

Sterling Commerce (UK) Limited

Registered No. 3163427

AMENDING

DIRECTORS

David Alexander
David Bruce
Albert Hoover
Didier Lesteven
Esther McDowell
Stephen Perkins
Steven Shiflet
Edwin Waser

SECRETARY

Abogado Nominees Limited

AUDITORS

Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

BANKERS

Lloyds Bank Plc
24 Broad Street
Reading
Berkshire RG1 2BT

SOLICITORS

Baker & McKenzie
100 New Bridge Street
London EC4V 6JA

REGISTERED OFFICE

1 Longwalk Road
Stockley Park
Uxbridge
Middlesex UB11 1DB

ERNST & YOUNG



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COMPANIES HOUSE
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COMPANIES HOUSE

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Sterling Commerce (UK) Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 September 1998.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £70,380. The directors do not recommend a payment of a dividend.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is the provision of electronic commerce products and networking services. Since 1 January 1997, Sterling Commerce (UK) Limited earns commissions in respect of sales made in Europe.

EVENTS SINCE THE BALANCE SHEET DATE

In June 1999, the company purchased all of the share capital of E-Commerce Group Limited at a cost of £2,900,000.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 30 September 1998 were as follows:

David Alexander
David Bruce
Gail Froelicher (resigned 30 July 1998)
Albert Hoover
Thomas Lutz
Stephen Perkins
John Sharp
Steven Shiflet
Edwin Waser (appointed 23 February 1998)
Derek Wilson

In addition, John Sharp resigned as a director on 10 October 1998, Thomas Lutz and Derek Wilson resigned as directors of the company on 30 March 1999 and Didier Lesteven and Esther McDowell were appointed as directors on 1 April 1999.

Abogado Nominees Limited was appointed as secretary on 1 April 1999.

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

YEAR 2000

The Year 2000 issue is the result of computer programs that were written using two digits rather than four to define the applicable year. Accordingly, computer programs that perform date-related functions may recognise a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculation causing disruptions of operations, including a temporary inability to process transactions, send invoices or engage in similar normal business activities.

The company has and continues to assess and resolve Year 2000 issues associated with its product and services offerings, material internal systems, such as information technology ("IT") systems and non-IT systems, and material third-party relationships. The company believes that this program will be completed prior to 31 December 1999.

DIRECTORS' REPORT

EURO

On 1 January 1999 eleven of the fifteen member countries of The European Union established fixed conversion rates between their existing sovereign currencies and a new currency the "Euro". As the current products and services are currency neutral, the company did not need to modify its products or internal systems used in the provision of services in order to support euro transactions. The company has modified its business operations. The cost of such modifications were not material and have been borne by the parent undertaking.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



Director

Sterling Commerce (UK) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

REPORT OF THE AUDITORS

to the members of Sterling Commerce (UK) Limited

We have audited the revised accounts of Sterling Commerce (UK) Limited on pages 6 to 13 which have been prepared under the accounting policies set out on pages 8 and 9. The revised accounts replace the original accounts approved by the directors on 28 October 1999.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on these revised accounts and to report our opinion to you. We are also required to report whether in our opinion the original accounts failed to comply with the requirements of the Companies Act 1985 in the respects identified by the directors. Our responsibilities as independent auditors are established in the United Kingdom by Statute, the Accounting Practices Board and by our profession's ethical guidance.

Basis of 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 accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed. The audit of revised financial statements includes the performance of additional procedures to assess whether the revisions made by the directors are appropriate and have been precisely made.

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 accounts 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 accounts.

Opinion

In our opinion the revised accounts give a true and fair view, seen as at the date the original accounts were approved, of the state of affairs of the company at 30 September 1998 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 as they have effect under the Companies (Revision of Defective Accounts and Reports) Regulations 1990.



