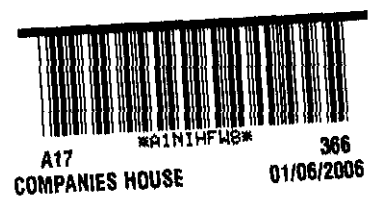


ANVIL SOFTWARE

ANVIL SOFTWARE LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 2005



MENZIES

Chartered Accountants & Registered Auditors
Sandringham
Guildford Road
Woking
Surrey
GU22 7QL

ANVIL SOFTWARE LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

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ANVIL SOFTWARE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

Mr A J Dalby
Mr J T M Nicholson
Mr M D Kelly
Dr S R Deal
Mr M Clark
Mr P E Buck

COMPANY SECRETARY

Dr S R Deal

REGISTERED OFFICE

51-53 Rivington Street
London
EC2A 3SE

AUDITORS

Menzies
Chartered Accountants
& Registered Auditors
Sandringham
Guildford Road
Woking
Surrey
GU22 7QL

BANKERS

HSBC Bank Plc
138 Tottenham Court Road
London
W1P 0AY

SOLICITORS

Barlow Robbins
Southern House
Guildford Road
Woking
Surrey
GU22 7UY

ANVIL SOFTWARE LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 SEPTEMBER 2005

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 30 September 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the group during the year was the supply of computer products and services.

The group's turnover for the year has continued to increase in response to strong demand for all our products and services: Anvil ARTS, Anvil Denarius and Anvil Order Management. The directors are pleased with the continuing growth in sales of products and services to new and existing clients.

The directors are pleased with the results for the year.

FUTURE DEVELOPMENTS

We will continue to undertake research and development in all our core products and related markets. The board believes that the company has, and must retain, sufficient reserves to continue the substantial investment in research and development.

Following the investment in our products and global infrastructure over recent years, the board expect continued strong growth in turnover and profitability from all our operations around the world.

RESULTS AND DIVIDENDS

The trading results for the year and the group's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

| | 2005 £ | 2004 £ |
|--|---------------|---------------|
| Proposed dividend on preference shares | 49,925 | 49,925 |
| Dividend paid on preference shares | 49,924 | 49,924 |
| | <u>99,849</u> | <u>99,849</u> |

THE DIRECTORS AND THEIR INTERESTS

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

| | Class of share | At 30 September 2005 | At 1 October 2004 or later date of appointment |
|-------------------|-------------------------|-------------------------|---|
| Mr A J Dalby | Non-redeemable Cum Pref | | |
| | 'A' Shares @ 5p | 28,000 | 28,000 |
| Mr J TM Nicholson | Ord 'B' Shares @ 2p | 280,000 | 280,000 |
| | Non-redeemable Cum Pref | | |
| Mr M D Kelly | 'A' Shares @ 5p | 28,000 | 28,000 |
| | Ord 'B' Shares @ 2p | 280,000 | 280,000 |
| Dr S R Deal | Non-redeemable Cum Pref | | |
| | 'A' Shares @ 5p | 28,000 | 28,000 |
| Mr M Clark | Ord 'B' Shares @ 2p | 280,000 | 280,000 |
| | Non-redeemable Cum Pref | | |
| Mr P E Buck | 'A' Shares @ 5p | 8,000 | 8,000 |
| | Ord 'B' Shares @ 2p | 280,000 | 280,000 |
| | Non-redeemable Cum Pref | | |
| | 'A' Shares @ 5p | 300 | 300 |
| | Ord 'B' Shares @ 2p | <u>30,251</u> | <u>23,521</u> |

Mr P E Buck was appointed as a director on 9 May 2005.

