

Borland (Holding) UK Limited

(Registered Number 1878815)

Directors' Report And Group Financial Statements

For The Year Ended 31 December 2002



Borland (Holding) UK Limited

Directors' Report For The Year Ended 31 December 2002

The directors present their report and audited financial statements for the year ended 31 December 2002.

Principal activity

The company's principal activity during the year comprised the provision of marketing, maintenance and technical support services on behalf of its parent undertaking.

Results And Dividends

The consolidated profit and loss account for the period is set out on page 4. The profit for the year was £738,051 (2001: £573,000). The directors do not recommend the payment of a dividend for the year ended 31 December 2002 (2001: £Nil).

Review Of Business And Future Developments

Both the level of business and the year end financial position were satisfactory, and the directors expect the present level of activity to be sustained in the future.

Directors And Their Interests

The directors who served during the year and up to the date of this report were as follows:

N M Brown

K E Gottfried

The company is a wholly owned subsidiary of a company incorporated outside Great Britain. None of the directors hold any interests in the share capital of any other group company that are required to be notified to the company under s324.

Charitable Donations

During the period the Company made charitable donations amounting to £2,323 (2001: £30,863).

Borland (Holding) UK Limited

Directors' Report For The Year Ended 31 December 2002 (continued)

Statement Of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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:


- confirm that suitable accounting policies have been used and then applied consistently; except for the adoption of FRS19.
- confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 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.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 27 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By Order of the Board


N M Brown

Director

29 August 2003

Borland (Holding) UK Limited

Independent auditors' report to the members of Borland (Holding) UK Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 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 is not disclosed.

Basis of audit 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 judgments 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 and the group as at 31 December 2002 and the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
West London

29 August 2003

Borland (Holding) UK Limited

Consolidated Profit And Loss Account For The Year Ended 31 December 2002

	<i>Note</i>	2002 £'000	2001 £'000
Turnover	2	7,565	9,225
Cost of sales		(145)	(258)
Gross profit		7,420	8,967
Administrative expenses	3	(7,009)	(9,130)
Other operating income	3	309	672
Operating profit		720	509
Interest (payable)/receivable		(8)	80
Profit on ordinary activities before taxation	3	712	589
Tax credit/(charge) on profit on ordinary activities	6	26	(16)
Profit for the year		738	573
Retained loss brought forward		(451)	(1,024)
Retained profit/(loss) carried forward		287	(451)

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.

There is no difference between the reported profit as stated above and the amounts that would be reported under the historical cost basis.

Borland (Holding) UK Limited

Consolidated Balance Sheet as at 31 December 2002

	<i>Note</i>	2002 £'000	2001 £'000
Fixed assets			
Tangible fixed assets	7	192	246
Current assets			
Debtors	9	3,085	3,940
Cash at bank and in hand		2,401	1,825
		5,486	5,765
Creditors - amounts falling due within one year	10	(3,614)	(4,280)
Net current assets		1,872	1,485
Total assets less current liabilities		2,064	1,731
Provisions for liabilities and charges	11	(1,085)	(1,490)
Net Assets		979	241
Capital and reserves			
Called up share capital	12	21	21
Share premium	13	234	234
Capital reserve	13	437	437
Profit and loss account	13	287	(451)
Total equity shareholders' funds	14	979	241

The financial statements on pages 4 to 14 were approved by the board on ~~July~~ 2003 and signed on its behalf by.

Approved by the Board



N M Brown

Director

29 August 2003

Borland (Holding) UK Limited

Company Balance Sheet as at 31 December 2002

	<i>Note</i>	2002 £'000	2001 £'000
Fixed assets			
Investments	8	1,485	1,485
Total assets		1,485	1,485
Capital and reserves			
Called up share capital	12	21	21
Share premium	13	234	234
Profit and loss account	13	1,230	1,230
Total equity shareholders' funds		1,485	1,485

Approved by the Board



N M Brown

Director

29 August 2003

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

Borland (Holding) UK Limited

Notes To The Accounts For The Year Ended 31 December 2002 (Continued)

1 Accounting Policies

(1) Accounting convention and basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards. The accounts have been prepared on a going concern basis, in accordance with the Companies Act 1985 and accounting policies that have been applied consistently except for the adoption of FRS19 during the year.

