

VERTICALNET INC  
Form 8-K/A  
October 07, 2005

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**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

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**FORM 8-K/A**

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**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): July 22, 2005

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**Verticalnet, Inc.**

(Exact Name of Registrant as Specified in its Charter)

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**Pennsylvania**  
(State or Other Jurisdiction  
  
of Incorporation)

**000-25269**  
(Commission File Number)

**23-2815834**  
(IRS Employer

Identification No.)

**400 Chester Field Parkway, Malvern, PA**  
(Address of Principal Executive Offices)

**19355**  
(Zip Code)

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Registrant's telephone number, including area code: (610) 240-0600

**Not Applicable**

**(Former Name or Former Address, if Changed Since Last Report)**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**EXPLANATORY NOTE**

This Form 8-K/A amends Item 9.01 of the Current Report on Form 8-K previously filed by the Registrant with the Securities and Exchange Commission on July 26, 2005, for the purpose of filing the financial statements and pro forma financials required by Item 9.01 of Form 8-K with respect to the Registrant's acquisition of Digital Union Limited, a private limited company registered in England.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.**

**(a) Financial Statements of Business Acquired**

Independent Auditors Report

Audited Financial Statements of Digital Union UK Limited (predecessor to Digital Union Limited) for the year ended December 31, 2004.

Unaudited financial statements of Digital Union UK Limited (predecessor to Digital Union Limited) for the six months ended June 30, 2005 and 2004.

**(b) Pro Forma Financial Information**

Basis of Presentation

Unaudited Pro Forma Condensed Consolidated Balance Sheet

Unaudited Pro Forma Condensed Statements of Operations

Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

**(d) Exhibits.**

**Exhibit**

<u>No.</u>	<u>Exhibit</u>
23.1	Consent of H.W. Fisher & Company *

\* Filed herewith

DIGITAL UNION UK LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

DIGITAL UNION UK LIMITED

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DIGITAL UNION UK LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDER OF DIGITAL UNION LIMITED IN RESPECT OF DIGITAL

UNION UK LIMITED (NOW ROCKO LIMITED (IN ADMINISTRATION))

We have audited the accompanying Financial Statements set out on pages 2 to 13 incorporating the balance sheet of Digital Union UK Limited as at 31 December 2004, its profit and loss account and cash flows for the year ended 31 December 2004 and Notes thereon.

Respective responsibilities of company management and auditors

As described in Note 2, these Financial Statements are the responsibility of the company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. We are not engaged to perform an audit of the company's internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts of disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

Post balance sheet events

As stated in Note 24, on 28 April 2005 Digital Union UK Limited went into Administration. Later on 28 April 2005 Digital Union Limited acquired the company's trade, assets and certain liabilities for a consideration of £50,000 plus the assumption of certain liabilities. The Administrator is still determining the settlement of the remaining liabilities. For the reasons stated in Note 3.1, these Financial Statements have been prepared on a going concern basis.

Opinion

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In our opinion the Financial Statements referred to above present fairly, in all material respects, the financial position of Digital Union UK Limited at 31 December 2004 and the results of its operations and its cash flows for the year ended 31 December 2004, in conformity with accounting principles generally accepted in the United Kingdom.

### Accounting Principles

Accounting principles generally accepted in the United Kingdom vary in certain respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 25 to the Financial Statements.

### **H W Fisher & Company**

Chartered Accountants

Registered Auditor

Acre House 11-15 William Road

London

NW1 3ER

UK

Dated: 20 September 2005

DIGITAL UNION UK LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2004

	<u>Notes</u>	<u>2004</u>
		£
<b>Turnover</b>	<b>4</b>	<b>813,732</b>
Cost of sales		<u>(1,111,525)</u>
<b>Gross loss</b>		<b>(297,793)</b>
Administrative expenses		<u>(1,326,848)</u>
<b>Operating loss</b>	<b>5</b>	<b>(1,624,641)</b>
Other income	<b>7</b>	<b>24,408</b>
Interest payable and similar charges	<b>8</b>	<u>(116,262)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(1,716,495)</b>
Tax on loss on ordinary activities	<b>9</b>	<u>30,772</u>
<b>Loss on ordinary activities after taxation</b>		<b>(1,685,723)</b>
Accumulated loss brought forward		<u>(148,510)</u>
<b>Accumulated loss carried forward</b>		<b><u>(1,834,233)</u></b>

All items dealt with in arriving at the operating losses relate to discontinued operations (See Note 24)

The company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the losses on ordinary activities before taxation and the retained losses for the period stated above and their historical cost equivalents.

