

3163427

# **Sterling Commerce (UK) Limited**

## **Report and Financial Statements**

31 December 2001

 **ERNST & YOUNG**



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# Sterling Commerce (UK) Limited

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Registered No: 3163427

## Directors

Michael Goldbeck  
Michael Meyer  
Simon Bond  
Jan Pieter de Hoogh  
David Robinson

## Secretary

Abogado Nominees Limited

## Auditors

Ernst & Young LLP  
Apex Plaza  
Reading  
Berkshire  
RG1 1YE

## Bankers

Lloyds 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  
EC4V 6JA

## Registered Office

1 Longwalk Road  
Stockley Park  
Uxbridge  
Middlesex  
UB11 1DB

## Directors Report

The directors present their report and financial statements for the period ended 31 December 2001.

### Results and dividends

The group profit for the year, after taxation, amounted to £5,725 (15 month period ended 31 December 2000: loss £512,756). The directors do not recommend a payment of a dividend (2000: £Nil).

### Principal activity and business review

The principal activity of the group is the provision of electronic commerce products and networking services. Since 1 January 1997, Sterling Commerce (UK) Limited had earned commissions in respect of sales made in Europe. On 1 August 2001 the commissionaire agreement in place with the Sterling Commerce group was replaced with a royalty agreement. Under the terms of the royalty agreement the company will own the revenues and costs relating to software license sales made in the United Kingdom and will pay royalties on these sales. The ownership of license revenue and costs increases both the potential margins and the commercial risks of the company.

As part of the ending of the commissionaire arrangement, the associated assets and liabilities held by the commissionaire were transferred to the company at fair value.

The level of business activity year on year has declined in line with the general economic downturn. The directors do not expect this trend to continue and expect to build on profitability in 2002.

### Directors and their interests

The directors of the company during the period ended 31 December 2001 were as follows:

Simon Bond	(appointed 28 March 2001)
David Bruce	(resigned 14 February 2001)
Dennis Byrnes	(resigned 1 February 2001)
Jan Pieter de Hoogh	(appointed 28 March 2001)
Didier Lesteven	(resigned 14 September 2001)
Thomas Lowe	
Michael Meyer	(appointed 31 July 2001)
David Robinson	

In addition, resignations of directors post period end were:

Thomas Lowe resigned 31 May 2002.

Appointments post period end were:

Michael Goldbeck appointed 31 May 2002.

There are no director's interests requiring disclosure under the Companies Act 1985.

## Directors Report

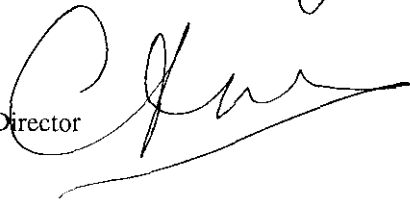
### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board on

*June 5 2007*

Director



## **Statement of directors' responsibilities in respect of the financial statements**

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 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; 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 group 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 group 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 company's financial statements for the year ended 31 December 2001 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of 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 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 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 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 affairs of the company as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young  
Registered Auditor  
Reading

*Ernst & Young* *WP*  
19/6/03

**Group Profit and Loss Account**

For the year ended 31 December 2001

		<i>12 months ended 31 December 2001</i>	<i>15 months ended 31 December 2000</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
<b>Turnover</b>	2	8,337,493	5,729,321
Cost of sales		(4,132,781)	(2,389,449)
<b>Gross profit</b>		4,204,712	3,339,872
Administrative expenses		(3,485,249)	(1,250,178)
Impairment of goodwill		-	(2,444,443)
Profit on sale of Managed Service Division	3a	-	507,413
<b>Operating profit</b>	3	719,463	152,664
Bank interest receivable		78,831	25,003
Bank interest payable		(564)	(6,543)
Profit on ordinary activities before taxation		797,730	171,124
Tax on profit on ordinary activities	6	(792,005)	(683,880)
<b>Retained profit/(loss) for the financial year</b>	15	5,725	(512,756)

**Group Statement of Total Recognised Gains and Losses**

There are no recognised gains or losses other than the profit attributable to shareholders of the group of £5,725 for the year ended 31 December 2001, (15 months to 31 December 2000: loss £512,756).

