

Registrar

Company Registration No. 3231905 (England and Wales)

**BROADVISION (UK) LIMITED**  
**DIRECTOR'S REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**



**BROADVISION (UK) LIMITED**

**COMPANY INFORMATION**

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<b>Director</b>	W E Meyer
<b>Secretaries</b>	S Neely K Wedderburn
<b>Company number</b>	3231905
<b>Registered office</b>	100 Longwater Avenue Reading Berkshire RG2 6GP
<b>Auditors</b>	Saffery Champness Lion House Red Lion Street London WC1R 4GB
<b>Bankers</b>	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**

### **DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2003**

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The director presents his report and financial statements for the year ended 31 December 2003.

#### **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 director considers the result for the year to be satisfactory.

#### **Directors**

The following directors have held office since 1 January 2003:

A C Vonchek	(Resigned 30 June 2003)
W E Meyer	(Appointed 20 May 2003)
P J Stanley	(Appointed 30 June 2003 and resigned 15 January 2004)
P Chen	(Resigned 20 May 2003)
P L Oreste	(Resigned 22 January 2003)
S Turner	(Appointed 16 June 2004 and resigned 25 November 2004)

#### **Director's interests**

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

Directors interests in the shares of the parent company, BroadVision Inc, are disclosed in the accounts of that company.

#### **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**

**DIRECTOR'S REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2003**

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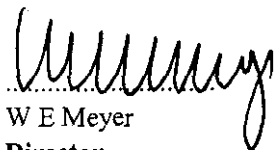
**Director's responsibilities**

Company law requires the director 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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

  
W E Meyer  
Director

13 June 2005

## **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 14 for the year ended 31 December 2003. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

As described in the statement of director's responsibilities on page 2 the company's director is 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 director's 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 director's remuneration and transactions with the company is not disclosed.

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 auditor's 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.

We read the director's 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 director 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 2003 and of its profit 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

*16 June 2005*  
.....

Lion House  
Red Lion Street  
London  
WC1R 4GB

**BROADVISION (UK) LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

		<b>2003</b>	<b>2002</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>2</b>	5,356,835	7,721,676
Administrative expenses		(5,229,890)	(7,963,027)
<b>Operating profit/(loss)</b>	<b>3</b>	126,945	(241,351)
Other interest receivable and similar income		29,835	18,307
Interest payable and similar charges	<b>4</b>	35,182	(13,414)
<b>Profit/(loss) on ordinary activities before taxation</b>		191,962	(236,458)
Tax on profit/(loss) on ordinary activities	<b>5</b>	71,871	-
<b>Profit/(loss) on ordinary activities after taxation</b>	<b>12</b>	<u>263,833</u>	<u>(236,458)</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

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

The notes on pages 7 to 14 form part of these financial statements.



**BROADVISION (UK) LIMITED**

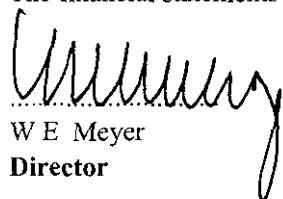
**BALANCE SHEET**

**AS AT 31 DECEMBER 2003**

	Notes	2003 £	£	2002 £	£
<b>Fixed assets</b>					
Tangible assets	6		94,111		214,721
<b>Current assets</b>					
Debtors	7	728,504		1,201,065	
Cash at bank and in hand		414,331		538,096	
		<u>1,142,835</u>		<u>1,739,161</u>	
<b>Creditors: amounts falling due within one year</b>	8	<u>(1,893,911)</u>		<u>(2,693,908)</u>	
<b>Net current liabilities</b>			<u>(751,076)</u>		<u>(954,747)</u>
<b>Total assets less current liabilities</b>			<u>(656,965)</u>		<u>(740,026)</u>
<b>Provisions for liabilities and charges</b>	9		-		<u>(180,772)</u>
			<u>(656,965)</u>		<u>(920,798)</u>
<b>Capital and reserves</b>					
Called up share capital	11		20,000		20,000
Profit and loss account	12		<u>(676,965)</u>		<u>(940,798)</u>
<b>Shareholders' funds - equity interests</b>	13		<u>(656,965)</u>		<u>(920,798)</u>

The notes on pages 7 to 14 form part of these financial statements.

The financial statements were approved by the Board on .....13 June 2005

  
W E Meyer  
Director

## **BROADVISION (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003**

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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.

##### **1.2 Turnover**

###### **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 and support 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.

##### **1.3 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

##### **1.4 Leasing**

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

##### **1.5 Pensions**

The company makes contributions to employee personal pension plans on a defined contribution basis. The pension costs charged in the financial statements represent the contributions paid by the company during the year.

**BROADVISION (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2003****1 Accounting policies (continued)****1.6 Deferred taxation**

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are only recognised to the extent that, on the basis of all evidence, it can be regarded as more likely than not, that there will be sufficient taxable profits from which the future reversal of underlying timing differences can be deducted.