The accompanying notes form an integral part of these Financial Statements.



## DIGITAL UNION UK LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2004

	<u>Notes</u>	<u>2004</u>
		£
<b>Fixed assets</b>		
Tangible assets	10	90,145
Investments	11	60
		<u>90,205</u>
<b>Current assets</b>		
Debtors	12	378,794
Cash at bank and in hand		130,176
		<u>508,970</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(742,830)</u>
<b>Net current liabilities</b>		<u>(233,860)</u>
<b>Total assets less current liabilities</b>		<u>(143,655)</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(1,190,478)</u>
		<u>(1,334,133)</u>
<b>Capital and reserves</b>		
Called up share capital	16	179
Share premium account	17	499,921
Profit and loss account		(1,834,233)
<b>Shareholders funds (deficit) - all equity interests</b>	18	<u>(1,334,133)</u>

The accompanying notes form an integral part of these Financial Statements.

DIGITAL UNION UK LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

	<u>Notes</u>	<u>2004</u>
		£
<b>Net cash outflow from operating activities</b>	<b>19</b>	<b>(1,176,949)</b>
<b>Returns on investments and servicing of finance</b>		
Interest received		36
Interest paid	(115,353)	
Interest element of hire purchase and finance lease rentals	(909)	
Other income (cash basis)	24,372	
		<u>          </u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(91,854)</b>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(75,754)	
Payments to acquire investments	(60)	
		<u>          </u>
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(75,814)</b>
		<u>          </u>
<b>Net cash outflow before financing</b>		<b>(1,344,617)</b>
<b>Financing</b>		
New short term venture capital loan	200,000	
Repayment of long term bank loan	(23,810)	
Capital element of hire purchase and finance lease rentals	(4,805)	
		<u>          </u>
<b>Net cash inflow from financing</b>		<b>171,385</b>
		<u>          </u>
<b>Decrease in cash</b>	<b>20</b>	<b>(1,173,232)</b>
		<u>          </u>

The accompanying notes form an integral part of these Financial Statements.

DIGITAL UNION UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2004*

**1 Requirement for these Financial Statements**

These Financial Statements have been prepared following an acquisition by Verticalnet Inc (USA) on 22 July 2005 of Digital Union Limited. As stated in Note 24 Digital Union Limited acquired the trade, assets and certain liabilities of Digital Union UK Limited, which went into Administration on 28 April 2005. As a result of the acquisition on 22 July 2005, these Financial Statements of Digital Union UK Limited have been prepared to reflect the predecessor situation as required by the U.S. Securities and Exchange Commission.

**2 Responsibilities for the preparation of these Financial Statements**

As part of the acquisition referred to in Note 1 above during 2005 by Digital Union Limited of Digital Union UK Limited, Digital Union Limited obtained the books and records of Digital Union UK Limited.

The management of Digital Union Limited, having acquired the books and records from the predecessor company, Digital Union UK Limited, are responsible for ensuring proper accounting records have been kept which disclose with reasonable accuracy at any time the financial position of the company. 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. In addition they are responsible for ensuring that these Financial Statements present fairly the state of affairs of the company and of the profit or loss of the company for the year ended 31 December 2004.

