

Sterling Commerce (UK) Limited

Registered No. 3163427

DIRECTORS

Albert Hoover
Thomas Lutz
Ashley McClinton
Steven Shiflet

SECRETARY

Thomas Lutz

AUDITORS

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

BANKERS

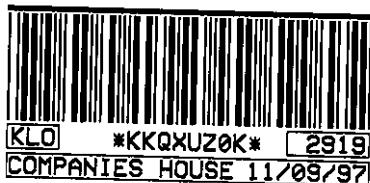
Lloyds Bank Plc
24 Broad Street
Reading
Berkshire RG1 2BT

SOLICITORS

Baker & McKenzie
100 New Bridge Street
London EC4V 6JA

REGISTERED OFFICE

1 Longwalk Road
Stockley Park
Uxbridge
Middlesex UB11 1DB



Sterling Commerce (UK) Limited

DIRECTORS' REPORT

The directors present their report on the affairs of the Company, together with the accounts and auditors' report for the period ended 30 September 1996.

RESULTS AND DIVIDENDS

Turnover in the period amounted to £296,574 and the loss after taxation amounted to £52,376.

The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company commenced trading on 19 February 1996.

The principal activity of the Company is the provision of electronic commerce networking services.

DIRECTORS AND THEIR INTERESTS

The directors of the Company during the period ended 30 September 1996 were as follows:

Albert Hoover	(appointed 19 February 1996)
Thomas Lutz	(appointed 19 February 1996)
Ashley McClinton	(appointed 19 February 1996)
Steven Shiflet	(appointed 19 February 1996)

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

SUPPLIER PAYMENT POLICIES

The Company agrees payment terms for its business transactions when goods and services are ordered. It ensures that suppliers are aware of the terms of payment and the relevant terms are included in contracts where appropriate. Subject to satisfactory performance by the supplier, arrangements are adhered to when making payments.

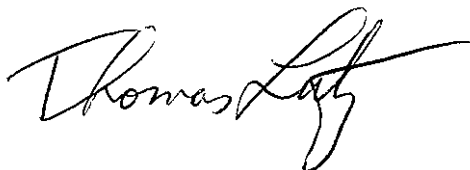
FIXED ASSETS

Information relating to tangible fixed assets is given in note 9 to the accounts.

AUDITORS

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

By order of the board



Secretary

- 8 SEP 1997

Sterling Commerce (UK) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The following statement, which should be read in conjunction with the statement of auditors' responsibilities set out on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for the financial year.

The directors consider that in preparing the accounts on pages 5 to 12 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed, subject to any explanations and any material departures disclosed in the notes to the accounts.

The accounts have been prepared on a going concern basis as the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them and which they deem appropriate to safeguard the assets of the company and to seek to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS

to the members of Sterling Commerce (UK) Limited

We have audited the accounts on pages 5 to 12 which have been prepared under the historical cost convention and on the basis of accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

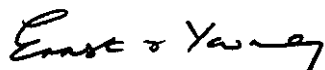
Basis of opinion

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. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 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 accounts give a true and fair view of the state of affairs of the company as at 30 September 1996 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, appearing to read 'Ernst & Young'.

Ernst & Young
Chartered Accountants
Registered Auditor
London

- 8 SEP 1997

Sterling Commerce (UK) Limited

PROFIT AND LOSS ACCOUNT

for the period ended 30 September 1996

		<i>Period ended 30 September 1996</i>
	<i>Notes</i>	<i>£</i>
TURNOVER		
Continuing operations: acquisitions	2	296,574
Cost of sales		(107,507)
Gross profit		189,067
Other operating expenses	3	(706,826)
OPERATING LOSS		
Continuing operations: acquisitions		(517,759)
Other income	4	472,442
Bank interest income		71
		472,513
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(45,246)
Tax charge on loss on ordinary activities	8	(7,130)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(52,376)
RETAINED PROFIT BROUGHT FORWARD		—
RETAINED LOSS CARRIED FORWARD		(52,376)

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 £52,376 for the period ended 30 September 1996. All balances noted above are the result of continuing operations.

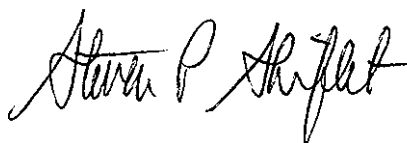
Sterling Commerce (UK) Limited

BALANCE SHEET at 30 September 1996

	Notes	1996 £
FIXED ASSETS		
Tangible assets	9	45,545
CURRENT ASSETS		
Debtors	10	499,505
Cash at bank and in hand		76,790
		576,295
CREDITORS: amounts falling due within one year	11	674,151
NET CURRENT LIABILITIES		(97,856)
TOTAL ASSETS LESS CURRENT LIABILITIES		(52,311)
CAPITAL AND RESERVES		
Called up share capital	14	65
Profit and loss account	15	(52,376)
EQUITY SHAREHOLDERS' FUNDS		(52,311)

Signed on behalf of the board

Director



- 8 SEP 1997

NOTES TO THE ACCOUNTS

at 30 September 1996

1. ACCOUNTING POLICIES

Accounting convention

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

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	-	7 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.

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.

Sterling Commerce (UK) Limited

NOTES TO THE ACCOUNTS at 30 September 1996

2. TURNOVER

Turnover comprises the value of sales (excluding VAT) of goods and services provided in the normal course of business.

