

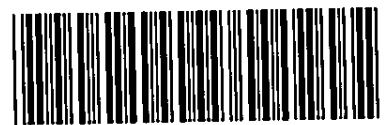
Company Registration No. 3163427

Sterling Commerce (UK) Limited

Report and Financial Statements

31 December 2007

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Sterling Commerce (UK) Limited

Report and financial statements 2007

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Sterling Commerce (UK) Limited

Report and financial statements 2007

Officers and professional advisers

Directors

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

Secretary

Abogado Nominees Limited
100 New Bridge Street
London
EC4V 6JA

Registered office

3 Furzeground Way
Uxbridge
Middlesex
UB11 1EZ

Bankers

Lloyds TSB Bank
24 Broad Street
Reading
Berks
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 2007

Principal activities

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

Review of the business

The directors are satisfied that the financial statements give a true and fair view of the business of the company for the financial year and of its position as at 31 December 2007. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities.

As shown in the company's profit and loss account on page 7, the company's sales have increased by 10% over the prior year and operating profit has increased by 125% due to administrative expenses increasing only by 1%.

The company's financial position at the year end is shown in the balance sheet on page 8.

The company's parent, AT&T group, manages its operations on a worldwide basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the UK operations of AT&T Inc, which includes the company, is discussed in the group's consolidated audited financial statements which do not form part of this report.

Results and dividends

The profit for the year, after taxation, amounted to £187,473 (2006: £109,994). The directors do not recommend any dividend for the current year (2006: £2,000,000).

Risk management

The company is exposed to price risk, including currency and interest rate risk, along with credit, liquidity and cash flow risks. The company has adopted risk management policies that seek to mitigate these risks in a cost effective manner.

Financial assets that expose the company to financial risk consist principally of group debtors. Financial liabilities that expose the company to financial risk consist principally of group creditors. The financial risks associated with these financial instruments are considered minimal, given the relationship with other fellow Sterling Commerce group undertakings.

Directors

The directors who served the company throughout the year ended 31 December 2007 and to date are as follows:

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

Sterling Commerce (UK) Limited

Directors' report (continued)

Charitable and political contributions

There were no charitable or political contributions during the year (2006 nil)

Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Approved by the board of directors
and signed on behalf of the board



J P De Hoogh
Director

17 October 2008

Sterling Commerce (UK) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these 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 UK 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 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 2007 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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.

In addition we 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 other transactions 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.

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

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 2007 and of its profit for the year then ended,
- 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



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

20th October 2008

Sterling Commerce (UK) Limited

Profit and loss account Year ended 31 December 2007

	Notes	2007 £	2006 £
Turnover	2	20,845,850	18,907,692
Cost of sales		(7,513,870)	(6,066,725)
Gross profit		13,331,980	12,840,967
Administrative expenses		(12,708,065)	(12,564,254)
Operating profit	3	623,915	276,713
Interest receivable (net)	6	63,224	17,223
Profit on ordinary activities before taxation		687,139	293,936
Tax on profit on ordinary activities	7	(499,666)	(183,942)
Profit for the financial year		187,473	109,994

All profits are derived from continuing operations

The company has no recognised gains and losses other than those included in the results above in the current and preceding year, 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 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible assets	8	<u>1,210,372</u>	<u>464,460</u>
Current assets			
Debtors			
- due within one year	9	11,666,488	12,755,934
- due after one year	9	336,567	-
Cash at bank and in hand		<u>2,233,568</u>	<u>1,940,168</u>
		14,236,623	14,696,102
Creditors amounts falling due within one year	11	<u>(13,831,627)</u>	<u>(12,576,795)</u>
Net current assets		<u>404,996</u>	<u>2,119,307</u>
Total assets less current liabilities		1,615,368	2,583,767
Provisions for liabilities	12	<u>(225,000)</u>	<u>(1,380,871)</u>
Net assets		<u>1,390,368</u>	<u>1,202,896</u>
Capital and reserves			
Called up share capital	15	85	85
Share premium account	16	649,980	649,980
Profit and loss account	16	<u>740,303</u>	<u>552,831</u>
Total shareholders' funds	16	<u>1,390,368</u>	<u>1,202,896</u>

These financial statements were approved and authorised for issue by the board of directors on 17 October 2008

Signed on behalf of the board of directors

Jan Pieter de Hoogh
Director

Sterling Commerce (UK) Limited

Notes to the financial statements Year ended 31 December 2007

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and are prepared under the historical cost convention. The principal accounting policies are summarised below. These have all been applied consistently throughout the current and preceding 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 these financial statements on the grounds that the company is wholly owned and its ultimate parent company publishes a consolidated cash flow statement.