ANVIL SOFTWARE LIMITED

THE DIRECTORS' REPORT (continued)

YEAR ENDED 30 SEPTEMBER 2005

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 10 to 11, 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 group 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DONATIONS

During the year the company made the following contributions:

| | 2005 £ | 2004 £ |
|------------|--------------|------------|
| Charitable | <u>4,054</u> | <u>744</u> |

AUDITORS

A resolution to re-appoint Menzies as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
51-53 Rivington Street
London
EC2A 3SE

Signed by order of the directors



Dr S R Deal
Company Secretary

Approved by the directors on 24/5/ 2006

ANVIL SOFTWARE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ANVIL SOFTWARE LIMITED

YEAR ENDED 30 SEPTEMBER 2005

We have audited the financial statements of Anvil Software Limited for the year ended 30 September 2005 on pages 5 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 to 11.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the group 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 United Kingdom Auditing Standards 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 group's circumstances, consistently applied and adequately disclosed.

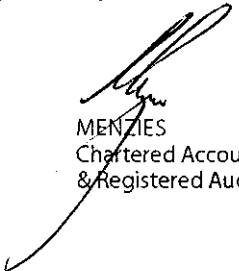
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs and of the group as at 30 September 2005 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Sandringham
Guildford Road
Woking
Surrey
GU22 7QL

30.9.2006



MENZIES
Chartered Accountants
& Registered Auditors

ANVIL SOFTWARE LIMITED

GROUP PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 SEPTEMBER 2005

| | Note | 2005 £ | 2004 £ |
|--|-----------|-----------|-----------|
| GROUP TURNOVER | 2 | 6,799,151 | 5,278,940 |
| Cost of sales | | 4,367,179 | 3,217,064 |
| GROSS PROFIT | | 2,431,972 | 2,061,876 |
| Administrative expenses | | 2,009,173 | 1,904,243 |
| Other operating income | 3 | (17,000) | - |
| OPERATING PROFIT | 4 | 439,799 | 157,633 |
| Interest receivable | | 28,900 | 8,113 |
| Interest payable and similar charges | 7 | (7,580) | (4,736) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 461,119 | 161,010 |
| Tax on profit on ordinary activities | 8 | 48,405 | 43,205 |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | 9 | 412,714 | 117,805 |
| Dividends | 10 | 99,849 | 99,849 |
| RETAINED PROFIT FOR THE FINANCIAL YEAR | | 312,865 | 17,956 |

All of the activities of the group are classed as continuing.

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

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

ANVIL SOFTWARE LIMITED

GROUP BALANCE SHEET

30 SEPTEMBER 2005

| | Note | 2005 £ | 2004 £ |
|---|------|------------------|------------------|
| FIXED ASSETS | | | |
| Intangible assets | 11 | 84,758 | 464,368 |
| Tangible assets | 12 | 662,965 | 683,256 |
| | | <u>747,723</u> | <u>1,147,624</u> |
| CURRENT ASSETS | | | |
| Debtors | 14 | 1,859,446 | 1,638,402 |
| Cash at bank and in hand | | 1,337,261 | 420,523 |
| | | <u>3,196,707</u> | <u>2,058,925</u> |
| CREDITORS: Amounts falling due within one year | 16 | 1,467,213 | 1,090,757 |
| NET CURRENT ASSETS | | <u>1,729,494</u> | <u>968,168</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>2,477,217</u> | <u>2,115,792</u> |
| CAPITAL AND RESERVES | | | |
| Called-up equity share capital | 19 | 37,718 | 31,494 |
| Share premium account | 20 | 48,564 | 15,729 |
| Profit and loss account | 20 | 2,390,935 | 2,068,569 |
| SHAREHOLDERS' FUNDS | 21 | <u>2,477,217</u> | <u>2,115,792</u> |

These financial statements were approved by the directors on the 24/5/ 2006 and are signed on their behalf by:

Mr A J Dalby
Director



Mr J T M Nicholson
Director



The notes on pages 10 to 18 form part of these financial statements.

