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**Borland (Holding) UK Limited**

**(Registered Number 1878815)**

**Directors' Report and Group Financial Statements**

**For The Year Ended 31 December 2007**

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# **Borland (Holding) UK Limited**

## **Directors' Report For The Year Ended 31 December 2007**

The directors present the annual report and audited consolidated financial statements for the year ended 31 December 2007.

### **Business review and principal activities**

Borland Software Corporation (the 'Group') is a global leader in Software Delivery Optimization ("SDO") which is the transformation of software development from separate tasks into a managed and efficient business process.

The group's principal activity during the year comprised the provision of marketing, maintenance and technical support services for the distribution of software on behalf of its parent undertaking. The group revenue is generated as commission payments from the group undertakings for license revenue generated on their behalf. The company did not trade during the year. The purpose of the company is to act as a holding company of Borland UK Limited.

The group's profit after taxation was £176,000 (2006: £462,000), which will be transferred to reserves. The directors do not recommend the payment of a dividend for the year ended 31 December 2007 (2006: £nil). Operating profit before tax has decreased in 2007 due to the costs of a full operational year in the Belfast facility.

Both the level of business and the year end financial position were satisfactory and the directors would expect the business to continue to perform at a similar level of turnover for the subsequent period.

Restructuring costs of £93,000 have been provided for at 31<sup>st</sup> December 2007 for a reduction of headcount by five as part of a worldwide rationalisation programme initiated by the group's ultimate parent undertaking, Borland Software Corporation. The costs predominantly relate to the sales organisation and were paid in the first quarter of 2008.

Given the straightforward nature of the business, outlined in the description of the group's principal activities, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

### **Strategy**

The Borland goal worldwide is to become the leading provider of platform independent solutions that help enterprises create a more predictable, more efficient, and more effective software delivery process – a process that prioritises projects by business value, provides management visibility and project status, integrates different functions of the development process and delivers high quality software that meets business requirements on time and within budget. Further details of the group strategy and the products and services offered can be found in the Borland Software Corporation group 2007 annual report which does not form part of this report.

### **Research and development**

Borland (Holding) UK Limited principally acts as a sales, marketing and distribution function for its parent undertaking Borland Software Corporation and as such no research and development is carried out by this group. Further details of the global R&D strategy can be found on page 7-8 of the Borland Software Corporation group 2007 annual report which does not form part of this report.

## **Borland (Holding) UK Limited**

### **Directors' Report For The Year Ended 31 December 2007 (continued)**

#### **Future outlook**

The future focus of the Group will be to continue to aggressively drive the Application Lifecycle Management (ALM) business and SDO strategy forward. The worldwide focus will be on regions with the highest enterprise IT revenue opportunity of which the UK market would be considered key.

#### **Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks. The business is in the midst of focusing the company on the distribution of enterprise software development solutions.

Our markets are intensely competitive. In the market for comprehensive software development solutions, we face competition from some of the largest software providers in the world. Further details of the business environment in which Borland operates can be found on pages 10-19 of the Borland Software Corporation group 2007 annual report which does not form part of this report.

#### **Directors**

The directors who served throughout the year and up to the date of signing these financial statements are set out below:

P Taylor – Resigned 27<sup>th</sup> May 2008

V A Cooke – Appointed 16<sup>th</sup> December 2008

S M H Weidner – Appointed 16<sup>th</sup> December 2008

K D Tier – Resigned 19<sup>th</sup> December 2008

Y Brook – Appointed 27<sup>th</sup> May 2008, resigned 31<sup>st</sup> December 2008

#### **Director's indemnities**

The Group maintains liability insurance for its directors and officers. The Group has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 1985.

#### **Statement of Director 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 the 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 group and of the profit or loss of the group 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;
- 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.

## **Borland (Holding) UK Limited**

### **Directors' Report For The Year Ended 31 December 2007 (continued)**

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Disclosure of information to 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
- each 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.