## Group Balance Sheet

At 31 December 2001

	Note	2001 £	2000 £
<b>Fixed assets</b>			
Intangible assets	8	-	-
Tangible assets	9	1,881,061	2,424,233
		<u>1,881,061</u>	<u>2,424,233</u>
<b>Current assets</b>			
Debtors	11	11,642,650	1,273,987
Cash at bank and in hand		1,608,279	637,520
		<u>13,250,929</u>	<u>1,911,507</u>
<b>Creditors: amounts falling due within one year</b>	12	(14,214,778)	(3,424,253)
<b>Net current liabilities</b>		<u>(963,849)</u>	<u>(1,512,746)</u>
<b>Total assets less current liabilities</b>		917,212	911,487
<b>Provisions for liabilities and charges</b>			
Deferred taxation	13	-	-
		<u>917,212</u>	<u>911,487</u>
<b>Capital and reserves</b>			
Called up share capital	14	85	85
Share premium account	15	649,980	649,980
Profit and loss account	15	267,147	261,422
<b>Equity shareholders' funds</b>		<u>917,212</u>	<u>911,487</u>

Approved by the Board on June 5 2003

Director





**Balance Sheet**

At 31 December 2001

	Note	2001 £	2000 £
<b>Fixed assets</b>			
Tangible assets	9	1,881,061	2,424,233
Investments	10	-	-
		<u>1,881,061</u>	<u>2,424,233</u>
<b>Current assets</b>			
Debtors	11	11,642,650	1,167,612
Cash at bank and in hand		1,608,279	637,520
		<u>13,250,929</u>	<u>1,805,132</u>
<b>Creditors: amounts falling due within one year</b>	12	(14,973,940)	(4,077,040)
<b>Net current liabilities</b>		<u>(1,723,011)</u>	<u>(2,271,908)</u>
<b>Total assets less current liabilities</b>		<u>158,050</u>	<u>152,325</u>
<b>Provisions for liabilities and charges</b>			
Deferred taxation	13	-	-
		<u>158,050</u>	<u>152,325</u>
<b>Capital and reserves</b>			
Called up share capital	14	85	85
Share premium account	15	649,980	649,980
Profit and loss account	15	(492,015)	(497,740)
<b>Equity shareholders' funds</b>		<u>158,050</u>	<u>152,325</u>

Approved by the Board on

June 5 2003

Director



## Notes to the Financial Statements

At 31 December 2001

### 1. Accounting Policies

#### **Accounting convention**

The accounts are prepared under the historical cost convention, and in accordance with applicable accounting standards.

#### **Going concern**

The accounts have been prepared on a going concern basis on the basis that the immediate parent company, Sterling Commerce Inc., has committed to ensure that the company and group have sufficient funds to meet their liabilities as they fall due for a period of not less than 12 months from the date of signing the financial statements.

#### **Basis of consolidation**

The group accounts consolidate the accounts of Sterling Commerce (UK) Limited and all its subsidiary undertakings drawn up to 31 December 2001. No profit and loss account is presented for Sterling Commerce (UK) Limited as permitted by section 230 of the Companies Act 1985.

#### **Cash flow statement**

The company has taken advantage of the exemption offered under FRS 1 (Revised) in not preparing a cash flow statement, being a wholly owned subsidiary of a company preparing accounts which are publicly available.

#### **Goodwill**

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### **Tangible fixed assets**

Fixed assets are initially recorded at cost.

#### **Depreciation**

Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Leasehold improvements	-	over the life of the lease
Furniture, fixtures and fittings	-	3 to 7 years
Motor vehicles	-	3 to 4 years
Computer equipment and software	-	3 to 5 years

#### **Taxation**

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by tax authorities) has been calculated on the liability method. Deferred taxation is provided on the timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

# Notes to the Financial Statements

At 31 December 2001

## 1. Accounting Policies (continued)

### Foreign currency

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

### Operating lease agreements

The group enters into operating lease agreements. Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

### Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the assets have passed to the company, and hire purchase contracts are capitalised in the future obligations under balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of rental obligations are charged in the profit and loss account over the periods of the hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

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

### Pensions

The group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The assets of the scheme are held separately from those of the group in an independently administered fund.

## 2. Turnover

Turnover, which is stated net of VAT (and trade discounts), comprises revenue and commissions receivable in respect of licence sales and service revenue, primarily consulting and training services. At 1 August 2001 the commissionaire structure, which the company operated under for license sales, was voided and a royalty-based structure was implemented. From 1 August 2001, revenues represented billed and delivered licences as well as consulting and training services. Prior to 1 August 2001, only commission revenue was received in respect of licence sales. The increase in turnover resulting from the change was £5,108,922.