ANVIL SOFTWARE LIMITED

BALANCE SHEET

30 SEPTEMBER 2005

| | Note | 2005 £ | £ | 2004 £ | £ |
|---|------|------------------|------------------|------------------|------------------|
| FIXED ASSETS | | | | | |
| Intangible assets | 11 | | 84,758 | | 464,368 |
| Tangible assets | 12 | | 604,591 | | 621,403 |
| Investments | 13 | | 74,971 | | 66,945 |
| | | | <u>764,320</u> | | <u>1,152,716</u> |
| CURRENT ASSETS | | | | | |
| Debtors | 14 | 1,907,421 | | 1,732,377 | |
| Cash at bank and in hand | | <u>1,149,141</u> | | <u>314,004</u> | |
| | | 3,056,562 | | 2,046,381 | |
| CREDITORS: Amounts falling due within one year | | | | | |
| | 16 | <u>1,438,948</u> | | <u>1,105,335</u> | |
| NET CURRENT ASSETS | | | | | |
| | | | 1,617,614 | | 941,046 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | | | |
| | | | <u>2,381,934</u> | | <u>2,093,762</u> |
| CAPITAL AND RESERVES | | | | | |
| Called-up equity share capital | 19 | | 37,718 | | 31,494 |
| Share premium account | 20 | | 48,564 | | 15,729 |
| Profit and loss account | 20 | | <u>2,295,652</u> | | <u>2,046,539</u> |
| SHAREHOLDERS' FUNDS | | | | | |
| | | | <u>2,381,934</u> | | <u>2,093,762</u> |

These financial statements were approved by the directors on the 24/5/ 2006 and are signed on their behalf by:

Mr A J Dalby
Director



Mr J T M Nicholson
Director



The notes on pages 10 to 18 form part of these financial statements.

ANVIL SOFTWARE LIMITED

GROUP CASH FLOW

YEAR ENDED 30 SEPTEMBER 2005

| | 2005 | | 2004 |
|--|----------------|----------|----------------|
| | £ | £ | £ |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | | 983,869 | 328,402 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest received | 28,900 | | 8,113 |
| Interest paid | (7,580) | | (4,736) |
| NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | 21,320 | 3,377 |
| TAXATION | | 17,164 | (102,285) |
| CAPITAL EXPENDITURE | | | |
| Payments to acquire intangible fixed assets | — | | (215,000) |
| Payments to acquire tangible fixed assets | (39,921) | | (46,930) |
| Receipts from sale of fixed assets | (4,904) | | 2,546 |
| NET CASH OUTFLOW FROM CAPITAL EXPENDITURE | | (44,825) | (259,384) |
| EQUITY DIVIDENDS PAID | | (99,849) | (99,849) |
| CASH INFLOW/(OUTFLOW) BEFORE FINANCING | | 877,679 | (129,739) |
| FINANCING | | | |
| Issue of equity share capital | 6,224 | | 252 |
| Share premium on issue of equity share capital | 32,835 | | 2,345 |
| NET CASH INFLOW FROM FINANCING | | 39,059 | 2,597 |
| INCREASE/(DECREASE) IN CASH | | 916,738 | (127,142) |
| RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES | | | |
| | 2005 | | 2004 |
| | £ | | £ |
| Operating profit | 439,799 | | 157,633 |
| Amortisation | 379,610 | | 119,941 |
| Depreciation | 92,430 | | 121,673 |
| Loss/(Profit) on disposal of fixed assets | 4,904 | | (2,546) |
| Decrease in stocks | — | | 20,125 |
| Increase in debtors | (218,697) | | (106,249) |
| Increase in creditors | 285,823 | | 17,825 |
| Net cash inflow from operating activities | 983,869 | | 328,402 |

The notes on pages 10 to 18 form part of these financial statements.

ANVIL SOFTWARE LIMITED

GROUP CASH FLOW *(continued)*

YEAR ENDED 30 SEPTEMBER 2005

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | 2005 £ | 2004 £ |
|---|-----------|-----------|
| Increase/(Decrease) in cash in the period | 916,738 | (127,142) |
| Movement in net funds in the period | 916,738 | (127,142) |
| Net funds at 1 October 2004 | 420,523 | 331,214 |
| Net funds at 30 September 2005 | 1,337,261 | 420,523 |

ANALYSIS OF CHANGES IN NET FUNDS

| | At 1 Oct 2004 £ | Cash flows £ | At 30 Sep 2005 £ |
|--------------------------|-----------------------|-----------------|------------------------|
| Net cash: | | | |
| Cash in hand and at bank | 420,523 | 916,738 | 1,337,261 |
| Net funds | 420,523 | 916,738 | 1,337,261 |

The notes on pages 10 to 18 form part of these financial statements.