#### **Auditors**

It is proposed that PricewaterhouseCoopers LLP resign as auditors of the Company and that following the resignations KPMG LLP be appointed by the directors as auditors to fill a casual vacancy in accordance with Section 485 of the Companies Act 2006.

By Order of the Board



V A Cooke  
Director

Date 29/01/2009

# Borland (Holding) UK Limited

## Independent Auditors' Report To the Members of Borland (Holding) UK Limited

We have audited the group and parent company financial statements of Borland (Holding) UK Limited for the year ended 31 December 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2007 and of the group's 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.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
West London

Date 29<sup>th</sup> January 2009.

## Borland (Holding) UK Limited

### Consolidated Profit And Loss Account For The Year Ended 31 December 2007

	<i>Note</i>	2007 £'000	2006 Restated £'000
Turnover	2	9,645	9,496
Cost of sales		(77)	(174)
Gross profit		9,568	9,322
Administrative expenses		(9,374)	(8,861)
Operating profit		194	461
Interest receivable and similar income	4	2	6
Interest payable and similar charges	4	(17)	(22)
Profit on ordinary activities before taxation	3	179	445
Tax (charge) / credit on profit on ordinary activities	7	(3)	17
Retained profit for the financial year	14	176	462

The results shown above are in respect of continuing operations.

The company had no recognised gains or losses during the year other than those reflected in the profit and loss account above, and therefore no statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

# Borland (Holding) UK Limited

## Consolidated Balance Sheet As At 31 December 2007

	<i>Note</i>	2007 £'000	2006 Restated £'000
<b>Fixed assets</b>			
Tangible fixed assets	8	726	776
		726	776
<b>Current assets</b>			
Debtors	10	9,154	12,605
Cash at bank and in hand		4,598	907
		13,752	13,512
<b>Creditors - amounts falling due within one year</b>	11	(11,416)	(11,406)
<b>Net current assets</b>		2,336	2,106
<b>Total assets less current liabilities</b>		3,062	2,882
<b>Provisions for liabilities and charges</b>	12	(149)	(236)
<b>Net assets</b>		2,913	2,646
<b>Capital and reserves</b>			
Called up share capital	13	21	21
Share premium account	14	234	234
Capital reserve	14	437	437
Profit and loss account	14	1,502	1,326
Other reserves	14	719	628
<b>Total equity shareholders' funds</b>	15	2,913	2,646

The financial statements on pages 5 to 19 were approved by the board on 29th January 2009 and signed on its behalf by:

Approved by the Board

*V A Cooke*

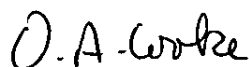
V A Cooke  
Director

## Borland (Holding) UK Limited

### Company Balance Sheet As At 31 December 2007

	<i>Note</i>	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Investments	9	1,485	1,485
<b>Net assets</b>		1,485	1,485
<b>Capital and reserves</b>			
Called up share capital	13	21	21
Share premium account	14	234	234
Profit and loss account	14	1,230	1,230
<b>Total equity shareholders' funds</b>		1,485	1,485

The financial statements on pages 5 to 19 were approved by the board on 29<sup>TH</sup> JANUARY 2009 and signed its behalf by:



V A Cooke  
Director



# **Borland (Holding) UK Limited**

## **Notes To The Financial Statements For The Year Ended 31 December 2007 (continued)**

### **1 Accounting Policies**

#### **(a) Accounting convention and basis of preparation**

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards in the United Kingdom, on a going concern basis, in accordance with the Companies Act 1985 and accounting policies that have been applied consistently throughout the year, except for the change listed below.

#### **(b) Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary Borland (UK) Limited. The financial statements of the subsidiary are prepared to 31 December annually and all of its results are included in the group profit and loss account due to Group control for the whole period. The subsidiaries have coterminous year ends and use consistent accounting policies. Intercompany balances and transactions are eliminated on consolidation.

