

**Company Registration No. 3163427**

**Sterling Commerce (UK) Limited**

**Report and Financial Statements**

**31 December 2004**



# **Sterling Commerce (UK) Limited**

## **Report and financial statements 2004**

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# **Sterling Commerce (UK) Limited**

## **Report and financial statements 2004**

### **Officers and professional advisers**

#### **Directors**

Simon Bond  
Jan Pieter de Hoogh  
Michael Meyer  
David Robinson  
Donna Angiulo

#### **Secretary**

Abogado Nominees Limited

#### **Registered Office**

1 Longwalk Road  
Stockley Park  
Uxbridge  
Middlesex  
UB11 1DB

#### **Bankers**

Lloyds TSB Bank plc  
24 Broad Street  
Reading  
Berkshire  
RG1 2BT

ABN AMRO Bank N.V.  
250 Bishopsgate  
London  
EC2M 4AA

#### **Solicitors**

Baker & McKenzie  
100 New Bridge Street  
London

#### **Auditors**

Deloitte & Touche LLP  
Chartered Accountants  
London

# **Sterling Commerce (UK) Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

### **Principal activities and review of the business**

The principal activity of the group is the provision of electronic commerce products and networking services.

The directors expect the company to continue the same level of business activity for the foreseeable future.

### **Results and dividends**

The profit for the year, after taxation, amounted to £218,595 (2003 profit: £1,666,838). The directors do not recommend the payment of any dividends (2003: £nil).

### **Directors and their interests**

The directors who served the company throughout the year, except as noted were as follows:

Simon Bond  
Jan Pieter de Hoogh  
Michael Meyer  
David Robinson  
Michael Goldbeck (resigned 27 May 2004)  
Donna Angiulo (appointed 5 April 2004)

No director had any interest in the shares of the company or any group company during the year.

### **Auditors**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



J.P. de Hoogh  
Director

24 October 2005

## **Sterling Commerce (UK) Limited**

### **Statement of directors' responsibilities**

United Kingdom 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 as at the end of the financial year 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; 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the members of Sterling Commerce (UK) Limited**

We have audited the financial statements of Sterling Commerce (UK) Limited for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. 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 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.

### **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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

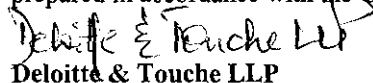
### **Basis of audit opinion**

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 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.

### **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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London

24<sup>th</sup> October 2005

# **Sterling Commerce (UK) Limited**

## **Profit and loss account** **Year ended 31 December 2004**

	Notes	2004 £	2003 £
<b>Turnover</b>	2	15,535,707	16,087,264
Cost of sales		(9,455,751)	(8,706,167)
<b>Gross profit</b>		6,079,956	7,381,097
Administrative expenses		(5,521,474)	(5,057,038)
<b>Operating profit</b>	3	558,482	2,324,059
Interest receivable	6	29,084	9,802
Interest payable	7	(71,848)	(1,237)
		(42,764)	8,565
<b>Profit on ordinary activities before taxation</b>		515,718	2,332,624
Tax on profit on ordinary activities	8	(297,123)	(665,786)
<b>Profit retained for the financial year</b>		218,595	1,666,838

All profits are derived from continuing operations.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been prepared.

There is no material difference between the results as disclosed in the profit and loss account and the historical cost equivalent.

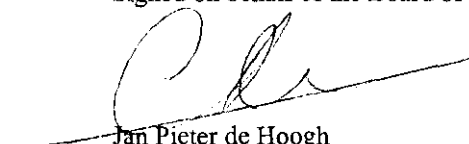
# Sterling Commerce (UK) Limited

## Balance sheet 31 December 2004

	Notes	2004 £	2003 £
<b>Fixed assets</b>			
Tangible assets	9	<u>1,010,810</u>	<u>1,194,074</u>
<b>Current assets</b>			
Debtors	10	21,232,390	14,752,949
Cash at bank		<u>1,128,965</u>	<u>1,580,083</u>
		22,361,355	16,333,032
<b>Creditors: amounts falling due within one year</b>	11	<u>19,445,172</u>	<u>13,818,708</u>
<b>Net current assets</b>		<u>2,916,183</u>	<u>2,514,324</u>
<b>Net assets</b>		<u>3,926,993</u>	<u>3,708,398</u>
<b>Capital and reserves</b>			
Called up share capital	15	85	85
Share premium account	16	649,980	649,980
Profit and loss account	16	<u>3,276,928</u>	<u>3,058,333</u>
<b>Total equity shareholders' funds</b>	16	<u>3,926,993</u>	<u>3,708,398</u>

These financial statements were approved by the Board of Directors on 24 October 2005.