Ernst & Young
Registered Auditor
London

28 April 2000

Sterling Commerce (UK) Limited

PROFIT AND LOSS ACCOUNT for the year ended 30 September 1998

	Notes	1998 £	1997 £
TURNOVER		3,123,744	642,943
Cost of sales		(960,847)	(65,542)
Gross profit		2,162,897	577,401
Administrative expenses		(1,373,068)	(580,123)
OPERATING PROFIT/(LOSS)	3	789,829	(2,722)
Write down of fixed asset investment	9	(542,267)	-
Other income	4	-	219,046
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		247,562	216,324
Tax on profit on ordinary activities	7	317,942	83,251
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(70,380)	133,073
RETAINED PROFIT/(LOSS) BROUGHT FORWARD		80,697	(52,376)
RETAINED PROFIT CARRIED FORWARD		10,317	80,697

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss attributable to shareholders of the company of £70,380 for the year ended 30 September 1998, and profit of £133,073 for the year ended 30 September 1997.

Sterling Commerce (UK) Limited

BALANCE SHEET at 30 September 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	8	2,296,387	217,542
Investments	9	250,000	–
		<u>2,546,387</u>	<u>217,542</u>
CURRENT ASSETS			
Debtors	10	1,241,633	2,381,124
Cash at bank and in hand		486,874	271,545
		<u>1,728,507</u>	<u>2,652,669</u>
CREDITORS: amounts falling due within one year	11	<u>(4,220,012)</u>	<u>(2,787,891)</u>
NET CURRENT LIABILITIES		<u>(2,491,505)</u>	<u>(135,222)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>54,882</u>	<u>82,320</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	12	(44,500)	(1,558)
		<u>10,382</u>	<u>80,762</u>
CAPITAL AND RESERVES			
Called up share capital	13	65	65
Profit and loss account	14	10,317	80,697
EQUITY SHAREHOLDERS' FUNDS		<u>10,382</u>	<u>80,762</u>

Signed on behalf of the board



Director

28 April 2000

Sterling Commerce (UK) Limited

NOTES TO THE ACCOUNTS at 30 September 1998

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention, and in accordance with applicable accounting standards.

Consolidation

The accounts represent information about the company as an individual undertaking as advantage has been taken of the exemption under s248 of the Companies Act from preparing group accounts.

Cash flow statement

The company has claimed an exemption from preparing a statement of cash flow under FRS 1 on the basis that its parent undertaking has prepared one within its consolidated accounts.

Revenue recognition

Commissions receivable are recognised when earned. Service revenue, primarily training and consulting, is generally recognised at the time the service is performed.

Tangible fixed assets

Fixed assets are shown at cost.

Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Leasehold improvements	–	5 years
Furniture, fixtures and fittings	–	3 to 7 years
Cars	–	3 to 4 years
Computer equipment	–	3 to 5 years

Taxation

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by tax authorities) has been calculated on the liability method. Deferred taxation is provided on the timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

Foreign currency

Transactions denominated in foreign currencies are recorded in Sterling at actual exchange rates as of the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Operating lease agreements

The company enters into operating lease agreements. Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Sterling Commerce (UK) Limited

NOTES TO THE ACCOUNTS at 30 September 1998

1. ACCOUNTING POLICIES (continued)

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

2. TURNOVER

Turnover, which is stated net of VAT (and trade discounts), comprises commissions receivable in respect of sales made in Europe and services revenue, primarily consulting and training services.

Contributions to turnover arising from the company's principal activity were as follows:

	1998 £	1997 £
By geographical area:		
United Kingdom	731,523	642,943
Europe	2,392,221	–
	<u>3,123,744</u>	<u>642,943</u>

3. OPERATING PROFIT/(LOSS)

This is stated after charging:

	1998 £	1997 £
Depreciation of owned fixed assets	262,856	66,338
Auditors' remuneration	12,500	15,000
	<u>275,356</u>	<u>81,338</u>

4. OTHER INCOME

	1998 £	1997 £
Market penetration revenue	–	219,046
	<u>–</u>	<u>219,046</u>

Under a market development agreement, the company received income from its parent undertaking for the purpose of providing assistance in starting up and developing business opportunities in the United Kingdom. This agreement was terminated on 31 December 1996.

5. DIRECTORS' REMUNERATION

Directors' remuneration in respect of the company were as follows:

	1998 £	1997 £
Emoluments	80,695	61,562
Company contributions paid to defined contribution scheme	5,163	–
	<u>85,858</u>	<u>61,562</u>

There is one director in the company defined contribution scheme.

