	191,612	48,675
Amounts owed to group undertakings	-	886,633
Corporation tax	152,321	1,787
PAYE and social security	191,639	168,476
VAT	985,852	254,471
Other creditors	33,729	31,581
Accruals and deferred income	12,711,238	2,991,856
	<u>14,266,391</u>	<u>4,383,479</u>

**12. Pensions**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. Contributions totalling £245,003 (2006 £149,705) were payable to the fund during the year. At the year end, contributions totalling £34,294 (2006 £31,581) were outstanding and are included within creditors above.

**13. Share-based payments**

Ingres Corporation, the ultimate parent undertaking, operates an equity-settled share-based compensation plan (the 2005 Stock Plan) for itself and its subsidiaries. The fair value of the employee services received in exchange for the grant of the options are charged by Ingres Corporation to subsidiary undertakings through an intercompany account and recognised by the subsidiary undertaking as an expense in their respective profit and loss accounts.

Ingres Corporation established the 2005 Stock Plan ("the 2005 Plan"), which provides for the grant of incentive stock and non qualified stock options and the direct issuances of the company's stock. The Board of Directors of Ingres Corporation has the authority to approve grants of options and the issuances of stock to employees and other service providers and approve the terms of each option and issuance, including (i) the number of shares of Common Stock issuable upon exercise of the option, (ii) when the option becomes exercisable, (iii) the option exercise price, which in the case of incentive stock options, must be at least 100% (110% in the case of incentive stock options granted to a shareholder owning in excess of 10% of the company's Common Stock) of the fair market value of the Common Stock as of the date of grant, and (iv) the duration of the option (which, in the case of incentive stock options, may not exceed 10 years). Options granted under the 2005 Plan vest over various period and expire no later than 10 years from the date of grant.



**INGRES EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

**13. Share-based payments (continued)**

Details of the number of share options and the weighted average exercise price (WAEP), denominated in US Dollars (\$), outstanding during the year are as follows

	2007		2006	
	No	WAEP \$	No	WAEP \$
Outstanding at the beginning of the year	756,500	—	—	—
Granted during the year	1,288,500	1 50	756,500	1 50
Terminated during the year	(93,000)	1 50	—	—
Exercised during the year	—	—	—	—
Outstanding at the end of the year	<u>1,952,000</u>	<u>1 50</u>	<u>756,500</u>	<u>1 50</u>
Exercisable at the end of the year	<u>126,750</u>	<u>1 50</u>	<u>56,400</u>	<u>1 50</u>

The share options outstanding at the end of the year have the following weighted average contractual lives (years) and exercise prices (\$)

	Outstanding options			Exercisable options	
Exercise price (\$)	Options outstanding at 31 December 2007	Weighted average of remaining contractual life	Weighted average exercise price	Exercisable shares at 31 December 2007	Weighted average exercise price
	No		\$	No	\$
1 50	1,952,000	6 34	1 50	126,750	1 50
	<u>1,952,000</u>	<u>6 34</u>	<u>1 50</u>	<u>126,750</u>	<u>1 50</u>

The weighted average fair value of shares granted during the year was \$0 73. The fair values were calculated using the Black-Scholes model. The inputs into the model were as follows

	2007	2006
Weighted average share price - \$	1 87	0 73
Weighted average exercise price - \$	1 50	1 50
Expected volatility - %	74 22	60 00
Expected life - years	6 34	6 35
Risk free rate - %	<u>4 45</u>	<u>4 93</u>

The company's expected volatility is derived from an average of historical volatilities of comparable companies within the technology sector. The interest rate assumption is based upon the observed Treasury Yield Curve rates appropriate for the company's stock options. The company does not anticipate paying any cash dividends in the foreseeable future and, therefore, uses an expected dividend yield of zero in the option-pricing model. The company uses historical data to estimate pre-vesting option forfeitures and records stock based compensation expense only for those awards that are expected to vest.

The company recognised total expenses of £155,957 (2006: £20,768) related to equity-settled share-based payment transactions during the year.

**INGRES EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

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**14. Commitments under operating leases**

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

	<b>Land and buildings 2007 £</b>	<i>Land and buildings 2006 £</i>
Operating leases which expire Within 2 to 5 years	<u>234,444</u>	<u>20,339</u>

**15. Related party transactions**

During the year the company had the following transactions with its ultimate parent undertaking, Ingres Corporation

	<b>2007 £</b>	<b>2006 £</b>
Expenses incurred on behalf of company by parent	(148,534)	(291)
Amounts receivable in respect of reseller agreement	1,569,287	5,376,697
Net receipts collected on behalf of parent	(900,310)	(236,094)
Stock option expense recharged by parent	(155,957)	(20,768)
Funding received from parent	(1,980,597)	(5,441,964)
Amounts owed at 31 December (included within creditors above)	(4,062,703)	(886,633)

In addition to the above, the company incurred expenses totalling £161,020 (2006 £24,330) on behalf of fellow subsidiary undertakings. At the year end these amounts are outstanding (2006 £24,330) and included within debtors above.

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**16. Share capital**

**Authorised share capital:**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

**Allotted, called up and fully paid:**

	<b>2007</b>		<b>2006</b>
	<b>No</b>	<b>£</b>	<b>No</b>
			<b>£</b>
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>

**17. Profit and loss account**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Balance brought forward	(252,688)	(552,557)
Profit for the financial year	<u>148,901</u>	<u>299,869</u>
Balance carried forward	<u>(103,787)</u>	<u>(252,688)</u>

**18. Reconciliation of movements in shareholders' funds**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	148,901	299,869
Opening shareholders' deficit	<u>(252,687)</u>	<u>(552,556)</u>
Closing shareholders' deficit	<u>(103,786)</u>	<u>(252,687)</u>

**19. Notes to the statement of cash flows**

**Reconciliation of operating profit to net cash inflow from operating activities**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Operating profit	192,316	396,595
Depreciation	144,620	232,796
Increase in debtors	(5,672,337)	(3,571,347)
Increase in creditors	<u>5,532,984</u>	<u>3,371,463</u>
Net cash inflow from operating activities	<u>197,583</u>	<u>429,507</u>

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**19. Notes to the statement of cash flows (continued)**

**Reconciliation of net cash flow to movement in net funds**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Increase in cash in the period	128,184	252,698
Movement in net funds in the period	128,184	252,698
Net funds at 1 January 2007	231,930	—
Net funds at 31 December 2007	360,114	231,930

**Analysis of changes in net funds**

	<b>At 1 January 2007 £</b>	<b>Cash flows £</b>	<b>At 31 December 2007 £</b>
Net cash			
Cash in hand and at bank	231,930	128,184	360,114
Net funds	231,930	128,184	360,114

**20. Ultimate parent company and controlling party**

The directors consider to the immediate parent company to be Ingres International Inc, a company registered in United States of America and organised under the laws of the state of Delaware

The directors also consider the ultimate parent undertaking and largest group for which consolidated accounts are prepared, to be Ingres Corporation, a company incorporated in the United States of America and organised under the laws of state of Delaware

The directors consider there to be no ultimate controlling party