(2) Consolidation

The consolidated accounts incorporate the accounts of the Company and its subsidiary Borland (UK) Limited. The accounts 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.

(3) Turnover

Turnover represents commission received and receivable from group undertakings for the sale of software and the invoiced value of goods and services provided during the year, exclusive of VAT. Maintenance revenues invoiced in advance for fixed periods are taken to income in equal monthly instalments over the period of the contract.

(4) Leasing commitments

Rentals payable under operating leases are charged to the profit and loss account when incurred.

(5) Tangible fixed assets

Tangible fixed assets are stated at cost, together with any incidental expenses of acquisition.

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:

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

(6) Deferred taxation

The company has adopted FRS 19 'Deferred Tax' from 1 January 2002 and this is reflected in these financial statements. Although the adoption of FRS 19 represents a change in accounting policy, there was no impact on either the current or prior year results.

Deferred tax is now 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 regarded 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.

Borland (Holding) UK Limited

Notes To The Accounts For The Year Ended 31 December 2002 (Continued)

1 Accounting Policies (Continued)

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.

(7) 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.

(8) 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 (Revised 1996) "Cash Flow Statements".

(9) 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.

2 Turnover

The majority of the company's turnover is derived in the United Kingdom from the one activity which is the distribution of software on behalf of its parent undertaking on a commission basis.

3 Profit on Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging:

	2002 £'000	2001 £'000
Wages and salaries	3,279	3,380
Social security costs	428	405
Pension costs	147	130
Depreciation (note 7)	121	106
Hire of plant and machinery	19	26
Other operating lease rentals	629	768
Auditors' remuneration		
- Audit fees	26	34
- Non-audit fees	22	27
Exchange gains	54	5

Other operating income of £309,000 (2001: £672,000) relates to rent receivable from sub-leasing of premises.

Borland (Holding) UK Limited

Notes To The Accounts For The Year Ended 31 December 2002 (Continued)

4 Employees

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

	2002	2001
Production development and technical support	5	2
Sales and marketing	48	52
Administration	8	7
	61	61

5 Directors Emoluments

Emoluments paid on behalf of directors were as follows:

	2002	2001
	£'000	£'000
Aggregate emoluments	419	559
Aggregate pension contributions to money purchase pension schemes	17	15
	436	574
Total emoluments of highest paid directors (excluding pension contributions)	436	559

One director is accruing benefits under a defined contribution scheme.

Borland (Holding) UK Limited

Notes To The Accounts For The Year Ended 31 December 2002 (Continued)

6 Tax (credit)/charge on profit on ordinary activities

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

	2002 £'000	2001 £'000
Current Tax		
UK Corporation tax (credit)/charge on profits of the period	7	16
Adjustments in respect of prior periods	(33)	-
Total current tax	(26)	16

There were approximately £1,266,601 of losses available for carry forward at 31 December 2002 (2001: £2,370,951).

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

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation	712	589
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2001: 30%)	213	177
Effects of:		
Expenses not deductible for tax purposes	20	25
Utilisation of tax losses and other timing differences	(259)	(186)
Current taxation charge for the period (Note 6 (a))	(26)	16

Deferred Taxation

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

	2002 £'000	2001 £'000
Excess of capital allowances over depreciation	466	310
Operating losses carried forwards	380	711
Other short term timing differences	476	509
Deferred tax asset not provided	1,322	1,530

The Directors have not provided for the deferred tax asset, as it is not considered more likely than not under FRS19 that the asset would be utilised.

Borland (Holding) UK Limited

Notes To The Accounts For The Year Ended 31 December 2002 (Continued)

7 Tangible Fixed Assets

	Leasehold improvements £'000	Office equipment £'000	Computer equipment £'000	Furniture, fixtures & fittings £'000	Total £'000
Cost					
At 1 January 2002	117	13	370	375	875
Additions	1	0	38	28	67
Disposals	(12)	0	(58)	(133)	(203)
At 31 December 2002	106	13	350	270	739
Accumulated depreciation					
At 1 January 2002	57	6	252	314	629
Charge for the year	19	3	74	25	121
Disposals	(12)	0	(58)	(133)	(203)
At 31 December 2002	64	9	268	206	547
Net book amount					
At 31 December 2002	42	4	82	64	192
At 31 December 2001	60	7	118	61	246

8 Investment In Subsidiary Undertaking

	£'000
Balances as at 31 December 2002 and 31 December 2001	1,485

Details of the investment in subsidiary, which is included in the consolidation, are as follows:

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

The subsidiary's principal activity during the year comprised the provision of marketing, maintenance and technical support services on behalf of its parent undertaking.

