

Company Registration No. 3231905 (England and Wales)

**BROADVISION (UK) LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2000**



# **BROADVISION (UK) LIMITED**

## **COMPANY INFORMATION**

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### **Directors**

P Chen  
I J Turner  
P L Oreste

### **Secretary**

P L Oreste

### **Company number**

3231905

### **Registered office**

100 Longwater Avenue  
Reading  
Berkshire  
RG2 6GP

### **Auditors**

Saffery Champness  
Lion House  
Red Lion Street  
London  
WC1R 4GB

### **Bankers**

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

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# **BROADVISION (UK) LIMITED**

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## **BROADVISION (UK) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000**

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The directors present their report and financial statements for the year ended 31 December 2000.

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

The principal activity of the company continued to be that of the provision of software applications for use on the World Wide Web.

The directors consider the result for the year to be satisfactory.

On 26 January 2000 the company's parent company, BroadVision Inc, entered into a merger agreement with Interleaf Inc. which was subject to regulatory approval in the United States and the approval of BroadVision's shareholders.

On 14 April 2000 the merger between BroadVision Inc and Interleaf Inc was approved by the shareholders of BroadVision Inc. On 30 June 2000 Interleaf UK resigned its distribution agreement with Interleaf Inc, and transferred its trade, assets and liabilities to BroadVision (UK) Limited.

#### **Directors**

The following directors have held office since 1 January 2000:

P Chen	(Appointed 23 September 2002)
I J Turner	(Appointed 23 September 2002)
P L Oreste	(Appointed 23 September 2002)
D G Clarke	(Appointed 2 May 2001 and resigned 23 September 2002)
M V Hughes	(Resigned 3 July 2002)
K Wedderburn	(Appointed 2 May 2001 and resigned 23 September 2002)
F Steiger	(Resigned 1 May 2001)
R Bolleter	(Resigned 1 May 2001)

#### **Directors' interests**

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

#### **Auditors**

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Saffery Champness be reappointed as auditors of the company will be put to the Annual General Meeting.

## **BROADVISION (UK) LIMITED**

### **DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2000**

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#### **Directors' responsibilities**

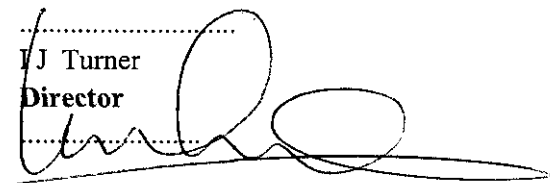
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- 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.

On behalf of the board

.....  
I J Turner  
Director  
.....



30 October 2002

## **BROADVISION (UK) LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BROADVISION (UK) LIMITED**

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We have audited the financial statements of BroadVision (UK) Limited on pages 5 to 15 for the year ended 31 December 2000. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

#### **Respective responsibilities of the directors and auditors**

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom 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 or material inconsistencies with the financial statements.

#### **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.

#### **Going concern**

BroadVision (UK) Limited is reliant on BroadVision Inc for future income streams and for ongoing financial support, as disclosed in Note 1 of the financial statements. The financial statements do not include any adjustments that would result if such support were withdrawn. Our opinion is not qualified in this respect.

**BROADVISION (UK) LIMITED**

**INDEPENDENT AUDITORS' REPORT (continued)  
TO THE SHAREHOLDERS OF BROADVISION (UK) LIMITED**

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**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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Saffery Champness*  
**Saffery Champness**

Chartered Accountants  
Registered Auditors

*31 October 2002*  
.....

Lion House  
Red Lion Street  
London  
WC1R 4GB

**BROADVISION (UK) LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2000**

	Notes	2000 £	1999 £
<b>Turnover</b>	<b>2</b>		
Continuing operations		13,748,984	3,713,264
Acquisitions		<u>314,917</u>	<u>-</u>
		14,063,901	3,713,264
Administrative expenses	<b>3</b>	(14,128,273)	(3,527,077)
Other operating income	<b>3</b>	<u>24,156</u>	<u>-</u>
<b>Operating (loss)/profit</b>	<b>4</b>	(40,216)	186,187
Continuing operations		(60,826)	186,187
Acquisitions		<u>20,610</u>	<u>-</u>
		(40,216)	186,187
Other interest receivable and similar income		51,182	8,117
Interest payable and similar charges	<b>5</b>	<u>(2,347)</u>	<u>(2,425)</u>
<b>Profit on ordinary activities before taxation</b>		8,619	191,879
Tax on profit on ordinary activities	<b>6</b>	<u>(73,400)</u>	<u>-</u>
<b>(Loss)/profit on ordinary activities after taxation</b>	<b>13</b>	<u>(64,781)</u>	<u>191,879</u>

There are no recognised gains and losses other than those passing through the profit and loss account.

The notes on pages 7 to 15 form part of these financial statements.