Fixed assets

Tangible fixed assets are recorded at cost net of depreciation and any provision for impairment.

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	3 to 5 years
Software	3 years
Fixtures and fittings	3 to 7 years

The capitalised software costs relate entirely to externally developed specialists computer programmes. Software in the course of construction is not depreciated until it is put into use.

Taxation

Current tax, including UK corporation tax and foreign 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 the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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 financial statements Year ended 31 December 2007

1. Accounting policies (continued)

Operating lease agreements

Rentals payable under operating leases are charged to 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 to the profit and loss account as they become payable in accordance with the rules of the scheme

2 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 collectability 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

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

	2007 £	2006 £
United Kingdom	19,360,480	17,560,425
Europe	1,485,370	1,347,267
	<u>20,845,850</u>	<u>18,907,692</u>

3 Operating profit

This is stated after charging

	2007 £	2006 £
Auditors' remuneration		
- Fees payable to the company's auditors	70,000	72,794
- for the audit of the company's annual accounts	16,000	25,445
- for the taxation services		
	<u>86,000</u>	<u>98,239</u>
Depreciation of owned fixed assets	<u>356,834</u>	<u>415,142</u>
Loss on disposal of fixed assets	<u>72,241</u>	<u>20,447</u>
Operating lease rentals		
- land and buildings	968,895	647,823
- plant and machinery	17,142	21,625
	<u></u>	<u></u>

Sterling Commerce (UK) Limited

Notes to the financial statements **Year ended 31 December 2007**

4. Staff costs

	2007 £	2006 £
Wages and salaries	8,046,707	6,601,024
Social security costs	1,151,035	850,610
Other pension costs (note 11)	441,966	318,029
	<u>9,639,708</u>	<u>7,769,663</u>

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

	2007 No.	2006 No.
Sales and distribution staff	54	46
Administrative staff	67	59
	<u>121</u>	<u>105</u>

5. Directors' emoluments

	2007 £	2006 £
Emoluments	629,778	471,606
Value of company pension contributions to money purchase schemes	36,040	26,596
	<u>665,817</u>	<u>498,202</u>
	No.	No.
Members of money purchase pension schemes	<u>2</u>	<u>2</u>

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

	2007 £	2006 £
Emoluments	<u>316,750</u>	<u>280,796</u>
Value of company pension contributions to money purchase schemes	<u>18,131</u>	<u>15,976</u>

Sterling Commerce (UK) Limited

Notes to the financial statements **Year ended 31 December 2007**

6 Interest receivable (net)

	2007 £	2006 £
Bank interest receivable	67,940	17,223
Less bank interest payable	(4,716)	-
	<u>63,224</u>	<u>17,223</u>

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2007 £	2006 £
Current tax		
UK corporation tax	261,854	190,035
Adjustment in respect of prior years	175,463	-
Total current tax	437,317	190,035
Deferred tax		
Origination and reversal of timing differences	47,729	(6,093)
Adjustment in respect of prior years	2,154	-
Change in deferred tax rate	12,466	-
Total deferred tax	62,349	(6,093)
Total tax on profit on ordinary activities	<u>499,666</u>	<u>183,942</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% (2006 30%) The differences are reconciled below

	2007 £	2006 £
Profit on ordinary activities before taxation	<u>687,139</u>	<u>293,936</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2006 30%)	206,142	88,181
Effects of		
Expenses not deductible for tax purposes	106,850	60,169
Capital allowances in excess of depreciation	(7,118)	30,221
Other timing differences	(44,020)	11,464
Adjustments in respect of prior years	175,463	-
Current tax charge for the year	<u>437,317</u>	<u>190,035</u>

