

Company Registration No. 3231905 (England and Wales)

BROADVISION (UK) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

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BROADVISION (UK) LIMITED

COMPANY INFORMATION

| | | |
|------------------|-----------|-------------------------|
| Directors | W E Meyer | (Resigned 26 May 2006) |
| | P Chen | (Appointed 26 May 2006) |
| | S C Adams | (Appointed 26 May 2006) |

| | |
|------------------|------------------------------------|
| Secretary | Jordan Company Secretaries Limited |
|------------------|------------------------------------|

| | |
|-----------------------|---------|
| Company number | 3231905 |
|-----------------------|---------|

| | |
|--------------------------|--|
| Registered office | 2nd Floor Havell House 62-66 Queens Road Reading Berkshire RG1 4AZ |
|--------------------------|--|

| | |
|-----------------|--|
| Auditors | Saffery Champness Lion House Red Lion Street London WC1R 4GB |
|-----------------|--|

| | |
|----------------|--|
| Bankers | Barclays Bank plc Slough Corporate Banking Centre P O Box 23 258 Bath Road Slough SL1 4NX |
|----------------|--|

BROADVISION (UK) LIMITED

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BROADVISION (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and financial statements for the year ended 31 December 2005

Principal activities and review of the business

The principal activity of the company continued to be that of the provision of software applications for use on the World Wide Web

The directors consider the result for the year to be satisfactory

Results and dividends

The results for the year are set out on page 5

Directors

The following directors have held office since 1 January 2005

| | |
|-----------|-------------------------|
| W E Meyer | (Resigned 26 May 2006) |
| P Chen | (Appointed 26 May 2006) |
| S C Adams | (Appointed 26 May 2006) |

Auditors

A resolution proposing that Saffery Champness be reappointed as auditors of the company will be put to the Annual General Meeting

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 profit or loss of the company for that period. In preparing those 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,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 to 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

BROADVISION (UK) LIMITED

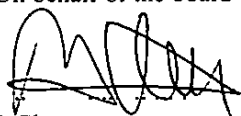
**DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005**

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the board



P Chen

Director

14 December 2007

BROADVISION (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BROADVISION (UK) LIMITED

We have audited the financial statements of BroadVision (UK) Limited on pages 5 to 13 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.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2, 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).

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 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

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. We also 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 transactions with the company 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.

BROADVISION (UK) LIMITED

**INDEPENDENT AUDITORS' REPORT (continued)
TO THE MEMBERS OF BROADVISION (UK) LIMITED**

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 2005 and of its loss for the year then ended, and

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

Emphasis of matter - Going concern

Without qualifying our audit opinion, we draw attention to Note 1 in the financial statements which indicates that the company is reliant on BroadVision Inc for future income streams and for ongoing financial support. The financial statements do not include any adjustments that would result if such support were withdrawn.

Saffery Champness
Saffery Champness

Chartered Accountants
Registered Auditors

18 December 2007

Lion House
Red Lion Street
London
WC1R 4GB

BROADVISION (UK) LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005**

| | Notes | 2005 £ | 2004 £ |
|--|-------|-----------------|-----------------|
| Turnover | 2 | 3,010,867 | 4,622,614 |
| Administrative expenses | | (3,073,184) | (4,731,789) |
| Operating loss | 3 | (62,317) | (109,175) |
| Other interest receivable and similar income | | 15,016 | 13,674 |
| Interest payable and similar charges | 4 | (6,898) | - |
| Loss on ordinary activities before taxation | | (54,199) | (95,501) |
| Tax on loss on ordinary activities | 5 | - | - |
| Loss on ordinary activities after taxation | 11 | <u>(54,199)</u> | <u>(95,501)</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

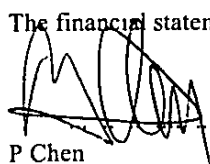
The notes on pages 7 to 13 form part of these financial statements

BROADVISION (UK) LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2005**

| | Notes | 2005 £ | £ | 2004 £ | £ |
|--|-------|--------------------|------------------|--------------------|------------------|
| Fixed assets | | | | | |
| Tangible assets | 6 | | 59,234 | | 94,826 |
| Current assets | | | | | |
| Debtors | 7 | 208,887 | | 535,244 | |
| Cash at bank and in hand | | 161,403 | | 70,167 | |
| | | <u>370,290</u> | | <u>605,411</u> | |
| Creditors amounts falling due within one year | 8 | <u>(1,236,189)</u> | | <u>(1,452,703)</u> | |
| Net current liabilities | | | <u>(865,899)</u> | | <u>(847,292)</u> |
| Total assets less current liabilities | | | <u>(806,665)</u> | | <u>(752,466)</u> |
| Capital and reserves | | | | | |
| Called up share capital | 10 | | 20,000 | | 20,000 |
| Profit and loss account | 11 | | <u>(826,665)</u> | | <u>(772,466)</u> |
| Shareholders' funds - equity interests | 12 | | <u>(806,665)</u> | | <u>(752,466)</u> |