**BROADVISION (UK) LIMITED****BALANCE SHEET  
AS AT 31 DECEMBER 2000**


	Notes	2000 £	£	1999 £	£
<b>Fixed assets</b>					
Tangible assets	8	1,513,883		144,796	
<b>Current assets</b>					
Debtors	9	2,270,548		528,504	
Cash at bank and in hand		1,590,773		271,584	
		<u>3,861,321</u>		<u>800,088</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(6,011,531)</u>		<u>(1,516,431)</u>	
<b>Net current liabilities</b>			<u>(2,150,210)</u>		<u>(716,342)</u>
<b>Total assets less current liabilities</b>			<u>(636,327)</u>		<u>(571,547)</u>
<b>Capital and reserves</b>					
Called up share capital	12	20,000		20,000	
Profit and loss account	13	<u>(656,327)</u>		<u>(591,547)</u>	
<b>Shareholders' funds - equity interests</b>	14	<u>(636,327)</u>		<u>(571,547)</u>	

The notes on pages 7 to 15 form part of these financial statements.

The financial statements were approved by the Board on ..... 30 October 2002



P L Oreste  
Director

  
I J Turner  
Director

## **BROADVISION (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000**

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#### **1 Accounting policies**

##### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention.

##### **Going Concern**

BroadVision (UK) Limited is reliant on BroadVision Inc for future income streams and for ongoing financial support. The directors of BroadVision Inc have confirmed their ongoing commitment to provide such support.

##### **Exemption from FRS 1 - Cashflow statement**

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

##### **1.2 Turnover**

Turnover represents amounts receivable for services net of VAT .

##### **1.3 Goodwill**

Goodwill represents the excess of cost of acquisition over the fair value of the separable net assets of the business acquired. Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

##### **1.4 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

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

##### **1.5 Leasing**

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

##### **1.6 Pensions**

The company makes contributions to staff personal pension plans on a defined contribution basis. The company also makes contributions to an executive pension plan on behalf of a director. The pension costs charged in the financial statements represent the contributions paid by the company during the year.

##### **1.7 Deferred taxation**

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

## BROADVISION (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2000

#### 1 Accounting policies

(continued)

##### 1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

##### 1.9 Revenue recognition

###### Services

Revenue arising from professional service agreements with third parties is recognised as services are delivered.

###### BroadVision Inc.

A sales representative agreement exists between BroadVision (UK) Limited and BroadVision Inc. Under this agreement BroadVision (UK) Limited is reimbursed for all sales, marketing and operating costs incurred in relation to licence revenue earned in the UK on behalf of BroadVision Inc and a commission is received.

###### European management charge

A management charge is received from fellow European subsidiaries contributing to the cost of BroadVision (UK) Limited acting as European headquarters.

#### 2 Turnover

	Turnover	
	2000	1999
	£	£
<b>Class of business</b>		
Third party UK sales	3,564,294	711,431
BroadVision Inc costs recharged and commission received	9,242,154	3,001,833
Management charge to European fellow subsidiaries	1,257,453	-
	<u>14,063,901</u>	<u>3,713,264</u>

#### 3 Administrative expenses and other operating income

The total figures for continuing operations in 2000 include the following amounts relating to acquisitions: administrative expenses £294,307 and other operating income £Nil.

**BROADVISION (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2000**

<b>4</b>	<b>Operating (loss)/profit</b>	<b>2000</b>	<b>1999</b>
		<b>£</b>	<b>£</b>
	Operating (loss)/profit is stated after charging:		
	Amortisation of intangible assets	71,140	-
	Depreciation of tangible assets	414,661	39,663
	Loss on disposal of tangible assets	19,253	-
	Loss on foreign exchange transactions	19,206	-
	Operating lease rentals	522,325	146,182
	Auditors' remuneration	10,000	3,500
	Remuneration of auditors for non-audit work	52,209	39,020
	and after crediting:		
	Profit on disposal of tangible assets	-	(3,423)
	Profit on foreign exchange transactions	-	(925)
		<u></u>	<u></u>
<b>5</b>	<b>Interest payable</b>	<b>2000</b>	<b>1999</b>
		<b>£</b>	<b>£</b>
	On overdue tax	2,347	2,425
		<u></u>	<u></u>
<b>6</b>	<b>Taxation</b>	<b>2000</b>	<b>1999</b>
		<b>£</b>	<b>£</b>
	<b>Domestic current year tax</b>		
	U.K. corporation tax at 30%	73,400	-
		<u></u>	<u></u>
	<b>Current tax charge</b>	<b>73,400</b>	<b>-</b>
		<u></u>	<u></u>

The company is at present in discussion with the Inland Revenue regarding various transfer pricing issues, and as a result there has been no formal agreement of the quantum of the tax losses brought forward.

**BROADVISION (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2000****7 Intangible fixed assets**

	<b>Goodwill £</b>
<b>Cost</b>	
At 1 January 2000	-
Additions	71,140
	<hr/>
At 31 December 2000	71,140
	<hr/>
<b>Amortisation</b>	
At 1 January 2000	-
Charge for the year	71,140
	<hr/>
At 31 December 2000	71,140
	<hr/>
<b>Net book value</b>	
At 31 December 2000	-
	<hr/> <hr/>

On 30 June 2000 goodwill arose on the acquisition of the assets and liabilities of Interleaf UK Limited and has been written off in the year of acquisition. In the opinion of the directors, this represents a prudent estimate of the period over which the company will derive economic benefit from the products acquired as part of that business.