Borland (Holding) UK Limited

Notes To The Accounts For The Year Ended 31 December 2002 (Continued)

9 Debtors

	Group 2002 £'000	Group 2001 £'000
Trade debtors	1,126	861
Amounts owed by group undertakings	1,893	2,849
Prepayments and accrued income	66	230
	3,085	3,940

All above amounts fall due within one year of the balance sheet date.

10 Creditors – Amounts Falling Due Within One Year

	Group 2002 £'000	Group 2001 £'000
Trade creditors	101	329
Amounts due to group undertakings	204	519
Other taxes and social security	438	500
Restructuring provision – short term portion (note 11)	399	104
Accruals and deferred income	2,472	2,828
	3,614	4,280

11 Provision For Liabilities And Charges

	Group 2002 £'000	Group 2001 £'000
Provision – beginning of year	1,594	1,562
Restructuring provisions utilised during the year	(110)	-
Increase in provision	-	32
Provisions – end of year	1,484	1,594
Less: Amount representing short term portion	(399)	(104)
	1,085	1,490

Restructuring Provision

This predominantly relates to onerous building lease commitments as a result of restructuring in prior years. The provision is based upon the shortfall in rent payable over sublease income for the term of the lease.

Rent received from these operating leases in the period was £309,000 (2001: £672,000).

Borland (Holding) UK Limited

Notes To The Accounts For The Year Ended 31 December 2002 (Continued)

12 Called Up Share Capital

	2002 £'000	2001 £'000
Authorised, called up, allotted and fully paid 21,133 ordinary shares of £1 each	21	21

13 Reserves

	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000	Total reserves £'000
Group				
At 1 January 2002	234	437	(451)	220
Retained profit for the year	-	-	738	738
At 31 December 2002	234	437	287	958
Company				
At 1 January 2002 and 31 December 2002	234	-	1,230	1,464

There was no profit dealt with in the accounts of the company during the year (2001: £nil).

14 Reconciliation of Movements in Shareholders' Funds

	2002 £'000	2001 £'000
Retained profit attributable to shareholders	738	573
Opening shareholders' deficit	241	(332)
Closing shareholders' funds	979	241

15 Pensions

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 £146,788 (2001: £129,531).

Borland (Holding) UK Limited

Notes To The Accounts For The Year Ended 31 December 2002 (Continued)

16 Lease Commitments

At 31 December 2002 the company had future annual commitments under non-cancellable operating leases as set out below:

	2002		2001	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Lease expiry date:				
Within one year	-	6	-	39
Between one and five years	-	34	-	46
Over five years	737	-	737	-
	737	40	737	85

17 Contingent Liabilities

In the prior period the company had given a guarantee of £10,000 in consideration of the commissioners of HM Customs and Excise allowing payment of duties, taxes and charges to be deferred to prescribed payment days. This guarantee was cancelled on 9 October 2002 and therefore there is no contingent liability as at December 2002.

18 Ultimate Parent Company

The company is a wholly owned subsidiary of Borland Software Corporation, a company incorporated in the United States of America. Group financial statements may be obtained from:

Borland Software Corporation
100 Enterprise Way
Scotts Valley
California 95066-3249
USA

The company has taken advantage of the exemption in Financial Reporting Standard No 8 from disclosure of details of related transactions between group companies on the grounds that the company is a greater than 90% owned subsidiary which is consolidated into a group whose financial statements are publicly available.

19 Company Profit And Loss Account

The company has not presented its own profit and loss financial statements as permitted by Section 230 of the Companies Act 1985. The amount of consolidated profit available for distribution for the financial period dealt with in the financial statements of the company is £nil (2001: £Nil).