Sterling Commerce (UK) Limited

Notes to the financial statements **Year ended 31 December 2007**

8. Tangible fixed assets

	Leasehold improvements £	Computer equipment £	Fixtures and fittings £	Software £	Total £
Cost					
At 1 January 2007	2,071,843	894,994	916,419	142,996	4,026,252
Additions	938,032	2,675	235,280	-	1,175,987
Disposals/transfers	(2,071,843)	(704,841)	(267,500)	-	(3,044,184)
At 31 December 2007	938,032	192,828	884,199	142,996	2,158,055
Depreciation					
At 1 January 2007	1,838,111	731,785	916,419	75,477	3,561,792
Charge for the year	240,420	54,750	9,148	52,516	356,834
Disposals	(2,071,843)	(631,600)	(266,622)	(878)	(2,970,943)
At 31 December 2007	6,688	154,935	658,945	127,115	947,683
Net book value					
At 31 December 2007	931,344	37,893	225,254	15,881	1,210,372
At 31 December 2006	233,732	163,210	-	67,519	464,460

9. Debtors

	2007 £	2006 £
Amounts falling due within one year		
Trade debtors	7,473,168	8,964,462
Amounts owed by group undertakings	3,246,083	2,868,470
Corporation tax recoverable	232,517	78,171
Prepayments	161,945	439,918
Unbilled receivables	425,980	215,769
Deferred taxation (note 10)	126,795	189,144
	11,666,488	12,755,934
Amounts falling due after more than one year		
Other debtors	336,567	-
	12,003,055	12,755,934

Sterling Commerce (UK) Limited

Notes to the financial statements Year ended 31 December 2007

10. Deferred tax

	2007 £	2006 £
Capital allowances in excess of depreciation	104,425	132,517
Other timing differences	22,370	56,627
Deferred tax asset (note 9)	<u>126,795</u>	<u>189,144</u>
At 1 January 2007	189,144	183,051
Origination and reversal of timing differences	(47,729)	6,093
Adjustment in respect of prior years	(2,154)	-
Change in deferred tax rate	(12,466)	-
At 31 December 2007	<u>126,795</u>	<u>189,144</u>

11 Creditors' amounts falling due within one year

	2007 £	2006 £
Trade creditors	102,374	112,977
Amounts owed to group undertakings	3,345,602	4,264,256
Corporation tax	278,836	160,691
Other taxation and social security	1,139,930	1,003,646
Accruals and deferred income	8,964,885	7,035,225
	<u>13,831,627</u>	<u>12,576,795</u>

Pensions

The company 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 and deferred income' were £47,759 (2006 £40,668)

12 Provisions for liabilities

	Dilapidation provision £	Onerous lease provision £	Total £
At 1 January 2007	809,525	571,346	1,380,871
Utilised during the year	(584,525)	(571,346)	(1,155,871)
At 31 December 2007	<u>225,000</u>	<u>-</u>	<u>225,000</u>

Dilapidation provision related to the costs to be incurred in returning the rented premises at 1 Longwalk Road, Stockley Park to the landlord in their original condition. The lease expired in November 2007 and a final settlement of £225,000 was paid to the landlord in April 2008 against this obligation. The unused provision was released.

Sterling Commerce (UK) Limited

Notes to the financial statements **Year ended 31 December 2007**

12 Provisions for liabilities (continued)

Onerous lease provision related to the portion of the office premises at 1 Longwalk Road, Stockley Park, that the company rented under a non-cancellable agreement. The company was paying rental charges without a corresponding economic benefit being derived from the building, so the contract became onerous and needed to be accounted as such under FRS 12. In November 2007, the lease expired and hence the provision was released.

13 Commitments under operating leases

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below.

	2007		2006	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
- within one year	-	-	1,091,152	20,020
- between two and five years	-	69,442	-	-
- after five years	180,006	-	-	-
	<u>180,006</u>	<u>-</u>	<u>-</u>	<u>-</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 AT&T Inc. There were no other related party transactions.

15 Called up share capital

	2007 £	2006 £
Authorised		
10,000 Ordinary Shares of \$1 each	<u>10,000</u>	<u>10,000</u>
Called up, allotted and fully paid		
133 Ordinary Shares of \$1 each	<u>85</u>	<u>85</u>

Sterling Commerce (UK) Limited

Notes to the financial statements Year ended 31 December 2007

16 Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Share premium account £	Profit and loss account £	Total shareholders' funds £
At 1 January 2007	85	649,980	552,831	1,202,896
Profit for the year	-	-	187,473	187,473
At 31 December 2007	85	649,980	740,304	1,390,369

17 Ultimate parent company

The company'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 AT&T Inc , which is incorporated in the state of Texas, USA and is the smallest and the largest group in which the company's results are consolidated is headed by AT & T Inc . Copies of its group accounts are available from 175 E Houston, San Antonio, TX 78299-2933, USA