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BROADVISION (UK) LIMITED  
REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 1998



BROADVISION (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS  
PERIOD ENDED 31 DECEMBER 1998

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COMPANY INFORMATION

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DIRECTORS

F Stieger  
R Bolleter  
M V Hughes

SECRETARY

R Bolleter

REGISTERED OFFICE

Fairfax House  
Fulwood Place  
Gray's Inn  
London  
WC1V 6UB

REGISTERED NUMBER

03231905

AUDITORS

Saffery Champness  
Fairfax House  
Fulwood Place  
Gray's Inn  
London  
WC1V 6UB

BANKERS

Barclays Bank Plc  
Slough Corporate Banking Centre  
P O Box 23  
258 Bath Road  
Slough  
SL1 4NX

## DIRECTORS' REPORT

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The directors submit their report and the financial statements of BroadVision (UK) Limited for the year ended 31 December 1998.

### DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

### RESULTS AND DIVIDENDS

The loss for the year, after taxation, was £356,475.

The directors do not recommend the payment of a dividend for the year.

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company's principal activity during the period was the provision of software applications for use on the World Wide Web.

### DIRECTORS

The directors shown on page 1 served throughout the year.

### DIRECTORS' INTERESTS

None of the directors had any interest in the shares of the company.

### AUDITORS

A resolution to re-appoint Saffery Champness as auditors will be put to the members at the annual general meeting.

By Order of the Board



R Bolleter  
Director

7 December 1999

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

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We have audited the financial statements on pages 4 to 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the directors' report on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with 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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



SAFFERY CHAMPNESS

Chartered Accountants

Registered Auditors

London

7 December 1999

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1998

	Notes	1998	1997
TURNOVER		1,037,900	352,248
Administrative expenses		<u>1,396,926</u>	<u>779,199</u>
OPERATING LOSS		(359,026)	(426,951)
Interest receivable		<u>2,551</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	1	(356,475)	(426,951)
Taxation	4	<u>-</u>	<u>-</u>
RETAINED LOSS FOR THE FINANCIAL YEAR		<u>£(356,475)</u>	<u>£(426,951)</u>

All recognised gains and losses are included in the profit and loss account.

The notes on pages 6 to 9 form part of these financial statements.

BALANCE SHEET  
31 DECEMBER 1998

	Notes	1998	1997
FIXED ASSETS			
Tangible assets	5	75,668	22,124
CURRENT ASSETS			
Debtors	6	117,635	36,806
Cash at bank and in hand		6,864	51,856
		<u>124,499</u>	<u>88,662</u>
CREDITORS			
Amounts falling due within one year	7	<u>963,593</u>	<u>517,737</u>
NET CURRENT LIABILITIES		<u>(839,094)</u>	<u>(429,075)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£(763,426)</u>	<u>£(406,951)</u>
CAPITAL AND RESERVES			
Called up share capital	8	20,000	20,000
Profit and loss account	9	<u>(783,426)</u>	<u>(426,951)</u>
SHAREHOLDERS' FUNDS	10	<u>£(763,426)</u>	<u>£(406,951)</u>

The notes on pages 6 to 9 form part of these financial statements.

The financial statements were approved by the board on 7 December 1999.



R Bolleter  
Director

ACCOUNTING POLICIES

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BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and on a going concern basis, which assumes the continued financial support of the company's ultimate parent undertaking.

TURNOVER

Turnover represents amounts invoiced, excluding value added tax, in respect of the sales of services to customers, and commission receivable from the company's ultimate parent undertaking.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

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



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1998

1 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998	1997
Loss on ordinary activities before taxation is stated after charging:		
Depreciation of, and amounts written off, assets:		
Charge for the year		
- tangible fixed assets	£16,899	£5,864
Loss on sale of tangible fixed assets	£3,184	£-
Auditors' remuneration	£2,000	£1,000
Formation expenses	£-	£150
	<u>          </u>	<u>          </u>

2 EMPLOYEES

The average weekly number of persons (including directors) employed by the company during the period was 12 (1997:7).

	1998	1997
Staff costs (for the above persons):		
Wages and salaries	730,110	308,734
Social security costs	75,648	30,623
Other pension costs	15,804	2,800
	<u>          </u>	<u>          </u>
	£821,562	£342,157
	<u>          </u>	<u>          </u>

3 DIRECTORS' REMUNERATION

	1998	1997
Emoluments	228,245	118,412
Contributions to money purchase pension schemes	4,620	2,800
	<u>          </u>	<u>          </u>
	£232,865	£121,212
	<u>          </u>	<u>          </u>

4 TAXATION

There is no tax charge on the loss for the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 1998

## 5 TANGIBLE FIXED ASSETS

	Office Equipment, Furniture & Fittings	Computer Equipment & Software	Total
Cost:			
1 January 1998	883	27,598	28,481
Additions	38,498	39,066	77,564
Disposals	(199)	(7,891)	(8,090)
31 December 1998	39,182	58,773	97,955
Depreciation:			
1 January 1998	127	6,230	6,357
Charge for the year	4,372	14,407	18,779
Eliminated in respect of disposals	(39)	(2,810)	(2,849)
31 December 1998	4,460	17,827	22,287
Net book value 31 December 1998	£34,722	£40,946	£75,668
Net book value 31 December 1997	£756	£21,368	£22,124

Depreciation of £1,880 (1997: £493) has been recharged to the ultimate parent undertaking.

## 6 DEBTORS

	1998	1997
Due within one year:		
Trade debtors	61,121	-
Other debtors	23,462	23,699
Prepayments and accrued income	33,052	13,107
	£117,635	£36,806

## 7 CREDITORS

	1998	1997
Amounts falling due within one year:		
Trade creditors	46,936	-
Amounts owed to ultimate parent undertaking	767,087	465,474
Other taxation and social security costs	40,202	15,148
Accruals	109,368	37,115
	£963,593	£517,737

The parent company, BroadVision Inc., has agreed not to seek repayment of the balance due from the company before 31 October 2000, if this would jeopardise the going concern status of the company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 1998

## 8 SHARE CAPITAL

	1998	1997
Authorised:		
Ordinary shares of £1 each	<u>£20,000</u>	<u>£20,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>£20,000</u>	<u>£20,000</u>

## 9 PROFIT AND LOSS ACCOUNT

1 January 1998	(426,951)
Retained loss for the year	<u>(356,475)</u>
31 December 1998	<u>£(783,426)</u>

## 10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998	1997
Loss for the financial period	(356,475)	(426,951)
New share capital issued	<u>-</u>	<u>20,000</u>
Net decrease in shareholders' funds	(356,475)	(406,951)
Opening shareholders' funds	<u>(406,951)</u>	<u>-</u>
Closing shareholders' funds	<u>£(783,426)</u>	<u>£(406,951)</u>

## 11 ULTIMATE PARENT UNDERTAKING

The company's ultimate parent company is BroadVision Inc., a company incorporated in the United States of America.

## 12 COMMITMENTS UNDER OPERATING LEASES

	Land and buildings		Other assets	
	1998	1997	1998	1997
At 31 December 1998 the Company had annual commitments under non-cancellable operating leases as follows:				
Expiring between two and five years inclusive	<u>64,892</u>	<u>-</u>	<u>34,715</u>	<u>15,096</u>
	<u>£64,892</u>	<u>£-</u>	<u>£34,715</u>	<u>£15,096</u>