ANVIL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings as at 30 September 2005.

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements.

Related parties transactions

The group consists of wholly owned subsidiaries, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the group.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year (exclusive of Value Added Tax), with those relating to support / maintenance adjusted for the period of the contract.

Amortisation

Amortisation 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:

Trademarks - 20% straight line

Software Development - Straight Line Over Expected Life

Fixed assets

All fixed assets are initially recorded at cost.

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:

Freehold Property - 1% straight line

Fixtures & Fittings - 25% straight line

Computer Equipment - 33 1/3% 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 for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the group profit and loss account.

ANVIL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

1. ACCOUNTING POLICIES *(continued)*

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 exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

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 a discounted/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 rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Software development

Development costs incurred are capitalised when their recoverability can be assessed with reasonable certainty. Capitalised costs are amortised over the period during which the associated income is expected to be realised. All other development costs are written off in the year of expenditure.

Fixed asset investments

Fixed asset investments are included in the balance sheet at cost after provision for any permanent diminution in value.

2. TURNOVER

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

An analysis of turnover is given below:

| | 2005 £ | 2004 £ |
|----------------|------------------|------------------|
| United Kingdom | 2,446,552 | 2,181,500 |
| Overseas | 4,352,599 | 3,097,440 |
| | <u>6,799,151</u> | <u>5,278,940</u> |

3. OTHER OPERATING INCOME

| | 2005 £ | 2004 £ |
|------------------------|---------------|-----------|
| Other operating income | <u>17,000</u> | <u>-</u> |

ANVIL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

| | 2005 £ | 2004 £ |
|---|-----------|-----------|
| Amortisation | 379,610 | 120,147 |
| Depreciation of owned fixed assets | 92,430 | 121,673 |
| Loss/(Profit) on disposal of fixed assets | 4,904 | (2,546) |
| Auditors' remuneration | | |
| - as auditors | 19,713 | 15,092 |
| - for other services | 43,980 | 36,623 |
| Net loss on foreign currency translation | 33,209 | 44,742 |

5. PARTICULARS OF EMPLOYEES

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

| | 2005 No | 2004 No |
|-----------------|------------|------------|
| Number of staff | 89 | 82 |

The aggregate payroll costs of the above were:

| | 2005 £ | 2004 £ |
|-----------------------|-----------|-----------|
| Wages and salaries | 3,877,164 | 3,420,970 |
| Social security costs | 323,691 | 317,608 |
| Other pension costs | 372,601 | 96,914 |
| | 4,573,456 | 3,835,492 |

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

| | 2005 £ | 2004 £ |
|--|-----------|-----------|
| Emoluments receivable | 396,916 | 347,036 |
| Value of company pension contributions to money purchase schemes | 254,232 | 13,109 |
| | 651,148 | 360,145 |

Emoluments of highest paid director:

| | 2005 £ | 2004 £ |
|--|-----------|-----------|
| Total emoluments (excluding pension contributions) | 110,226 | 93,146 |

The number of directors who accrued benefits under company pension schemes was as follows:

| | 2005 No | 2004 No |
|------------------------|------------|------------|
| Money purchase schemes | 5 | 3 |

ANVIL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

7. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2005 £ | 2004 £ |
|------------------------------------|--------------|--------------|
| Interest payable on bank borrowing | - | 4,736 |
| Other interest | 7,580 | - |
| | <u>7,580</u> | <u>4,736</u> |

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

| | 2005 £ | 2004 £ |
|--|---------------|---------------|
| Current tax: | | |
| In respect of the year: | | |
| UK Corporation tax based on the results for the year at 30% (2004 - 30%) | 53,146 | 68,395 |
| Under provision in prior year | - | 1,056 |
| Total current tax | <u>53,146</u> | <u>69,451</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | (4,741) | (26,246) |
| Tax on profit on ordinary activities | <u>48,405</u> | <u>43,205</u> |