Contributions to turnover arising from the group's principal activity were as follows;

	12 months ended 31 December 2001 £	15 months ended 31 December 2000 £
<i>By geographical area:</i>		
United Kingdom	6,489,911	2,352,678
Europe	1,847,582	3,376,643
	<u>8,337,493</u>	<u>5,729,321</u>

## Notes to the Financial Statements

At 31 December 2001

### 3. Operating profit/(loss)

	12 months ended 31 December 2001 £	15 months ended 31 December 2000 £
This is stated after charging:		
Depreciation of owned assets	706,737	853,269
Amortization of goodwill	-	2,830,846
Operating lease - plant and machinery	219,928	280,640
- land and buildings	941,220	941,220
Auditors' remuneration - audit services	65,352	60,575
- other services	18,000	52,000
Foreign exchange (gain)/loss	(37,365)	80,518

As noted in note 2, on 1 August 2001, a new royalty structure was implemented in respect of the sale of licences and maintenance. As a result certain costs which were previously recharged to a fellow subsidiary are now retained in the group and company's own profit and loss account.

### 3a. Exceptional costs

During the prior period the company sold the trade and assets of its Managed Services Division for a net profit of £507,413. Discontinued operation disclosures for prior period comparative purposes have not been disclosed in the profit and loss account as the directors do not consider the results of the division in the profit and loss account to be significant to the group in that period.

### 4. Directors' remuneration

Directors' remuneration in respect of the group was as follows:

	12 months ended 31 December 2001 £	15 months ended 31 December 2000 £
Emoluments	284,701	339,000
Group contributions paid to defined contribution scheme	10,658	15,275

	12 months ended 31 December 2001 No.	15 months ended 31 December 2000 No.
Members of the group's defined contribution scheme	2	2

## Notes to the Financial Statements

At 31 December 2001

### 4. Directors' remuneration (continued)

The amounts paid in respect of the highest paid director for the year ended 31 December 2001 are as follows:

	<i>12 months ended 31 December 2001 £</i>	<i>15 months ended 31 December 2000 £</i>
Emoluments	161,417	186,000
Group contributions paid to defined contribution scheme	5,573	7,748
	<u>166,990</u>	<u>193,748</u>

### 5. Staff costs

	<i>2001</i>	<i>2000</i>
Wages and salaries	6,542,738	7,180,799
Social security costs	750,099	873,623
Other pension costs	365,881	389,990
	<u>7,658,718</u>	<u>8,444,412</u>

The average weekly number of persons employed by the group during the year were as follows:

	<i>2001</i>	<i>2000</i>
Sales and distribution	29	39
Administration	86	106
	<u>115</u>	<u>145</u>

## Notes to the Financial Statements

At 31 December 2001

### 6. Tax on profit/(loss) on ordinary activities

The tax charge is based on the profit/(loss) for the year and comprises:

	<i>12 months ended 31 December 2001 £</i>	<i>15 months ended 31 December 2000 £</i>
UK corporation tax	538,476	823,062
Deferred taxation (note 13)	-	(1,940)
	<u>538,476</u>	<u>821,122</u>
Adjustments in respect of previous periods	253,529	(137,242)
	<u>792,005</u>	<u>683,880</u>

### 7. Profit/(loss) attributable to members of the parent company

The profit dealt with in the accounts of the parent company for the year ended 31 December 2001 was £5,725 (2000: loss £512,756).

### 8. Intangible fixed assets

*Group*

	<i>Goodwill £</i>
<b>Cost:</b>	
At 1 January 2001 and 31 December 2001	<u>3,864,038</u>
<b>Amortisation:</b>	
At 1 January 2001 and 31 December 2001	<u>3,864,038</u>
<b>Net book value:</b>	
At 31 December 2000 and 31 December 2001	<u>-</u>

## Notes to the Financial Statements

At 31 December 2001

### 9. Tangible fixed assets

*Group and Company*

	<i>Leasehold Improvements</i>	<i>Computer equipment and software</i>	<i>Fixtures, fittings and equipment</i>	<i>Total</i>
	£	£	£	£
<b>Cost of valuation:</b>				
At 1 January 2001	1,904,198	1,399,642	887,076	4,190,916
Additions	-	160,667	2,900	163,567
Disposals	(2)	-	-	(2)
At 31 December 2001	<u>1,904,196</u>	<u>1,560,309</u>	<u>889,976</u>	<u>4,354,481</u>

*Group and Company***Depreciation:**

At 1 January 2001	486,588	874,844	405,251	1,766,683
Provided during the year	196,447	330,388	179,902	706,737
Disposals	-	-	-	-
At 31 December 2001	<u>683,035</u>	<u>1,205,232</u>	<u>585,153</u>	<u>2,473,420</u>
<b>Net book value:</b>				
At 31 December 2001	<u>1,221,161</u>	<u>355,077</u>	<u>304,823</u>	<u>1,881,061</u>
At 31 December 2000	<u>1,417,610</u>	<u>524,798</u>	<u>481,825</u>	<u>2,424,233</u>

### 10. Investments

*Company*

Details of the investments in which the group and the company (unless indicated) holds 20% or more of the nominal value of any class of share capital are as follows:

<i>Name of Company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of Business</i>
The Electronic Data Exchange Services Limited	Ordinary shares	100%	Dormant
Electronic Commerce Group Limited	Ordinary shares	100%	Dormant
Sterling Electronic Commerce (UK) Limited	Ordinary shares	100%	Dormant

On the 15 April 2003 the Company began procedures to voluntary liquidate its subsidiaries.