Signed on behalf of the Board of Directors

  
Jan Pieter de Hoogh  
Director

# Sterling Commerce (UK) Limited

## Notes to the accounts

Year ended 31 December 2004

### 1. Accounting policies

#### Basis of preparation

The financial statements are prepared under the historical cost convention. The policies adopted are consistent with the prior year.

#### Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No. 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent company publishes a consolidated cash flow statement.

#### Fixed assets

All fixed assets are recorded at cost less provision for any impairment.

#### Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold improvements	(over the life of the lease)
Computer equipment and software	(3 to 5 years)
Fixtures and fittings	(3 to 7 years)

The capitalised software costs relate entirely to externally developed specialist computer programmes

#### Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 exception:

- 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 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

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

# Sterling Commerce (UK) Limited

## Notes to the accounts

Year ended 31 December 2004

### 1. Accounting policies (continued)

#### Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

#### Turnover

Turnover is stated net of value added tax. Software licence revenue is recognised when persuasive evidence of an agreement exists, delivery of the product has occurred, the fee is fixed or determinable and collectibility is probable. Support revenues are recognised rateably over the term of the support period (generally one year) and training and other service revenue are recognised as the related services are provided.

#### Operating lease agreements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

#### Pension costs

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

### 2. Turnover

Turnover is attributable to one continuing activity, the provision of electronic commerce products and networking services.

An analysis of turnover by geographical market is given below:

	2004 £	2003 £
United Kingdom	15,435,246	15,975,180
Europe	100,461	112,084
	<u>15,535,707</u>	<u>16,087,264</u>

# Sterling Commerce (UK) Limited

## Notes to the accounts Year ended 31 December 2004

### 3. Operating profit

	2004 £	2003 £
<b>This is stated after charging:</b>		
Previous auditors' remuneration – audit services	-	-
– non-audit services	-	68,695
	<u>-</u>	<u>68,695</u>
Current auditors' remuneration – audit services	52,921	33,645
	<u>52,921</u>	<u>33,645</u>
Depreciation of owned fixed assets	393,676	560,364
Operating lease rentals – land and buildings	941,220	941,220
– plant and machinery	105,692	105,692
	<u>941,220</u>	<u>105,692</u>

### 4. Staff costs

	2004 £	2003 £
Wages and salaries	5,308,168	4,983,822
Social security costs	724,708	733,262
Other pension costs (note 12)	276,380	257,699
	<u>6,309,256</u>	<u>5,974,783</u>

The monthly average number of employees during the year was as follows:

	2004 No.	2003 No.
Sales and distribution staff	30	26
Administrative staff	67	67
	<u>97</u>	<u>93</u>

# **Sterling Commerce (UK) Limited**

## **Notes to the accounts** **Year ended 31 December 2004**

### **5. Directors' emoluments**

	2004 £	2003 £
Emoluments	445,638	417,590
Value of company pension contributions to money purchase schemes	22,549	23,712
	<u>468,187</u>	<u>441,302</u>
	<b>No.</b>	<b>No.</b>
Members of money purchase pension schemes	<u>2</u>	<u>2</u>

The amounts in respect of the highest paid director are as follows:

	£	£
Emoluments	<u>262,908</u>	<u>253,060</u>
Value of company pension contributions to money purchase schemes	<u>13,132</u>	<u>14,512</u>

### **6. Interest receivable**

	2004 £	2003 £
Bank interest receivable	<u>29,084</u>	<u>9,802</u>

### **7. Interest payable**

	2004 £	2003 £
Bank interest payable	458	1,237
Interest on late tax payment	<u>71,390</u>	<u>-</u>
	<u>71,848</u>	<u>1,237</u>

# Sterling Commerce (UK) Limited

## Notes to the accounts

Year ended 31 December 2004

### 8. Tax

#### (a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2004 £	2003 £
<i>Current tax:</i>		
UK corporation tax	70,444	649,571
Tax under provided in previous years	29,869	89,761
	<u>100,313</u>	<u>739,332</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	158,497	117,728
Adjustment in respect of prior years	38,313	(191,274)
	<u>297,123</u>	<u>665,786</u>
Tax on profit on ordinary activities	<u>297,123</u>	<u>665,786</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% (2003 – 30%). The differences are reconciled below:

	2004 £	2003 £
Profit on ordinary activities before taxation	<u>515,718</u>	<u>2,332,624</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30.00% (2003: 30.00%)	154,715	699,787
Disallowable expenses	74,226	67,512
Capital allowances in excess of depreciation	(33,120)	(10,682)
Other timing differences	(125,377)	(107,046)
Adjustments in respect of previous periods	29,869	89,761
	<u>100,313</u>	<u>739,332</u>
Total current tax (note 8(a))	<u>100,313</u>	<u>739,332</u>