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 - 30%).

| | 2005 £ | 2004 £ |
|---|----------------|----------------|
| Profit on ordinary activities before taxation | <u>461,119</u> | <u>161,010</u> |
| Profit/(loss) on ordinary activities by rate of tax | 138,336 | 45,803 |
| Expenses not deductible for tax purposes | (31,935) | 5,855 |
| R & D uplift | (21,930) | (13,894) |
| Depreciation for period in excess of capital allowances | 1,887 | 6,923 |
| Marginal tax relief | (962) | (962) |
| Withholding tax suffered / double tax relief | (18,622) | 26,208 |
| Adjustment to prior year charge | (13,628) | (482) |
| Total current tax (note 8(a)) | <u>53,146</u> | <u>69,451</u> |

9. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £348,962 (2004 - £200,880).

10. DIVIDENDS

The following dividends have been paid or proposed in respect of the year:

| | 2005 £ | 2004 £ |
|--------------------------------------|---------------|---------------|
| Proposed dividend on ordinary shares | 49,925 | 49,925 |
| Dividend paid on ordinary shares | 49,924 | 49,924 |
| | <u>99,849</u> | <u>99,849</u> |

ANVIL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

11. INTANGIBLE FIXED ASSETS

| Group and company | Software Development | Trade Marks | Total |
|---|----------------------|-------------|---------|
| | £ | £ | £ |
| COST | | | |
| At 1 October 2004 and 30 September 2005 | 705,000 | 26,377 | 731,377 |
| AMORTISATION | | | |
| At 1 October 2004 | 260,666 | 6,343 | 267,009 |
| Charge for the year | 374,334 | 5,276 | 379,610 |
| At 30 September 2005 | 635,000 | 11,619 | 646,619 |
| NET BOOK VALUE | | | |
| At 30 September 2005 | 70,000 | 14,758 | 84,758 |
| At 30 September 2004 | 444,334 | 20,034 | 464,368 |

12. TANGIBLE FIXED ASSETS

| Group | Freehold Property £ | Fixtures & Fittings £ | Computer Equipment £ | Total £ |
|-----------------------------|------------------------|--------------------------|-------------------------|------------|
| COST | | | | |
| At 1 October 2004 | 577,813 | 382,917 | 739,189 | 1,699,919 |
| Additions | – | 1,491 | 38,430 | 39,921 |
| Exchange adjustments | – | 3,122 | 27,718 | 30,840 |
| At 30 September 2005 | 577,813 | 387,530 | 805,337 | 1,770,680 |
| DEPRECIATION | | | | |
| At 1 October 2004 | 35,251 | 327,810 | 652,224 | 1,015,285 |
| Charge for the year | 5,803 | 19,432 | 67,195 | 92,430 |
| At 30 September 2005 | 41,054 | 347,242 | 719,419 | 1,107,715 |
| NET BOOK VALUE | | | | |
| At 30 September 2005 | 536,759 | 40,288 | 85,918 | 662,965 |
| At 30 September 2004 | 542,562 | 55,107 | 86,965 | 684,634 |
| Company | | | | |
| COST | | | | |
| At 1 October 2004 | 577,813 | 310,998 | 621,329 | 1,510,140 |
| Additions | – | 1,491 | 38,430 | 39,921 |
| At 30 September 2005 | 577,813 | 312,489 | 659,759 | 1,550,061 |
| DEPRECIATION | | | | |
| At 1 October 2004 | 35,251 | 300,606 | 552,880 | 888,737 |
| Charge for the year | 5,803 | 9,081 | 41,849 | 56,733 |
| At 30 September 2005 | 41,054 | 309,687 | 594,729 | 945,470 |
| NET BOOK VALUE | | | | |
| At 30 September 2005 | 536,759 | 2,802 | 65,030 | 604,591 |
| At 30 September 2004 | 542,562 | 10,392 | 68,449 | 621,403 |

