

Company Registration No. 4077774 (England and Wales)

EZE CASTLE SOFTWARE LIMITED
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005



EZE CASTLE SOFTWARE LIMITED

COMPANY INFORMATION

Director	Mr Thomas Gavin (Appointed 1 September 2005)
Secretary	TJG Secretaries Limited
Company number	4077774
Registered office	Carmelite, 50 Victoria Embankment, Blackfriars London EC4Y 0DX
Auditors	Langford & Co 93 Western Road Tring Herts HP23 4BN
Business address	1 Northumberland Avenue Trafalgar Square London WC2N 5BW
Bankers	Barclays Bank PLC 8-9 Hanover Square London W1A 4ZW

EZE CASTLE SOFTWARE LIMITED

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EZE CASTLE SOFTWARE LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The director presents his report and financial statements for the year ended 31 December 2005.

Principal activities

The principal activity of the company continued to be that of marketing of Eze Castle order management software products for its US parent company, Eze Castle Software, Inc.

Directors

The following directors have held office since 1 January 2005:

Mr Thomas Gavin	(Appointed 1 September 2005)
Mr Sean McLaughlin	(Resigned 1 September 2005)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary of £ 1 each	
	31 December 2005	1 January 2005
Mr Thomas Gavin	-	-

Auditors

Langford & Co were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Director's responsibilities

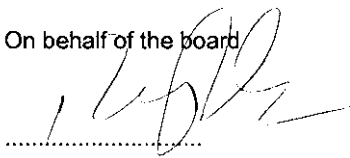
Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board


.....
Mr Thomas Gavin
Director

8/1/06
.....

EZE CASTLE SOFTWARE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EZE CASTLE SOFTWARE LIMITED

We have audited the financial statements of Eze Castle Software Limited on pages 4 to 10 for the year ended 31 December 2005. These financial statements have been prepared under the historical cost convention and 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 the director and auditors

As described in the statement of director's responsibilities on page 1 the company's director is 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 director's report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the company is not disclosed.

We read the director's 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 director 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.

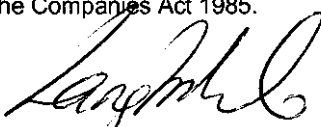
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

EZE CASTLE SOFTWARE LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF EZE CASTLE SOFTWARE LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Langford & Co

Chartered Accountants
Registered Auditor

12/6/06

93 Western Road
Tring
Herts
HP23 4BN

EZE CASTLE SOFTWARE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

		Year ended 31 December 2005 £	Year ended 31 December 2004 £
	Notes		
Turnover		200,421	131,416
Administrative expenses		(182,445)	(119,285)
Profit on ordinary activities before taxation	2	17,976	12,131
Tax on profit on ordinary activities	3	(1,589)	(1,719)
Profit on ordinary activities after taxation	9	<u>16,387</u>	<u>10,412</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

EZE CASTLE SOFTWARE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 £	£	2004 £	£
Fixed assets					
Tangible assets	4		-		1,127
Current assets					
Debtors	5	70,706		84,302	
Cash at bank and in hand		37,426		2,950	
		<u>108,132</u>		<u>87,252</u>	
Creditors: amounts falling due within one year	6	<u>(29,762)</u>		<u>(26,396)</u>	
Net current assets			78,370		60,856
Total assets less current liabilities			<u>78,370</u>		<u>61,983</u>
Capital and reserves					
Called up share capital	8		1,000		1,000
Profit and loss account	9		77,370		60,983
Shareholders' funds - equity interests	10		<u>78,370</u>		<u>61,983</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 8/6/06


.....
Mr Thomas Gavin
Director

EZE CASTLE SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards, which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable for marketing services to the parent company Eze Castle Software, Inc. Turnover is recognised in accordance with an intercompany agreement.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	33% straight line basis
Fixtures, fittings & equipment	25% straight line basis

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.7 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance had not been discounted.

2 Operating profit

	2005	2004
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	1,127	4,289
Operating lease rentals	10,690	8,275
Auditors' remuneration	2,900	5,000
	<u>14,717</u>	<u>17,564</u>

EZE CASTLE SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

3	Taxation	2005 £	2004 £
	Domestic current year tax		
	U.K. corporation tax	1,850	1,719
	Adjustment for prior years	(480)	-
	Current tax charge	1,370	1,719
	Deferred tax		
	Deferred tax charge/credit current year	219	-
		1,589	1,719
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	17,976	12,131
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 10.40% (2004: 14.48%)	1,870	1,757
	Effects of:		
	Depreciation add back	117	236
	Capital allowances	(238)	(236)
	Adjustments to previous periods	(480)	(38)
	Other tax adjustments	101	-
		(500)	(38)
	Current tax charge	1,370	1,719

EZE CASTLE SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

4 Tangible fixed assets

	Plant and machinery etc
	£
Cost	
At 1 January 2005 & at 31 December 2005	39,257
Depreciation	
At 1 January 2005	38,130
Charge for the year	1,127
At 31 December 2005	39,257
Net book value	
At 31 December 2005	-
At 31 December 2004	1,127

5 Debtors

	2005 £	2004 £
Amounts owed by group undertakings and undertakings in which the company has a participating interest	61,072	77,744
Other debtors	9,634	6,558
	70,706	84,302

6 Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	18,546	-
Taxation and social security	1,850	6,026
Other creditors	9,366	20,370
	29,762	26,396

EZE CASTLE SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

7 Pension costs

Defined contribution

	2005 £	2004 £
Contributions payable by the company for the year	3,681	1,338

8 Share capital

	2005 £	2004 £
Authorised		
1,000 Ordinary of £1 each	1,000	1,000
Allotted, called up and fully paid		
1,000 Ordinary of £1 each	1,000	1,000

9 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2005	60,983
Retained profit for the period	16,387
Balance at 31 December 2005	77,370

10 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Profit for the financial year	16,387	10,412
Opening shareholders' funds	61,983	51,571
Closing shareholders' funds	78,370	61,983

EZE CASTLE SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

11 Financial commitments

At 31 December 2005 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2006:

	Land and buildings	
	2005	2004
	£	£
Operating leases which expire:		
Within one year	2,400	9,600

12 Control

The immediate and ultimate parent company is Eze Castle Software, Inc., a company registered in the United States of America.

13 Related party transactions

The company turnover of £200,421 (2004:£131,416) is derived from sales to Eze Castle Software, Inc., the ultimate parent company, which is registered in the United States of America. At the Balance Sheet date the balance due by Eze Castle Software, Inc., was £61,072 (2004:£77,744). There were no other related parties.