The notes on pages 7 to 13 form part of these financial statements

The financial statements were approved by the board on 14 December 2007



P Chen
Director

BROADVISION (UK) 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

Going Concern

BroadVision (UK) Limited is reliant on BroadVision Inc for future income streams and for ongoing financial support. The directors of BroadVision Inc have confirmed their ongoing commitment to provide such support.

1.2 Turnover

Services

Revenue arising from professional service agreements with third parties is recognised as services are delivered.

BroadVision Inc

A sales representative agreement exists between BroadVision (UK) Limited and BroadVision Inc. Under this agreement, BroadVision (UK) Limited is reimbursed for all sales, marketing and operating costs incurred in relation to licence and support revenue earned in the UK on behalf of BroadVision Inc, and a commission is received.

European management charge

A management charge is received from fellow European subsidiaries contributing to the cost of BroadVision (UK) Limited acting as European headquarters.

1.3 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:

| | |
|--|--------------|
| Leasehold improvements | over 3 years |
| Computer equipment and software | over 3 years |
| Office equipment, furniture and fittings | over 5 years |

1.4 Leasing

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

1.5 Pensions

The company makes contributions to employee personal pension plans on a defined contribution basis. The pension costs charged in the financial statements represent the contributions paid by the company during the year.

BROADVISION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies**(continued)****1.6 Deferred taxation**

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are only recognised to the extent that, on the basis of all evidence, it can be regarded as more likely than not, that there will be sufficient taxable profits from which the future reversal of underlying timing differences can be deducted.

1.7 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

| | Turnover | |
|---|------------------|------------------|
| | 2005 | 2004 |
| | £ | £ |
| Class of business | | |
| Third party UK sales | 662,902 | 1,245,855 |
| BroadVision Inc costs recharged and commission received | 1,779,151 | 2,853,702 |
| Management charge to European fellow subsidiaries | 568,814 | 523,057 |
| | <u>3,010,867</u> | <u>4,622,614</u> |

3 Operating loss

| | 2005 | 2004 |
|---|-------------|-------------|
| | £ | £ |
| Operating loss is stated after charging | | |
| Depreciation of tangible assets | 47,541 | 50,788 |
| Loss on foreign exchange transactions | - | 707 |
| Operating lease rentals | 190,292 | 193,405 |
| Auditors' remuneration | 10,000 | 10,000 |
| Remuneration of auditors for non-audit work | 24,009 | 72,535 |
| and after crediting | | |
| Profit on disposal of tangible assets | (1,574) | - |
| Profit on foreign exchange transactions | (11,767) | - |
| | <u></u> | <u></u> |

4 Interest payable

| | 2005 | 2004 |
|----------------|--------------|-------------|
| | £ | £ |
| On overdue tax | <u>6,898</u> | <u>-</u> |

BROADVISION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
FOR THE YEAR ENDED 31 DECEMBER 2005

| 5 Taxation | 2005 | 2004 |
|---|-----------------|-----------------|
| Current tax charge | <u>-</u> | <u>-</u> |
| Factors affecting the tax charge for the year | | |
| Loss on ordinary activities before taxation | <u>(54,199)</u> | <u>(95,501)</u> |
| Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004 30.00%) | <u>(16,260)</u> | <u>(28,650)</u> |
| Effects of | | |
| Non deductible expenses | 33,727 | 9,480 |
| Depreciation add back | 14,262 | 15,236 |
| Capital allowances | (31,257) | - |
| Tax losses carried forward | - | 3,934 |
| Loss on disposal | <u>(472)</u> | <u>-</u> |
| | <u>16,260</u> | <u>28,650</u> |
| Current tax charge | <u>-</u> | <u>-</u> |

No provision has been made for the deferred tax asset arising from the accelerated depreciation charge. If provision were to be made for the deferred tax asset, the tax charge for the year would decrease by £ 160,776 (2004 £ 178,243).

The company has estimated losses of £ 13,113 (2004 £ 13,113) available for carry forward against future trading profits.