## Notes to the Financial Statements

At 31 December 2001

	<i>Subsidiary undertakings</i> £
<b>Cost:</b>	
At 1 January 2001 and 31 December 2001	4,458,054
<b>Amounts provided:</b>	
At 1 January 2001 and 31 December 2001	4,458,054
<b>Net book value:</b>	
At 31 December 2000 and 31 December 2001	-

### 11. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	£	£	£	£
Trade debtors	6,089,007	701,650	6,089,007	701,650
Unbilled Receivables	2,440,959	-	2,440,959	-
Prepayments and accrued income	1,112,548	442,603	1,112,548	442,603
Other debtors	74,431	23,359	74,431	23,359
Amounts due from other group undertakings	1,925,705	106,375	1,925,705	-
	<u>11,642,650</u>	<u>1,273,987</u>	<u>11,642,650</u>	<u>1,167,612</u>

Included in unbilled receivables is an amount falling due more than one year of £333,000 (2000: £Nil).  
Also included in other current assets is an amount falling due more than one year of £1,059 (2000: £Nil).

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

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	£	£	£	£
Trade creditors	180,439	128,667	180,439	128,667
Amounts owed to other group undertakings	4,715,736	-	5,474,898	652,787
Corporation tax	499,596	447,883	499,596	447,883
Other taxes and social security	887,882	898,545	887,882	898,545
Accruals and deferred income	7,931,125	1,949,158	7,931,125	1,949,158
	<u>14,214,778</u>	<u>3,424,253</u>	<u>14,973,940</u>	<u>4,077,040</u>



## Notes to the Financial Statements

At 31 December 2001

### 13. Provisions for liabilities and charges

*Group and company*

The movements in deferred taxation during the current and previous years are as follows:

	£
At 30 September 1999	1,940
Over-provision in prior year	(1,940)
At 31 December 2000 and 31 December 2001	-

Deferred taxation provided in the accounts and the amounts not provided are as follows:

*Group and company*

	<i>Provided</i>		<i>Not provided</i>	
	2001	2000	2001	2000
	£	£	£	£
Accelerated capital allowances	-	-	(213,790)	(168,038)
Other timing differences	-	-	(197,250)	-
Losses carried forward	-	-	-	(5,571)
	-	-	(411,040)	(173,609)

### 14. Share capital

	<i>Authorised</i>	
	2001	2000
	US\$	US\$
Ordinary shares of US\$ 1 each	10,000	10,000

	<i>Allotted, called up and fully paid</i>			
	2001	2000	2001	2000
	No.	No.	£	£
Ordinary shares of US\$ 1 each	133	133	85	85

## Notes to the Financial Statements

At 31 December 2001

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

#### Group

	Share capital £	Share premium £	Profit and loss account £	Total £
At 30 September 1999	85	649,980	774,178	1,424,243
Loss for the period	-	-	(512,756)	(512,756)
At 31 December 2000	85	649,980	261,422	911,487
Profit for the year	-	-	5,725	5,725
At 31 December 2001	85	649,980	267,147	917,212

#### Company

	Share capital £	Share premium £	Profit and loss account £	Total £
At 30 September 1999	85	649,980	221,615	871,680
Loss for the period	-	-	(719,355)	(719,355)
At 31 December 2000	85	649,980	(497,740)	152,325
Profit for the year	-	-	5,725	5,725
At 31 December 2001	85	649,980	(492,015)	158,050

Shareholders' funds are entirely attributable to equity interests.

### 16. Financial commitments

As at 31 December 2001, the group had annual commitments under non-cancellable operating leases as set out below:

	2001		2000	
	Land and buildings £	Other £	Land and buildings £	Other £
<i>Operating leases which expire:</i>				
- within one year	-	38,646	-	96,261
- in two to five years	-	9,132	-	122,680
- over five years	941,220	-	941,220	-
	941,220	47,778	941,220	218,941

### 17. Pension commitments

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. The unpaid contributions outstanding at the year end, included in 'accruals' were £40,390 (2000: £1,385).

## Notes to the Financial Statements

At 31 December 2001

### 18. 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.

### 19. 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.

There were no other related party transactions.