#### **(c) Changes in accounting policies**

The Group has adopted Financial Reporting Standard 20 'Share based payments' in these financial statements, the adoption of this standard represents a change in accounting policy and comparative figures have been restated accordingly. The effect of the changes in accounting policy to adopt Financial Reporting Standard 20 was to increase staff costs by £91,300 (2006: £60,487), decrease the profit for the year by £91,300 (2006: £60,487) and to recognise a credit in "other reserve" of an equal amount. Opening profit and loss reserve for the year ended 31 December 2007 has been decreased by £628,446 (note 14) which is the amount of the adjustment relating to 2006 (£60,487) and periods prior to 2006 (£567,959).

#### **(d) Turnover**

Turnover represents a commission received and receivable from group undertakings for the sale of software and maintenance revenues with third party vendors. Turnover is also directly generated by the provision of consulting and training services.

The majority of the group's turnover is derived in the United Kingdom from the one activity which is the distribution on behalf of its parent undertaking on a commission basis. Revenue is also derived from support and maintenance associated with software licenses including telephone support, bug fixes and rights to upgrades on an if and when available basis. These fees are invoiced in advance and recognised rateably over the maintenance year. Unrecognised maintenance fees are included in deferred revenue.

#### **(e) Tangible fixed assets**

Tangible fixed assets are stated at historic purchase cost, less accumulated depreciation together with any incidental expenses of acquisition.

Depreciation is calculated to write off the cost of tangible fixed assets over their expected useful economic lives using the straight line basis. The expected useful economic lives of the assets to the business are reassessed periodically in the light of experience. The annual rates used for this purpose are:

Leasehold improvements 20%  
Office equipment 25%-33%  
Computer equipment 33%  
Furniture, fixtures & fittings 25%

## **Borland (Holding) UK Limited**

### **Notes To The Financial Statements For The Year Ended 31 December 2007 (continued)**

**(f) Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Exchange gains and losses are accounted for in the profit and loss account.

**(g) Leasing commitments**

Payments under operating leases are charged directly to the profit and loss account on a straight line basis, over the lease term

**(h) Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**(i) Cash flow statement**

As the company is a wholly owned subsidiary undertaking of Borland Software Corporation, a parent company which prepares a consolidated cash flow statement, it is not required to present a cash flow statement in these financial statements under Financial Reporting Standard 1 "Cash Flow Statements". (Revised 1996). The parent's consolidated financial statements are publicly available.

**(j) Related parties**

The company has taken advantage of the exemptions in Financial Reporting Standard No 8 "Related Party Transactions" from disclosure for details of related party transactions between group companies on the grounds that the company is a greater than 90% owned subsidiary which is consolidated in to groups whose financial statements are publicly available.

**(k) Pension costs**

Pension costs relate to defined contribution pension schemes and are charged to the profit and loss account in the period for which contributions are payable.

**(l) Investments in subsidiary undertakings**

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews of all investments are performed annually by the Corporate Controller of the ultimate parent company, Borland Software Corporation.

# Borland (Holding) UK Limited

## Notes To The Financial Statements For The Year Ended 31 December 2007 (continued)

### (I) Provisions policy

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The provisions are not discounted.

### 2 Turnover

The majority of the group's turnover is derived in the United Kingdom from the one activity which is the distribution of the software and maintenance products to the third party vendors on behalf of its group undertaking on a commission basis.

Turnover is also directly generated by the provision of consulting and training services.

### 3 Profit On Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging:

	2007	2006
	£'000	Restated £'000
Wages and salaries	7,039	6,836
Share based payments charges (note 18)	91	60
Social security costs	861	868
Pension costs (note 16)	321	291
Depreciation of owned tangible fixed assets (note 8)	266	156
Loss/(profit) on disposal of owned tangible fixed assets	2	(1)
Hire of plant and machinery	12	14
Other operating lease rentals	478	369
Auditors' remuneration		
- Audit fees	36	18
Restructuring	93	-

During the year a restructuring of the sales organisation has occurred. This has resulted in restructuring costs being incurred which primarily relates to redundancy payments (see note 12).