ANVIL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

13. INVESTMENTS

| Company | Group companies £ |
|---|----------------------|
| COST | |
| At 1 October 2004 | 67,913 |
| Additions | 8,026 |
| At 30 September 2005 | 75,939 |
| AMOUNTS WRITTEN OFF | |
| At 1 October 2004 and 30 September 2005 | 968 |
| NET BOOK VALUE | |
| At 30 September 2005 | 74,971 |
| At 30 September 2004 | 66,945 |

The company owns 100% of the issued share capital of the companies listed below,

| | Country of incorporation | Class of share held |
|------------------------------------|-----------------------------|------------------------|
| Anvil Software Pty Limited | Australia | Ordinary |
| Anvil Software Malta Limited | Malta | Ordinary |
| ASL Software (Canada) Limited | Canada | Ordinary |
| Anvil Software Inc | United States | Ordinary |
| Anvil Software Development Limited | Malta | Ordinary |

The principal activity of all companies, with the exception of Anvil Software Development Limited, was the supply of computer products and services. Anvil Software Development Limited was dormant throughout the year.

14. DEBTORS

| | Group | | Company | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2005 £ | 2004 £ | 2005 £ | 2004 £ |
| Trade debtors | 1,375,606 | 1,371,109 | 1,375,606 | 1,357,531 |
| Amounts owed by group undertakings | – | 8,334 | 129,344 | 153,085 |
| Other debtors | 373,715 | 145,954 | 333,548 | 147,880 |
| Deferred taxation (Note 15) | 56,403 | 54,056 | 30,987 | 26,246 |
| Prepayments and accrued income | 53,722 | 58,949 | 37,936 | 47,635 |
| | <u>1,859,446</u> | <u>1,638,402</u> | <u>1,907,421</u> | <u>1,732,377</u> |

15. DEFERRED TAXATION

The movement in the deferred taxation asset during the year was:

| | Group | | Company | |
|-----------------------|---------------|---------------|---------------|---------------|
| | 2005 £ | 2004 £ | 2005 £ | 2004 £ |
| Asset brought forward | 54,056 | 12,623 | 26,246 | 12,623 |
| Increase in asset | 2,347 | 41,433 | 4,741 | 13,623 |
| Asset carried forward | <u>56,403</u> | <u>54,056</u> | <u>30,987</u> | <u>26,246</u> |

ANVIL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

15. DEFERRED TAXATION (continued)

The group's asset for deferred taxation consists of the tax effect of timing differences in respect of:

| Group | 2005 | | 2004 | |
|---|---------------|-----------------|---------------|-----------------|
| | Provided £ | Unprovided £ | Provided £ | Unprovided £ |
| Excess of taxation allowances over depreciation on fixed assets | 56,403 | - | 54,056 | - |

The company's asset for deferred taxation consists of the tax effect of timing differences in respect of:

| Company | 2005 | | 2004 | |
|---|---------------|-----------------|---------------|-----------------|
| | Provided £ | Unprovided £ | Provided £ | Unprovided £ |
| Excess of taxation allowances over depreciation on fixed assets | 30,987 | - | 26,246 | - |

16. CREDITORS: Amounts falling due within one year

| | Group | | Company | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2005 £ | 2004 £ | 2005 £ | 2004 £ |
| Trade creditors | 42,945 | 125,806 | 42,945 | 108,793 |
| Amounts owed to group undertakings | - | - | 303,402 | 161,435 |
| Dividends payable | 49,925 | 49,925 | 49,925 | 49,925 |
| Other creditors | 323,543 | 170,088 | 242,719 | 166,699 |
| Accruals and deferred income | 1,050,800 | 744,938 | 799,957 | 618,483 |
| | <u>1,467,213</u> | <u>1,090,757</u> | <u>1,438,948</u> | <u>1,105,335</u> |

17. COMMITMENTS UNDER OPERATING LEASES

At 30 September 2005 the group had annual commitments under non-cancellable operating leases as set out below.

| Group | Land and buildings | |
|--------------------------------|--------------------|----------------|
| | 2005 £ | 2004 £ |
| Operating leases which expire: | | |
| Within 1 year | 20,800 | 20,800 |
| Within 2 to 5 years | 73,716 | 98,483 |
| | <u>94,516</u> | <u>119,283</u> |

At 30 September 2005 the company had annual commitments under non-cancellable operating leases as set out below.

| Company | Land and buildings | |
|--------------------------------|--------------------|-----------|
| | 2005 £ | 2004 £ |
| Operating leases which expire: | | |
| Within 1 year | 20,800 | 20,800 |

18. RELATED PARTY TRANSACTIONS

The company has no controlling party.