Sterling Commerce (UK) Limited

NOTES TO THE ACCOUNTS at 30 September 1998

6. STAFF COSTS

	1998 £	1997 £
Wages and salaries	826,798	272,360
Social security costs	60,727	26,153
Other pension costs (see also note 15)	88,640	10,331
	<u>976,165</u>	<u>308,844</u>

The average weekly number of persons employed by the company during the year were as follows:

	1998 No.	1997 No.
Sales and distribution	76	22
Administration	12	3
	<u>88</u>	<u>25</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the year and comprises:

	1998 £	1997 £
UK corporation tax	275,000	82,784
Deferred taxation (note 12)	42,942	1,558
	<u>317,942</u>	<u>84,342</u>
Corporation tax overprovided in previous year	—	(1,091)
	<u>317,942</u>	<u>83,251</u>

Sterling Commerce (UK) Limited

NOTES TO THE ACCOUNTS at 30 September 1998

8. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements</i>	<i>Computer equipment and software</i>	<i>Fixtures and fittings</i>	<i>Total</i>
	£	£	£	£
Cost or valuation:				
At 1 October 1997	–	260,442	94,817	355,259
Additions	1,398,494	388,035	555,172	2,341,701
Disposals	–	–	(68,756)	(68,756)
At 30 September 1998	1,398,494	648,477	581,233	2,628,204
Accumulated depreciation:				
At 1 October 1997	–	99,356	38,361	137,717
Provided during the year	44,378	155,179	63,299	262,856
Disposals	–	–	(68,756)	(68,756)
At 30 September 1998	44,378	254,535	32,904	331,817
Net book value:				
At 30 September 1998	1,354,116	393,942	548,329	2,296,387
At 1 October 1997	–	161,086	56,456	217,542

9. INVESTMENTS

The company purchased 100% of the ordinary share capital of Electronic Data Exchange Services Limited, an unlisted company incorporated in England and Wales for a consideration of £792,267. This has been written down to its estimated carrying value.

	£
Cost	
At 1 October 1997	–
Additions	792,267
Write down of fixed asset investment	(542,267)
At 30 September 1998	250,000

10. DEBTORS

	1998	1997
	£	£
Trade debtors	731,436	2,237,281
Prepayments and accrued income	504,387	143,843
Other current assets	5,810	–
	1,241,633	2,381,124

Sterling Commerce (UK) Limited

NOTES TO THE ACCOUNTS at 30 September 1998

11. CREDITORS: amounts falling due within one year

	1998 £	1997 £
Trade creditors	290,578	530,051
Amounts owed to other group undertakings	1,943,956	862,079
Corporation tax	294,977	82,784
Other taxes and social security	182,217	49,280
Accruals and deferred income	1,508,284	1,263,697
	<u>4,220,012</u>	<u>2,787,891</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the year are as follows:

	1998 £	Provided 1997 £	1998 £	Not provided 1997 £
Accelerated capital allowances	44,500	1,558	—	—

13. SHARE CAPITAL

	1998 US\$	Authorised 1997 US\$
10,000 Ordinary shares of US\$ 1 each	10,000	10,000

	1998 No.	Allotted, called up and fully paid 1997 No.	1998 £	1997 £
Ordinary shares of US\$ 1 each	100	100	65	65

NOTES TO THE ACCOUNTS
at 30 September 1998

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 October 1996	65	(52,376)	(52,311)
Profit for the year	–	133,073	133,073
At 30 September 1997	65	80,697	80,762
Loss for the year	–	(70,380)	(70,380)
At 30 September 1998	65	10,317	10,382

Shareholders' funds are entirely attributable to equity interests.

15. GUARANTEES AND FINANCIAL COMMITMENTS

Pension arrangements

The company operates a defined contribution pension scheme. The pension cost charge for the year was approximately £21,000 which was charged to the profit and loss account. The unpaid contributions outstanding at the year end, included in 'accruals' (note 11) was £2,557 (1997 – £7,359).

16. RELATED PARTIES

The company's ultimate parent undertaking is Sterling Commerce Inc., incorporated in the State of Delaware, United States of America, and the accounts of this company are available to the public and can be obtained from 8080 North Central Expressway, Dallas, Texas, USA.

The company has claimed an exemption from disclosing related party transactions under FRS 8 on the basis that these transactions are included within the consolidated accounts of the group.