### 4 Interest receivable and similar income

	2007	2006
	£'000	£'000
Bank interest payable	1	22
Group interest payable	16	-
Bank interest receivable	(2)	(6)
	15	16

## **Borland (Holding) UK Limited**

### **Notes To The Financial Statements For The Year Ended 31 December 2007 (continued)**

#### **5 Employees**

The average number of employees, including directors, during the period was:

	2007	2006
Technical support	53	32
Sales and marketing	48	51
Administration	30	26
	131	109

The holding company and the dormant subsidiaries do not have any employees.

#### **6 Directors' Emoluments**

Emoluments paid on behalf of directors were as follows:

	2007 £'000	2006 £'000
Aggregate emoluments	138	446
Aggregate pension contributions to money purchase pension schemes	6	14
	144	460

One director accrued retirement benefits under a defined contribution scheme (2006: Two).

No directors exercised share options in 2007.

#### **7 Tax Charge / (Credit) On Profit On Ordinary Activities**

a) Analysis of charge / (credit) in the period:

	2007 £'000	2006 £'000
<b>Current Tax</b>		
Adjustments in respect of prior periods	3	(17)
<b>Total current tax charge / (credit)</b>	<b>3</b>	<b>(17)</b>

There were approximately £862,000 of losses available for carry forward at 31 December 2007 (2006: £2,362,000).

b) The tax assessed for the year is lower (2006: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

## Borland (Holding) UK Limited

### Notes To The Financial Statements For The Year Ended 31 December 2007 (continued)

#### 7 Tax charge / (credit) on profit on ordinary activities (continued)

	2007 £'000	2006 Restated £'000
Profit on ordinary activities before taxation	179	445
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006: 30%)	54	134
Effects of:		
Expenses not deductible for tax purposes	32	35
Accelerated capital allowances and other timing differences	64	33
Utilisation of losses	(150)	(202)
Adjustment in respect of prior periods	3	(17)
Current taxation charge / (credit) for the year	3	(17)

#### Deferred Taxation

The unrecognised amounts of deferred taxation assets on timing differences are as follows:

	2007 £'000	2006 £'000
Excess of capital allowances over depreciation	637	559
Operating losses carried forwards	559	709
Other short term timing differences	0	14
<b>Deferred tax asset not recognised</b>	<b>1,196</b>	<b>1,282</b>

The directors consider that it is inappropriate to recognise a deferred tax asset in respect of the accumulated tax loss brought forward. The reasons for this are the reducing margins in the business, the dependency of Borland (UK) Ltd profits and future business on the success of recently launched worldwide product ranges, and the continuing losses being made by the ultimate parent company, Borland Software Corporation, with the potential for further restructuring of the worldwide business if these are not corrected. For these reasons the directors consider that it is less likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has not been recognised in these financial statements.

#### Factors that may affect future tax charges:

The standard rate of Corporation Tax in the UK changes to 28% with effect from the 1<sup>st</sup> April 2008.

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

# **Borland (Holding) UK Limited**

## **Notes To The Financial Statements For The Year Ended 31 December 2007 (continued)**

### **8 Tangible Fixed Assets**

<b>Group</b>	<b>Leasehold improvements £'000</b>	<b>Office equipment £'000</b>	<b>Computer equipment £'000</b>	<b>Furniture, fixtures &amp; fittings £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 January 2007	682	18	525	328	1,553
Additions	150	-	72	-	222
Disposals	-	(14)	(95)	(43)	(152)
<b>At 31 December 2007</b>	<b>832</b>	<b>4</b>	<b>502</b>	<b>285</b>	<b>1,623</b>
<b>Accumulated depreciation</b>					
At 1 January 2007	159	14	308	296	777
Charge for the year	137	1	116	12	266
Disposals	-	(14)	(89)	(43)	(146)
<b>At 31 December 2007</b>	<b>296</b>	<b>1</b>	<b>335</b>	<b>265</b>	<b>897</b>
<b>Net book amount</b>					
<b>At 31 December 2007</b>	<b>536</b>	<b>3</b>	<b>167</b>	<b>20</b>	<b>726</b>
At 31 December 2006	523	4	217	32	776

The company has no tangible fixed assets.

