

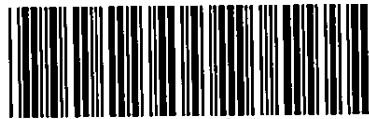
Company Registration No. 3163427

Sterling Commerce (UK) Limited

Report and Financial Statements

31 December 2009

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Sterling Commerce (UK) Limited

Report and financial statements 2009

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Sterling Commerce (UK) Limited

Report and financial statements 2009 Officers and professional advisers

Directors

Donna Angulo
Cecilia Martaus
David Robinson (resigned 22 October 2009)
Simon Bond (resigned 22 October 2009)
Jan Pieter de Hoogh (resigned 22 October 2009)

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 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 2009 in accordance with section 415 of the Companies Act 2006

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 2009. There have not been any significant changes in the company's principal activities in the year under review.

As shown in the company's profit and loss account on page 7, the company's sales have remained flat against the prior year and operating profit has decreased by 1%.

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

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

The directors have assessed the main risks facing the company as being fundamental changes to the technology underlying the company's software products, competitive pressures in the form of new product introductions by competitors and the loss of significant customers.

In order to mitigate the risk of fundamental changes in technologies underlying the Group's products and to sustain its position within the market place, Sterling Commerce Inc. continues to invest in research and development to ensure that Sterling Commerce Inc. and its subsidiaries, which includes Sterling Commerce (UK) Limited, are up to date with technological changes.

The directors will continue to investigate and invest in new technology and see this as an important safeguard for future success of the company.

In addition to this, the directors believe that the quality of the products offered and customer service will help mitigate any further risks.

Post balance sheet event

IBM and the company's ultimate parent company AT&T Inc. announced on 24th May 2010 that they had entered into a definitive agreement for IBM to acquire Sterling Commerce, Inc. from AT&T. IBM and AT&T expect the transaction to close in the second half of 2010, subject to regulatory approvals and the satisfaction of other customary closing conditions.

Results and dividends

The profit for the year, after taxation, amounted to £1,037,191 (2008: £1,076,402).

The directors recommend a dividend of £3,235,000 to be paid in 2010 (2008: £nil).

Sterling Commerce (UK) Limited

Directors' report (continued)

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.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. This is discussed further in note 1 to the financial statements.

Directors

The directors who served the company during the year ended 31 December 2009 and to date, except as noted, are as follows:

Donna Angiulo
Cecilia Martaus
David Robinson (resigned 22 October 2009)
Simon Bond (resigned 22 October 2009)
Jan Pieter de Hoogh (resigned 22 October 2009)

Charitable and political contributions

There were no charitable or political contributions during the year (2008: £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 section 418 (2) of the Companies Act 2006.

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



Donna M. Angiulo
Director

28 July 2010

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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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, subject to any material departures disclosed and explained in the financial statements, 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Peter O'Donoghue FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

30th July 2010

Sterling Commerce (UK) Limited

Profit and loss account Year ended 31 December 2009

	Notes	2009 £	2008 £
Turnover	2	28,899,968	28,898,727
Cost of sales		(9,591,592)	(9,596,775)
Gross profit		19,308,376	19,301,952
Administrative expenses		(17,871,197)	(17,850,295)
Operating profit	3	1,437,179	1,451,657
Interest receivable (net)	6	70,792	160,721
Profit on ordinary activities before taxation		1,507,971	1,612,378
Tax on profit on ordinary activities	7	(470,780)	(535,976)
Profit for the financial year		1,037,191	1,076,402

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 2009

	Notes	2009 £	2008 £
Fixed assets			
Tangible assets	8	897,776	1,042,655
Current assets			
Debtors			
- due within one year	9	14,219,351	15,533,998
- due after one year	9	337,501	336,567
Cash at bank and in hand		5,523,632	4,925,024
		20,080,484	20,795,589
Creditors amounts falling due within one year	11	(17,385,899)	(19,330,674)
Net current assets		2,694,585	1,464,915
Total assets less current liabilities		3,592,361	2,507,570
Provision for liabilities	12	(88,400)	(40,800)
Net assets		3,503,961	2,466,770
Capital and reserves			
Called up share capital	15	85	85
Share premium account	16	649,980	649,980
Profit and loss account	16	2,853,896	1,816,705
Shareholders' funds	17	3,503,961	2,466,770

These financial statements were approved and authorised for issue by the board of directors on 28 July 2010
Company Registration No 3163427

Signed on behalf of the board of directors by



Donna M Angiulo
Director

Sterling Commerce (UK) Limited

Notes to the financial statements Year ended 31 December 2009

1. Accounting policies

The following is a summary of the significant accounting policies adopted by the directors in the preparation of the financial statements

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 accounting policies have been applied consistently throughout the current and preceding year.