The purchase consideration is analysed as follows:

Purchase consideration	1,178,855
Fair value of identifiable assets acquired	1,107,715
	<hr/>
Purchased goodwill	71,140
	<hr/> <hr/>

**BROADVISION (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2000****8 Tangible fixed assets**

	<b>Leasehold improvements</b>	<b>Plant and machinery etc</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 January 2000	-	205,924	205,924
Additions	715,442	1,100,837	1,816,279
Disposals	-	(46,724)	(46,724)
	<u>715,442</u>	<u>1,260,037</u>	<u>1,975,479</u>
At 31 December 2000			
<b>Depreciation</b>			
At 1 January 2000	-	61,127	61,127
On disposals	-	(14,192)	(14,192)
Charge for the year	182,768	231,893	414,661
	<u>182,768</u>	<u>278,828</u>	<u>461,596</u>
At 31 December 2000			
<b>Net book value</b>			
At 31 December 2000	<u>532,674</u>	<u>981,209</u>	<u>1,513,883</u>
At 31 December 1999	<u>-</u>	<u>144,796</u>	<u>144,796</u>

**9 Debtors**

	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Trade debtors	1,723,790	264,815
Other debtors	-	182,793
Prepayments and accrued income	546,758	80,896
	<u>2,270,548</u>	<u>528,504</u>

**BROADVISION (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2000**

<b>10 Creditors: amounts falling due within one year</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	51,819	-
Trade creditors	672,730	83,922
Amounts owed to parent and fellow subsidiary undertakings	2,404,103	953,808
Corporation tax	73,400	-
Other taxes and social security costs	499,288	15,918
Other creditors	11,821	-
Accruals and deferred income	2,298,370	462,783
	<u>6,011,531</u>	<u>1,516,431</u>

**11 Pension costs**

The company has made contributions of £114,068 (1999 - £30,368) to staff personal pension plans on a defined contribution basis.

The company has also made contributions of £7,463 (1999 - £4,620) to an executive pension plan on behalf of a director.

<b>12 Share capital</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
20,000 Ordinary shares of £ 1 each	<u>20,000</u>	<u>20,000</u>
<b>Allotted, called up and fully paid</b>		
20,000 Ordinary shares of £ 1 each	<u>20,000</u>	<u>20,000</u>

**13 Statement of movements on profit and loss account**

	<b>Profit and loss account £</b>
Balance at 1 January 2000	(591,546)
Retained loss for the year	<u>(64,781)</u>
Balance at 31 December 2000	<u>(656,327)</u>

**BROADVISION (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2000**

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<b>14 Reconciliation of movements in shareholders' funds</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
(Loss)/Profit for the financial year	(64,781)	191,879
Opening shareholders' funds	<u>(571,547)</u>	<u>(763,426)</u>
Closing shareholders' funds	<u><u>(636,327)</u></u>	<u><u>(571,547)</u></u>

**15 Financial commitments**

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>			<b>Other</b>
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Expiry date:				
Within one year	-	-	4,053	43,169
Between two and five years	<u>744,166</u>	<u>64,892</u>	<u>46,625</u>	<u>33,499</u>
	<u><u>744,166</u></u>	<u><u>64,892</u></u>	<u><u>50,678</u></u>	<u><u>76,668</u></u>

<b>16 Capital commitments</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
At 31 December 2000 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements	<u>79,977</u>	<u>-</u>



**BROADVISION (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2000**

<b>17 Directors' emoluments</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Emoluments for qualifying services	455,527	213,243
Company pension contributions to money purchase schemes	7,463	4,620
	<u>462,990</u>	<u>217,863</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (1999 - 2).

The number of directors who exercised share options during the year was 1 (1999 - 0).

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 2 (1999 - 2).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	367,687	195,072
Company pension contributions to money purchase schemes	<u>4,620</u>	<u>4,620</u>

**18 Employees****Number of employees**

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

	<b>2000</b>	<b>1999</b>
	<b>Number</b>	<b>Number</b>
Sales and support	72	21
Finance and administration	8	3
Marketing	3	2
	<u>83</u>	<u>26</u>

**Employment costs**

	<b>£</b>	<b>£</b>
Wages and salaries	7,690,740	2,005,777
Social security costs	1,186,654	253,641
Other pension costs	121,531	34,988
	<u>8,998,925</u>	<u>2,294,406</u>

**BROADVISION (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2000**

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**19 Control**

The company's ultimate parent company and controlling party is BroadVision Inc., a company incorporated in the USA.

**20 Related party transactions**

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with related parties within the group, as consolidated financial statements in the which the company is included are available from 585 Broadway, Redwood City, California, 94063, USA.