The company has taken advantage of the exemption available in respect of ninety per cent owned subsidiaries under FRS8 and has not disclosed such transactions. No other transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

ANVIL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

19. SHARE CAPITAL

Authorised share capital:

| | 2005 £ | 2004 £ |
|--|----------------|----------------|
| 9,200,000 Non-redeemable Cum Pref 'A' shares of £0.05 each | 460,000 | 460,000 |
| 2,000,000 Ord B shares of £0.02 each | 40,000 | 40,000 |
| | <u>500,000</u> | <u>500,000</u> |

Allotted, called up and fully paid:

| | 2005 No | £ | 2004 No | £ |
|--|------------------|---------------|------------------|---------------|
| Non-redeemable Cum Pref 'A' shares of £0.05 each | 120,300 | 6,015 | 120,300 | 6,015 |
| Ord B shares of £0.02 each | 1,585,148 | 31,703 | 1,273,961 | 25,479 |
| | <u>1,705,448</u> | <u>37,718</u> | <u>1,394,261</u> | <u>31,494</u> |

The Non-redeemable Cumulative Preference 'A' shares and the Ordinary 'B' shares rank pari passu in all respects except that the Ord. 'B' shares rank behind the 'A' shares for the declaration of a dividend and the distribution of funds on the winding up of the company. Also, 'A' shares carry 100 votes per share whilst the 'B' shares carry 1 vote per share.

At 30 September 2005 the company had granted the following approved share options which have not lapsed :-

| No of shares | Price per share £ | Exercisable after |
|--------------|----------------------|-------------------|
| 29,352 | 0.12 | Immediately |
| 10,300 | 0.23 | 23 July 2006 |
| 10,000 | 0.49 | 15 June 2007 |
| 12,150 | 0.56 | 26 July 2008 |

20. RESERVES

| Group | Share premium account £ | Profit and loss account £ |
|-------------------------------------|-------------------------------|---------------------------------|
| Balance brought forward | 15,729 | 2,068,569 |
| Retained profit for the year | — | 312,865 |
| Foreign currency retranslation | — | 9,501 |
| New equity share capital subscribed | 32,835 | — |
| Balance carried forward | <u>48,564</u> | <u>2,390,935</u> |
| Company | Share premium account £ | Profit and loss account £ |
| Balance brought forward | 15,729 | 2,046,539 |
| Retained profit for the year | — | 249,113 |
| New equity share capital subscribed | 32,835 | — |
| Balance carried forward | <u>48,564</u> | <u>2,295,652</u> |

ANVIL SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2005 | | 2004 | |
|--|---------------|------------------|--------------|------------------|
| | £ | £ | £ | £ |
| Profit for the financial year | | 412,714 | | 117,805 |
| Dividends | | (99,849) | | (99,849) |
| | | <u>312,865</u> | | <u>17,956</u> |
| New equity share capital subscribed | 6,224 | | 252 | |
| Premium on new share capital subscribed | <u>32,835</u> | | <u>2,345</u> | |
| | | 39,059 | | 2,597 |
| Foreign currency retranslation | | 9,501 | | (6,041) |
| | | <u>361,425</u> | | <u>14,512</u> |
| Net addition to shareholders' equity funds | | 2,115,792 | | 2,101,280 |
| Opening shareholders' equity funds | | <u>2,477,217</u> | | <u>2,115,792</u> |
| Closing shareholders' equity funds | | <u>2,477,217</u> | | <u>2,115,792</u> |