**1.7 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.

**2 Turnover**

	<b>Turnover</b>	
	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Class of business</b>		
Third party UK sales	1,875,918	2,370,712
BroadVision Inc costs recharged and commission received	2,876,100	3,955,366
Management charge to European fellow subsidiaries	604,817	1,395,598
	<u>5,356,835</u>	<u>7,721,676</u>

<b>3 Operating profit/(loss)</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Operating profit/(loss) is stated after charging:		
Depreciation of tangible assets	129,853	493,979
Loss on foreign exchange transactions	4,365	2,648
Operating lease rentals	198,663	275,868
Auditors' remuneration	10,000	10,000
Remuneration of auditors for non-audit work	51,703	77,935

and after crediting:

Profit on disposal of tangible assets	<u>(10,380)</u>	<u>(31,832)</u>
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<b>4 Interest payable</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
On overdue tax	<u>(35,182)</u>	<u>13,414</u>

**BROADVISION (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2003**

<b>5 Taxation</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Domestic current year tax</b>		
Adjustment for prior years	(71,871)	-
	<u>(71,871)</u>	<u>-</u>
<b>Current tax charge</b>	<u>(71,871)</u>	<u>-</u>
 <b>Factors affecting the tax charge for the year</b>		
Profit/(loss) on ordinary activities before taxation	191,962	(236,458)
	<u>191,962</u>	<u>(236,458)</u>
 Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2002: 30.00%)	57,589	(70,937)
	<u>57,589</u>	<u>(70,937)</u>
 Effects of:		
Non deductible expenses	3,506	30,669
Depreciation add back	38,956	148,194
Capital allowances	(96,937)	(102,536)
Adjustments to previous periods	(71,871)	-
Loss on disposal	(3,114)	(9,550)
Other tax adjustments	-	4,160
	<u>(129,460)</u>	<u>70,937</u>
 <b>Current tax charge</b>	<u>(71,871)</u>	<u>-</u>

No provision has been made for the deferred tax asset arising from the accelerated depreciation charge. If provision were to be made for the deferred tax asset, the tax charge for the year would decrease by £ 169,046 (2002: £ 238,331).

In March 2005 the taxation position in regard to the transfer pricing matter for earlier years was formally agreed with the Inland Revenue. This has resulted in an overall tax repayment.

**BROADVISION (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2003****6 Tangible fixed assets**

	Leasehold improvements	Computer equipment and software	Office equipment, and furniture and fittings	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2003	715,442	798,274	432,453	1,946,169
Additions	10,650	834	-	11,484
Disposals	(473,980)	(257,489)	(295,626)	(1,027,095)
At 31 December 2003	252,112	541,619	136,827	930,558
<b>Depreciation</b>				
At 1 January 2003	715,442	637,240	378,766	1,731,448
On disposals	(473,980)	(257,489)	(293,385)	(1,024,854)
Charge for the year	3,515	106,448	19,890	129,853
At 31 December 2003	244,977	486,199	105,271	836,447
<b>Net book value</b>				
At 31 December 2003	7,135	55,420	31,556	94,111
At 31 December 2002	-	161,034	53,687	214,721

**7 Debtors**

	2003 £	2002 £
Trade debtors	407,960	861,756
Corporation tax	220,854	-
Other debtors	-	10,165
Prepayments and accrued income	99,690	329,144
	728,504	1,201,065

**BROADVISION (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2003**

<b>8 Creditors: amounts falling due within one year</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Trade creditors	152,784	506,223
Amounts owed to parent and fellow subsidiary undertakings	914,022	420,247
Corporation tax	-	269,900
Other taxes and social security costs	169,669	238,033
Other creditors	17,697	27,524
Accruals and deferred income	639,739	1,231,981
	<u>1,893,911</u>	<u>2,693,908</u>

**9 Provisions for liabilities and charges**

	<b>Provision for Re- organisation costs</b>
	<b>£</b>
Balance at 1 January 2003	180,772
Profit and loss account	(180,772)
Balance at 31 December 2003	<u>-</u>

The provision relates to onerous lease, dilapidation and related costs arising from a re-organisation in 2001. The provision was fully utilised during 2003.

**10 Pension costs****Defined contribution**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Contributions payable by the company for the year	<u>106,418</u>	<u>152,585</u>

**11 Share capital**

	<b>2003</b>	<b>2002</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>

**BROADVISION (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2003****12 Statement of movements on profit and loss account**

	<b>Profit and loss account £</b>
Balance at 1 January 2003	(940,798)
Retained profit for the year	<u>263,833</u>
Balance at 31 December 2003	<u>(676,965)</u>

**13 Reconciliation of movements in shareholders' funds**

	<b>2003 £</b>	<b>2002 £</b>
Profit/(loss) for the financial year	263,833	(236,458)
Opening shareholders' funds	<u>(920,798)</u>	<u>(684,340)</u>
Closing shareholders' funds	<u>(656,965)</u>	<u>(920,798)</u>

**14 Financial commitments**

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2003 £</b>	<b>2002 £</b>	<b>2003 £</b>	<b>2002 £</b>
Expiry date:				
Within one year	-	-	-	4,294
Between two and five years	<u>241,348</u>	<u>266,984</u>	<u>-</u>	<u>-</u>
	<u>241,348</u>	<u>266,984</u>	<u>-</u>	<u>4,294</u>

**BROADVISION (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2003**

<b>15 Director's emoluments</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Emoluments for qualifying services	225,271	414,631
Company pension contributions to money purchase schemes	7,018	18,472
	<u>232,289</u>	<u>433,103</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2002- 2).

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 2 (2002- 2).

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

Emoluments for qualifying services	155,431	178,125
Company pension contributions to money purchase schemes	3,850	3,465
	<u>159,281</u>	<u>181,590</u>

**16 Employees****Number of employees**

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

	<b>2003</b>	<b>2002</b>
	<b>Number</b>	<b>Number</b>
Sales and support	20	24
BVGS	17	26
Finance and Administration	8	13
	<u>45</u>	<u>63</u>

**Employment costs**

	<b>£</b>	<b>£</b>
Wages and salaries	3,199,295	3,994,504
Social security costs	375,364	463,983
Other pension costs	106,418	152,585
	<u>3,681,077</u>	<u>4,611,072</u>



**BROADVISION (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2003**

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**17 Control**

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

**18 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.