Going concern

The company's business activities and risk management together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2. The company has considerable financial resources together with numerous term contracts with customers across different industries which would be expected to continue when they fall due for renewal in the future. As a consequence, the directors believe the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and the financial statements.

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
Fixtures and fittings	3 to 7 years

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling for Sterling 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.

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.

Sterling Commerce (UK) Limited

Notes to the financial statements Year ended 31 December 2009

1. Accounting policies (continued)

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.

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.

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 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.

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

	2009 £	2008 £
United Kingdom	26,840,702	26,839,550
Europe	2,059,266	2,059,177
	<u>28,899,968</u>	<u>28,898,727</u>

Sterling Commerce (UK) Limited

Notes to the financial statements Year ended 31 December 2009

3. Operating profit

This is stated after charging

	2009 £	2008 £
Auditors' remuneration		
Fees payable to the company's auditors		
- for the audit of the company's annual accounts	50,000	50,000
- for the taxation services	22,500	20,000
	<u>72,500</u>	<u>70,000</u>
Depreciation of owned fixed assets	<u>147,379</u>	<u>185,126</u>
Operating lease rentals		
- land and buildings	511,492	508,016
- plant and machinery	26,835	28,233
	<u>538,327</u>	<u>536,253</u>

4. Staff costs (including directors)

	2009 £	2008 £
Wages and salaries	10,364,475	10,286,868
Social security costs	1,009,322	1,138,846
Other pension costs (note 11)	479,390	455,670
	<u>11,853,187</u>	<u>11,881,384</u>

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

	2009 No.	2008 No.
Sales and distribution staff	55	60
Administrative staff	70	68
	<u>125</u>	<u>128</u>

Sterling Commerce (UK) Limited

Notes to the financial statements **Year ended 31 December 2009**

5. Directors' remuneration

	2009	2008
	£	£
Emoluments	500,764	570,745
Value of company pension contributions to money purchase schemes	28,483	32,420
	<u>529,247</u>	<u>603,165</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

	2009	2008
	£	£
Emoluments	<u>279,178</u>	<u>326,227</u>
Value of company pension contributions to money purchase schemes	<u>15,954</u>	<u>18,687</u>

Sterling Commerce (UK) Limited

Notes to the financial statements Year ended 31 December 2009

6. Interest receivable (net)

	2009 £	2008 £
Bank and customer interest receivable	70,792	160,721
	<u>70,792</u>	<u>160,721</u>

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2009 £	2008 £
Current tax		
UK corporation tax	538,564	487,509
Adjustment in respect of prior years	(4,294)	9,150
Total current tax	<u>534,270</u>	<u>496,659</u>
Deferred tax		
Origination and reversal of timing differences	(63,490)	38,519
Adjustment in respect of prior years	-	798
Change in deferred tax rate	-	-
Total deferred tax	<u>(63,490)</u>	<u>39,317</u>
Total tax on profit on ordinary activities	<u>470,780</u>	<u>535,976</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 28% (2008 28.5%) The differences are reconciled below

	2009 £	2008 £
Profit on ordinary activities before taxation	<u>1,507,971</u>	<u>1,612,378</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2008 28.5%)	422,232	459,528
Effects of		
Expenses not deductible for tax purposes	53,217	67,570
Capital allowances in excess of depreciation	(17,967)	(35,939)
Other timing differences	81,083	(3,650)
Adjustments in respect of prior years	(4,295)	9,150
Current tax charge for the year	<u>534,270</u>	<u>496,659</u>