## Borland (Holding) UK Limited

### Notes To The Financial Statements For The Year Ended 31 December 2007 (continued)

#### 9 Investment in Subsidiary Undertaking

##### Company

	2007 £'000	2006 £ '000
Balances as at 31 December	1,485	1,485

Details of the investments in subsidiaries, which are included in the consolidation, are as follows:

Name	Country of registration	Holding of ordinary shares
Borland (UK) Limited	England	100%
Togethersoft UK Limited*	England	100%

\* Investment which is a 100% owned subsidiary of Borland (UK) Limited at 31 December 2007.

The principal activity of Borland (UK) Limited comprised the provision of software licences, maintenance and technical support services on behalf of its parent undertaking. Togethersoft UK Limited continued to be dormant during the year.

Starbase Corporation Ltd, a 100% owned subsidiary of Borland (UK) Ltd, was dissolved on 21<sup>st</sup> February 2006 in accordance with Section 652A of the Companies Act 1985. Borland (UK) Limited had acquired the shares of Starbase Corporation Limited on 9 January 2003 from Starbase Corporation, another group company. The trade and assets of the company were transferred to Borland (UK) Limited on this date.

Borland (UK) Limited acquired the shares of Togethersoft UK Limited on 31 January 2003 from Togethersoft Corporation, another group company. The trade and assets of the company were transferred to Borland (UK) Limited on this date.

The directors believe that, although profit margins in the future are uncertain and dependent on the success of Borland's recent global product launches, the carrying value of the investments is supported by their underlying net asset value of £2.9m and that consequently no impairment is required.

#### 10 Debtors

	Group 2007 £'000	Group 2006 Restated £'000
Trade debtors	1,640	3,599
Amounts owed by group undertakings	7,144	8,337
Other debtors	42	54
Prepayments	328	615
	9,154	12,605

Amounts due from group undertakings are unsecured, interest free and repayable on demand. All amounts above fall due within one year of the balance sheet date. The 2006 amounts have been restated in order to present amounts due from customers as trade debtors rather than within intercompany. Under a commissionaire agreement revenue ultimately becomes due to the parent company with Borland UK receiving a set commission rate. However, as Borland UK invoices its customers directly and collects the cash it is considered more appropriate to present amounts due from customers as debtors and not as part as intercompany receivables.

The company does not have any debtors.

## Borland (Holding) UK Limited

### Notes To The Financial Statements For The Year Ended 31 December 2007 (continued)

#### 11 Creditors – Amounts Falling Due Within One Year

	Group 2007 £'000	Group 2006 £'000
Trade creditors	361	824
Amounts falling due to group undertakings	9,034	8,229
Taxation and social security	152	605
Accruals and deferred income	1,869	1,748
	<b>11,416</b>	<b>11,406</b>

Amounts due to group undertakings are unsecured, interest free and repayable on demand.  
The table refers to the group. The company does not have any creditors.

#### 12 Provisions For Liabilities And Charges

	Dilapidations	Restructuring Provision £'000	Total £'000
1 January 2007	-	236	236
Charged to profit and loss account	56	93	149
Utilised during year	-	(236)	(236)
<b>31 December 2007</b>	<b>56</b>	<b>93</b>	<b>149</b>

##### Restructuring Provision

This relates to restructuring of the sales organisation and employee redundancy payments. The provision has been based upon an individual basis under contractual arrangements. It will be utilised during the first quarter of 2008.

##### Dilapidations Provision

The dilapidations provision relates to buildings. There is an obligation to restore the property to conditions identified within the provision of the lease agreement.

Both provisions relate to the group. The company does not have any dilapidations or restructuring provisions.