In preparing these Financial Statements, the Company's management have ensured that:

suitable accounting policies had been selected by the predecessor company's directors and then applied consistently;

judgements and estimates have been made that are reasonable and prudent;

these Financial Statements have been prepared on the going concern basis;

DIGITAL UNION UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2004*

**3 Accounting policies**

**3.1 Basis of preparation**

These Financial Statements have been prepared under the historical cost convention. The Financial Statements have not been prepared under section 226 of the Companies Act 1985.

Going concern

The company incurred significant losses in the year ended 31 December 2004. Support from the Venture Capital company continued in early 2005 until the company went into Administration on 28 April 2005 (see Note 24). As a result of the acquisition on 22 July 2005 also referred to in Note 24, these Financial Statements have been prepared on a going concern basis.

**3.2 Turnover**

Turnover represents the invoiced value of goods sold and services provided net of VAT, except for situations where the company resells unrelated third party products which are accounted for by including only the margin within turnover.

**3.3 Tangible fixed assets and depreciation**

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

Computer equipment	33% Straight Line
Fixtures & fittings	15% Straight Line

**3.4 Leasing and hire purchase commitments**

Assets held under finance leases and hire purchase contracts are treated as if they had been purchased outright at the present value of the rentals payable, less finance charges, over the primary period of the agreements. The corresponding obligations under these agreements are included in creditors. The finance element of the rentals payable is charged to the profit and loss account so as to produce a constant rate of charge on the

outstanding balance in each period.

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

### **3.5 Investments**

Fixed asset investments are stated at cost less any provision for permanent diminution in value.

### **3.6 Deferred taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### **3.7 Foreign currency translation**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.

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

DIGITAL UNION UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

**4 Turnover**

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

**5 Operating loss**

	2004
	£
Operating loss is stated after charging:	
Depreciation of owned tangible fixed assets	44,791
Depreciation of tangible fixed assets held under finance leases and hire purchase contracts	4,875
Operating lease rentals	
- Plant and machinery	3,689
- Other assets	78,320
	<u>          </u>

**6 Employment costs**

	2004
	£
Wages and salaries	1,502,650
Social security costs	168,114
Other pension costs	16,249
	<u>          </u>
	<u>1,687,013</u>

**7 Other income**

	2004
	£
Interest receivable and similar income	24,408
	<u>          </u>

**8 Interest payable and similar charges**

	<u>2004</u>
	£
Interest payable on:	
Factoring costs	3,549
Bank loans and overdrafts	26,124
Other loans	85,680
Finance lease and hire purchase contracts	909
	<u>116,262</u>

DIGITAL UNION UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

**9 Tax on loss on ordinary activities**

	<u>2004</u>
	£
<b>Current tax</b>	
UK corporation tax	
Adjustments in respect of prior periods	<u>(30,772)</u>

There is no tax charge on the basis of the availability of eligible tax losses.

**10 Tangible fixed assets**

	<u>Leasehold Improvements</u>	<u>Computer equipment</u>	<u>Fixtures &amp; fittings</u>	<u>Total</u>
	£	£	£	£
<b>Cost</b>				
At 1 January 2004	1,306	115,359	14,294	130,959
Additions		70,394	5,360	75,754
<b>At 31 December 2004</b>	<u>1,306</u>	<u>185,753</u>	<u>19,654</u>	<u>206,713</u>
<b>Depreciation</b>				
At 1 January 2004	619	60,452	5,831	66,902
Charge for the year	205	45,694	3,767	49,666
<b>At 31 December 2004</b>	<u>824</u>	<u>106,146</u>	<u>9,598</u>	<u>116,568</u>
<b>Net book value</b>				
At 31 December 2004	<u>482</u>	<u>79,607</u>	<u>10,056</u>	<u>90,145</u>

**Finance leases and hire purchase contracts**

The net book value of tangible fixed assets includes an amount of £3,196 in respect of assets held under finance leases or hire purchase contracts.





DIGITAL UNION UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

**11 Fixed asset investments**

	Shares in subsidiary undertakings
	£
<b>Cost</b>	
<b>At 31 December 2004</b>	<b>60</b>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

**12 Debtors**

	2004
	£
Trade debtors	294,353
Other debtors	58,972