Sterling Commerce (UK) Limited

Notes to the financial statements Year ended 31 December 2009

8. Tangible fixed assets

	Leasehold improvements £	Computer equipment £	Fixtures and fittings £	Total £
Cost				
At 1 January 2009	946,690	197,317	239,542	1,383,549
Additions	-	-	2,500	2,500
Disposals	-	(175,852)	-	(175,852)
At 31 December 2009	946,690	21,465	242,042	1,210,197
Depreciation				
At 1 January 2009	97,486	191,347	52,061	340,894
Charge for the year	95,389	3,083	48,907	147,379
Disposals	-	(175,852)	-	(175,852)
At 31 December 2009	192,875	18,578	100,968	312,421
Net book value				
At 31 December 2009	753,815	2,887	141,074	897,776
At 31 December 2008	849,204	5,970	187,481	1,042,655

9. Debtors

	2009 £	2008 £
Amounts falling due within one year:		
Trade debtors	11,395,471	10,705,715
Amounts owed by group undertakings	1,064,591	1,933,733
Corporation tax recoverable	-	232,517
Prepayments	449,567	436,807
Accrued Income (Unbilled receivables)	1,158,754	2,137,748
Deferred taxation (note 10)	150,968	87,478
	14,219,351	15,533,998
Amounts falling due after more than one year:		
Other debtors	337,501	336,567
	14,556,852	15,870,565

Sterling Commerce (UK) Limited

Notes to the financial statements Year ended 31 December 2009

10. Deferred tax

	2009 £	2008 £
Capital allowances in excess of depreciation	51,100	68,693
Other timing differences	99,868	18,785
Deferred tax asset (note 9)	<u>150,968</u>	<u>87,478</u>
At 1 January	87,478	126,795
Origination and reversal of timing differences	63,490	(38,519)
Adjustment in respect of prior years	-	(798)
Change in deferred tax rate	-	-
At 31 December	<u>150,968</u>	<u>87,478</u>

11 Creditors amounts falling due within one year

	2009 £	2008 £
Trade creditors	76,170	232,242
Amounts owed to group undertakings	4,517,979	6,986,314
Corporation tax	497,316	775,495
Other taxation and social security	1,699,594	1,289,006
Accruals and deferred income	<u>10,594,840</u>	<u>10,047,617</u>
	<u>17,385,899</u>	<u>19,330,674</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 £97,032 (2008 £48,235).

Sterling Commerce (UK) Limited

Notes to the financial statements Year ended 31 December 2009

12 Provision for liabilities

	Dilapidation provision £
At 1 January 2009	40,800
Charged to profit and loss account	47,600
Utilised during the year	-
At 31 December 2009	<u>88,400</u>

The current dilapidation provision relates to the estimated cost of returning the rented premises at 3 Furzeground Way, Stockley Park to the landlord in their original condition at the end of the lease. The current dilapidation estimate is £400,000 and is being accrued over the period until the first lease break clause (10 years).

13. Commitments under operating leases

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as set out below

	2009		2008	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
- within one year	-	-	-	-
- between two and five years	-	57,479	-	64,942
- after five years	<u>572,688</u>	<u>-</u>	<u>311,204</u>	<u>-</u>

14. Related party transactions

In accordance with the exemptions offered by Financial Reporting Standard No 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

	2009 £	2008 £
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 2009

16. Reserves

	Share premium account £	Profit and loss account £	Total £
At 1 January 2009	649,980	1,816,705	2,466,685
Profit for the year	-	1,037,191	1,037,191
At 31 December 2009	<u>649,980</u>	<u>2,853,896</u>	<u>3,503,876</u>

17. Reconciliation of movements in shareholders' funds

	2009 £	2008 £
Profit for the year	<u>1,037,191</u>	<u>1,076,402</u>
Opening shareholders' funds	<u>2,466,770</u>	<u>1,390,368</u>
Closing shareholders' funds	<u>3,503,961</u>	<u>2,466,770</u>

18. Immediate and ultimate parent company and ultimate controlling party

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

The ultimate parent undertaking and controlling party is AT&T Inc , which is incorporated in the state of Delaware, USA and is the smallest and the largest group in which the company's results are consolidated. Copies of its group accounts are available from AT&T Inc , 208 S Akard St , Dallas, TX 75202, USA

19. Subsequent Events

On 24 May 2010, IBM and the company's ultimate parent AT&T Inc announced they had entered into a definitive agreement for IBM to acquire Sterling Commerce, Inc from AT&T. IBM and AT&T expect the transaction to close in the second half of 2010, subject to regulatory approvals and the satisfaction of other customary closing conditions.