#### 13 Called Up Share Capital – Company and Group

	2007 £'000	2006 £'000
Authorised, called up, allotted and fully paid		
21,133 ordinary shares of £1 each	21	21



# Borland (Holding) UK Limited

## Notes To The Financial Statements For The Year Ended 31 December 2007 (continued)

### 14 Reserves

	Share premium account £'000	Capital reserve £'000	Profit and loss account Restated £'000	Other reserves Restated £'000	Total reserves Restated £'000
<b>Group</b>					
At 1 January 2007 as previously reported	234	437	1,954	-	2,625
Prior year adjustment – FRS 20 charge	-	-	(628)	628	-
<b>At 1 January 2007 as restated</b>	<b>234</b>	<b>437</b>	<b>1,326</b>	<b>628</b>	<b>2,625</b>
Retained profit for the financial year	-	-	176	-	176
Other reserves FRS 20 charge	-	-	-	91	91
<b>At 31 December 2007</b>	<b>234</b>	<b>437</b>	<b>1,502</b>	<b>719</b>	<b>2,892</b>

The prior year adjustment for the FRS 20 profit/loss charge of £628,446 consists of the charge for 2006 (£60,487) and prior years 2002-2005 (£567,959) (note 18)

	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000	Other reserves £'000	Total reserves £'000
<b>Company</b>					
At 1 January 2007 and 31 December 2007	234	-	1,230	-	1,464

### 15 Reconciliation Of Movements In Shareholders' Funds

Reconciliation of shareholders' funds for the Group

	2007 £'000	2006 Restated £'000
Profit attributable to shareholders	176	462
Other reserves FRS 20 charges	91	60
Total equity shareholders' funds at 1 January	2,646	2,124
Total equity shareholders' funds at 31 December	2,913	2,646

Reconciliation of shareholders' funds for the Company

	2007 £'000	2006 £'000
Profit attributable to shareholders	-	-
Total equity shareholders' funds at 1 January	1,485	1,485
Total equity shareholders' funds at 31 December	1,485	1,485

## **Borland (Holding) UK Limited**

### **Notes To The Financial Statements For The Year Ended 31 December 2007 (continued)**

#### **16 Pension Commitments**

The Group contributes 6%-8% of each employee's salary to individual personal pension plans depending on the employee's length of service, on the basis of basic earnings, giving a total pension cost for the year of £321,154 (2006: £290,690).

#### **17 Lease Commitments**

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

	<b>2007</b>	<b>2006</b>
	<b>Land and buildings</b>	<b>Land and buildings</b>
	<b>£'000</b>	<b>£'000</b>
Operating leases which expire		
Over five years	<b>432</b>	<b>432</b>
	<b>432</b>	<b>432</b>

#### **18 Share based payments**

As of December 31, 2007, Borland Inc has various stock-based compensation plans. The employee stock option plans allow Borland to grant, on a discretionary basis, both incentive stock options ("ISOs") and non-qualified stock options, as well as restricted stock and stock bonuses to employees of Borland Inc and its subsidiaries.

Currently, stock options are granted to employees from the 1997 and 1998 Stock Option Plans, the 2002 Stock Incentive Plan and 2003 Supplemental Stock Option Plan. Standard options vest over a four-year period, with 25% vesting after one year from the date of grant and 75% vesting monthly over the following three years. For most grantees, options expire at the earlier of either three months after termination of the grantee's employment or ten years after the date of grant.

At December 31 2007, 5,695,409 shares were available for future grant by Borland Inc under the various stock option plans in existence. All options granted under the plans for the years ended December 31 2007 and 2006 were priced at the fair market value on the date of grant, based on the closing price of the Borland common stock as reported on the Nasdaq Stock Market on the date of grant, or if the date of grant is not a trading day, the trading day immediately prior to the date of grant.