BROADVISION (UK) LIMITED

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

6 Tangible fixed assets

| | Leasehold improvements | Computer equipment and software | Office equipment, and furniture and fittings | Total |
|-----------------------|---------------------------|--|--|----------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 January 2005 | 252,112 | 593,122 | 136,827 | 982,061 |
| Additions | - | 9,545 | 2,404 | 11,949 |
| Disposals | - | (40,276) | - | (40,276) |
| At 31 December 2005 | 252,112 | 562,391 | 139,231 | 953,734 |
| Depreciation | | | | |
| At 1 January 2005 | 248,527 | 526,536 | 112,172 | 887,235 |
| On disposals | - | (40,276) | - | (40,276) |
| Charge for the year | 3,550 | 42,150 | 1,841 | 47,541 |
| At 31 December 2005 | 252,077 | 528,410 | 114,013 | 894,500 |
| Net book value | | | | |
| At 31 December 2005 | 35 | 33,981 | 25,218 | 59,234 |
| At 31 December 2004 | 3,585 | 66,586 | 24,655 | 94,826 |

7 Debtors

| | 2005 £ | 2004 £ |
|--------------------------------|-----------|-----------|
| Trade debtors | 108,623 | 212,190 |
| Corporation tax | 8,400 | 220,855 |
| Other debtors | 959 | 2,396 |
| Prepayments and accrued income | 90,905 | 99,803 |
| | 208,887 | 535,244 |

BROADVISION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
FOR THE YEAR ENDED 31 DECEMBER 2005

| | | | |
|-----------|---|------------------|--------------------------------|
| 8 | Creditors: amounts falling due within one year | 2005 | 2004 |
| | | £ | £ |
| | Trade creditors | 122,727 | 253,918 |
| | Amounts owed to parent and fellow subsidiary undertakings | 766,703 | 661,294 |
| | Taxes and social security costs | 42,106 | 80,502 |
| | Other creditors | 17,743 | 24,810 |
| | Accruals and deferred income | 286,910 | 432,179 |
| | | <u>1,236,189</u> | <u>1,452,703</u> |
| | | | |
| 9 | Pension costs | | |
| | Defined contribution | | |
| | | 2005 | 2004 |
| | | £ | £ |
| | Contributions payable by the company for the year | <u>170,121</u> | <u>123,700</u> |
| | | | |
| 10 | Share capital | 2005 | 2004 |
| | | £ | £ |
| | Authorised | | |
| | 20,000 Ordinary shares of £1 each | <u>20,000</u> | <u>20,000</u> |
| | | | |
| | Allotted, called up and fully paid | | |
| | 20,000 Ordinary shares of £1 each | <u>20,000</u> | <u>20,000</u> |
| | | | |
| 11 | Statement of movements on profit and loss account | | Profit and loss account |
| | | | £ |
| | Balance at 1 January 2005 | | (772,466) |
| | Retained loss for the year | | <u>(54,199)</u> |
| | Balance at 31 December 2005 | | <u>(826,665)</u> |

BROADVISION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005**

| 12 Reconciliation of movements in shareholders' funds | 2005 | 2004 |
|--|------------------|------------------|
| | £ | £ |
| Loss for the financial year | (54,199) | (95,501) |
| Opening shareholders' funds | (752,466) | (656,965) |
| Closing shareholders' funds | <u>(806,665)</u> | <u>(752,466)</u> |

13 Financial commitments

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as follows

| | Land and buildings | |
|----------------------------|---------------------------|----------------|
| | 2005 | 2004 |
| | £ | £ |
| Expiry date | | |
| Within one year | 60,340 | - |
| Between two and five years | - | 241,348 |
| | <u>60,340</u> | <u>241,348</u> |

| 14 Director's emoluments | 2005 | 2004 |
|---|-------------|----------------|
| | £ | £ |
| Emoluments for qualifying services | - | 274,505 |
| Company pension contributions to money purchase schemes | - | 23,685 |
| | <u>-</u> | <u>298,190</u> |

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 0 (2004- 2)

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 0 (2004- 2)

BROADVISION (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
FOR THE YEAR ENDED 31 DECEMBER 2005

15 Employees**Number of employees**

The average monthly number of employees (including directors) during the year was

| | 2005 Number | 2004 Number |
|----------------------------|----------------|----------------|
| Sales and support | 15 | 18 |
| BVGS | 6 | 10 |
| Finance and Administration | 10 | 11 |
| | <u>31</u> | <u>39</u> |

Employment costs

| | £ | £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 1,657,432 | 2,618,309 |
| Social security costs | 165,805 | 293,817 |
| Other pension costs | 170,121 | 123,700 |
| | <u>1,993,358</u> | <u>3,035,826</u> |

16 Control

The company's ultimate parent company and controlling party is BroadVision Inc , a company incorporated in the USA

17 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with related parties within the group, as consolidated financial statements in the which the company is included are available from 1600 Seaport Boulevard, 5th Floor, North Building, Redwood City, California, 94063, USA