# Sterling Commerce (UK) Limited

## Notes to the accounts Year ended 31 December 2004

### 8. Tax (continued)

#### (c) Deferred tax

	2004 £	2003 £
Capital allowances in advance of depreciation	150,723	222,156
Other timing differences	41,719	167,096
	<u>192,442</u>	<u>389,252</u>
	£	£
At 1 January 2004	389,252	315,706
Profit and loss account movement arising during the year	(196,810)	73,546
	<u>192,442</u>	<u>389,252</u>

### 9. Tangible fixed assets

	Leasehold improve- ments £	Computer equipment and software £	Fixtures and fittings £	Software in the course of development £	Total £
<b>Cost</b>					
At 1 January 2004	2,071,843	1,871,312	915,516	-	4,858,671
Additions	-	69,486	-	140,926	210,412
	<u>2,071,843</u>	<u>1,940,798</u>	<u>915,516</u>	<u>140,926</u>	<u>5,069,083</u>
<b>Depreciation</b>					
At 1 January 2004	1,140,486	1,646,515	877,596	-	3,664,597
Charge for the year	232,542	139,727	21,407	-	393,676
	<u>1,373,028</u>	<u>1,786,242</u>	<u>899,003</u>	<u>-</u>	<u>4,058,273</u>
<b>Net book value</b>					
At 31 December 2004	<u>698,815</u>	<u>154,556</u>	<u>16,513</u>	<u>140,926</u>	<u>1,010,810</u>
At 31 December 2003	<u>931,357</u>	<u>224,797</u>	<u>37,920</u>	<u>-</u>	<u>1,194,074</u>

# Sterling Commerce (UK) Limited

## Notes to the accounts

Year ended 31 December 2004

### 10. Debtors

	2004 £	2003 £
Trade debtors	3,800,874	5,459,220
Amounts owed by group undertakings	16,083,334	8,156,199
Corporation tax	453,690	-
Other debtors	-	50,688
Prepayments and accrued income	451,190	489,002
Unbilled receivables	250,860	208,588
Deferred taxation (note 8)	192,442	389,252
	<u>21,232,390</u>	<u>14,752,949</u>

### 11. Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	337,011	334,304
Amounts owed to group undertakings	10,806,865	4,666,709
Corporation tax	-	307,252
Other taxation and social security	330,732	799,652
Accruals and deferred income	7,970,564	7,710,791
	<u>19,445,172</u>	<u>13,818,708</u>

### 12. Pensions

The group operates a defined contribution pension scheme, the Sterling Commerce (UK) Limited Retirement Benefits Scheme, for its directors and employees. The assets of the scheme are held separately from those of the company and the fund is administered independently. Amounts contributed in the year totalled £276,380 (2003: £257,699). The unpaid contributions outstanding at the year end, included in 'Accruals and Deferred Income' (note 11), were £nil (2003: £nil).

### 13. Commitments under operating leases

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	2004		2003	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
In two to five years	<u>941,220</u>	<u>49,019</u>	<u>941,220</u>	<u>49,019</u>

### 14. Related party transactions

In accordance with the exemptions offered by FRS 8, there is no disclosure in these financial statements of transactions with entities that are part of the group headed by Southwest Bell Corporation.

# Sterling Commerce (UK) Limited

## Notes to the accounts Year ended 31 December 2004

There were no other related party transactions.

### 15. Called up share capital

	2004 \$	2003 \$
Authorised:		
Ordinary shares of \$1 each	10,000	10,000

	2004		2003		2002
	No.	£	No.	£	£
Called up, allotted and fully paid					
Ordinary shares of \$1 each	133	85	133	85	85
	133	85	133	85	85

### 16. Reconciliation of shareholders' funds and movement on reserves

	Share capital	Share premium account	Profit and loss account	Total shareholders' funds
At 1 January 2003	85	649,980	1,391,495	2,041,560
Profit for the year	-	-	1,666,838	1,666,838
Balance at 31 December 2003	85	649,980	3,058,333	3,708,398
Profit for the year	-	-	218,595	218,595
At 31 December 2004	85	649,980	3,276,928	3,926,993

### 17. Ultimate parent company

The group's immediate parent undertaking is Sterling Commerce Inc., a company incorporated in the State of Delaware, United States of America.

In the directors' opinion, the ultimate parent undertaking and controlling party is Southwest Bell Corporation, which is incorporated in the state of Texas, USA. Copies of its group accounts, which include the group from its date of acquisition on 24 March 2000, are available from 175 E Houston, San Antonio, TX 78299-2933, USA.