## Borland (Holding) UK Limited

### Notes To The Financial Statements For The Year Ended 31 December 2007 (continued)

#### 18 Share based payments (continued)

The fair value of each share based award, other than Restricted Stock Units (RSUs), is estimated on the date of grants using the Black-Scholes option pricing model that included the following assumptions:

Note: All value shown as \$ related to US dollars	2007		2006	
	Stock Options granted	Restricted Stock Units Granted	Stock Options granted	Restricted Stock Units Granted
Risk-free interest rate	4.74%	n/a	4.51%	n/a
Dividend yield	0.00%	n/a	0.00%	n/a
Expected life (years)	4.90 yrs	n/a	5.01 yrs	n/a
Volatility	41.7%	n/a	47.5%	n/a
Grant date	28/02-31/12 2007	n/a	07/02-30/11 2006	n/a
Option life	10 years	n/a	10 years	n/a
Fair value per option	\$2.45	n/a	\$2.56	n/a

The expected life of 4.90 years is the average expected period to exercise. The expected volatility has, since January 2006, been based on a blend of historical volatility and implied volatility in market-traded options on Borland common stock. Management has determined that a blend of implied volatility and historical volatility is more reflective of market conditions and a better indicator of expected volatility than using purely historical volatility. The risk free interest rate assumption is based upon observed interest rates appropriate for the term of the Borland employee stock options.

Borland has also granted restricted stock to certain employees with a cash purchase price less than the closing market price of the underlying stock on the date of grant. Restricted common stock awards generally vest over two to five years from the date of grant based on continued service and other performance factors.

A reconciliation of stock options for Borland (UK) Ltd over the year to 31 December 2007 is shown below:

	2007		2006	
	Shares	Weighted Average Exercise Price, \$	Shares	Weighted Average Exercise Price, \$
Outstanding at 1 January	634,136	\$7.8952	582,330	\$8.5842
Granted	66,000	\$5.7467	184,750	\$5.4036
Exercised	(18,234)	\$5.0683	(2,395)	\$4.6414
Forfeited	(317,096)	\$8.6513	(130,549)	\$7.5022
Outstanding at 31 December	364,806	\$6.9905	634,136	\$7.8952
Exercisable at 31 December	230,192	\$7.8657	446,198	\$8.9426

## Borland (Holding) UK Limited

### Notes To The Financial Statements For The Year Ended 31 December 2007 (continued)

#### 18 Share based payments (continued)

A reconciliation of restricted share units (RSUs) over the year to 31 December 2007 is shown below:

	2007		2006	
	Shares	Weighted Average Exercise Price, \$	Shares	Weighted Average Exercise Price, \$
Outstanding at 1 January	4,142	\$0.0000	44,308	\$0.0096
Granted	0	\$0.0000	5,000	\$0.0000
Exercised	(2,500)	\$0.0000	(10,166)	\$0.0074
Forfeited	(1,017)	\$0.0000	(35,000)	\$0.0100
Outstanding at 31 December	625	\$0.0000	4,142	\$0.0000

The total charge for the year relating to employee share based payment plans was £91,300 (2006: £60,487, prior years 2002-2005: £567,959).

#### 19 Ultimate Parent Company

The ultimate parent undertaking and controlling party is Borland Software Corporation, a company incorporated in the United States of America. Borland Software Corporation is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2007. The consolidated financial statements of Borland Software Corporation are available from:

Borland Software Corporation  
8310 North Capital of Texas Highway  
Building 2, Suite 100  
Austin, Texas 78731  
USA

#### 20 Company Profit And Loss Account

The company has not presented its own profit and loss account in the financial statements as permitted by Section 230 of the Companies Act 1985. The amount of profit for the financial period dealt with in the financial statements of the company is £nil (2006: £Nil).

#### 21 Post balance sheet events

In June 2008 Borland Software Corporation sold its global IDE business, named CodeGear. This has impacted Borland (Holding) UK Ltd by reducing the range of products being sold. The company is now focussing on developing and growing its core Application Lifecycle Management (ALM) business.

A number of changes to the UK Corporation Tax system were announced as part of the March 2007 budget statement. Certain of these changes were substantively enacted in the 2007 Finance Act on 26 June 2007. The impact of these changes has been recognised in these financial statements.

Certain other changes are expected to be enacted in the 2008 Finance Act. The impact of these changes will be recognised in the period in which the 2008 Finance Act becomes substantively enacted, which is expected to be in the year to 31 December 2008.