Perpetual licences are granted under a standard licence agreement. Revenues from perpetual licence agreements are recognised upon shipment of the product when there is a valid contractual obligation and there is a reasonable assurance of collection from the customer within twelve months. Where cash is receivable after 12 months revenue is only recognised when the debt is sold to a factor without recourse.

Revenues from customer maintenance and enhancement fees are recognised pro rata over the period of the contract in accordance with the Statement of Position on Software Revenue Recognition which defines generally accepted accounting principles for United States companies.

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

	<i>Period ended 30 September 1996</i>
	£
By geographical area:	
United Kingdom	296,574

3. OTHER OPERATING EXPENSES

	<i>Period ended 30 September 1996</i>
	£
Selling and distribution costs	413,890
Administrative expenses	292,936
	706,826

4. OTHER INCOME

	<i>Period ended 30 September 1996</i>
	£
Market penetration revenue	472,442

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.

Sterling Commerce (UK) Limited

NOTES TO THE ACCOUNTS at 30 September 1996

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging/(crediting):

	<i>Period ended 30 September 1996 £</i>
Depreciation of owned fixed assets – owned	14,910
Auditors' remuneration – audit fees	5,000
Profit on disposal of fixed assets	(50)
	<u>19,860</u>

6. DIRECTORS' REMUNERATION

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

	<i>Period ended 30 September 1996 £</i>
Remuneration	96,604
Other emoluments (including pension contribution)	33,670
	<u>130,274</u>

The highest paid director's remuneration (excluding pension contributions) was:

	<i>1996 £</i>
Highest paid director	<u>96,604</u>

Directors' emoluments (excluding pension contributions) fell within the following ranges:

	<i>1996 No.</i>
£nil – £5,000	3
£90,001 – £95,000	1
	<u>4</u>

7. STAFF COSTS

	<i>Period ended 30 September 1996 £</i>
Wages and salaries	369,182
Social security costs	28,922
Other pension costs (see also note 16)	15,786
	<u>413,890</u>

Sterling Commerce (UK) Limited

NOTES TO THE ACCOUNTS

at 30 September 1996

7. STAFF COSTS (continued)

The average weekly number of persons employed by the Company during the period were as follows:

	<i>Period ended 30 September 1996 No.</i>
Sales and distribution	11
Administration	2
	<u>13</u>

8. TAX ON LOSS ON ORDINARY ACTIVITIES

The tax charge is based on the loss for the period and comprises:

	<i>Period ended 30 September 1996 £</i>
Current year corporation tax at 33%	<u>7,130</u>

9. TANGIBLE FIXED ASSETS

	<i>Computers £</i>	<i>Fixtures and fittings £</i>	<i>Software £</i>	<i>Total £</i>
Cost or valuation:				
At incorporation	—	—	—	—
Acquisitions	79,533	21,879	15,512	116,924
At 30 September 1996	<u>79,533</u>	<u>21,879</u>	<u>15,512</u>	<u>116,924</u>
Accumulated depreciation:				
At incorporation	—	—	—	—
Acquisition	38,510	8,733	9,226	56,469
Provided during the period	10,800	1,620	2,490	14,910
Disposals	—	—	—	—
At 30 September 1996	<u>49,310</u>	<u>10,353</u>	<u>11,716</u>	<u>71,379</u>
Net book value:				
At 30 September 1996	<u>30,223</u>	<u>11,526</u>	<u>3,796</u>	<u>45,545</u>

Sterling Commerce (UK) Limited

NOTES TO THE ACCOUNTS

at 30 September 1996

10. DEBTORS

	1996 £
Trade debtors	248,969
Amounts owed by fellow group undertakings	206,936
Prepayments and accrued income	43,600
	<u>499,505</u>

11. CREDITORS: amounts falling due within one year

	1996 £
Trade creditors	27,912
Amounts owed to other group undertakings	417,642
Corporation tax	7,130
Other taxes and social security	25,749
Accruals and deferred income	195,718
	<u>674,151</u>

12. GROUP ACCOUNTS AND CASH FLOW STATEMENT

The Company has taken advantage of FRS 1 which exempts wholly owned subsidiaries from preparing a cash flow statement. The ultimate parent undertaking Sterling Commerce, Inc., has included the required consolidated cash flow statement within its group accounts.

13. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

An excess of book depreciation over tax allowances and of tax losses carried forward has resulted in a deferred tax asset at the period end. The company has not recorded this asset in these accounts.

14. SHARE CAPITAL

	1996 No.	1996 £
Authorised, share capital:		
Ordinary shares of US\$1	10,000	6,500
	<u>100</u>	<u>65</u>
Allotted, called up and fully paid		
	<u>100</u>	<u>65</u>

During the period, 100 ordinary shares of US\$1 each were issued at their nominal value.

Sterling Commerce (UK) Limited

NOTES TO THE ACCOUNTS at 30 September 1996

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital</i> £	<i>Profit and loss account</i> £	<i>Total</i> £
At incorporation	—	—	—
Issue of new share capital	65	—	65
Loss for the period	—	(52,376)	(52,376)
At 30 September 1995	65	(52,376)	(52,311)

Shareholders' funds are entirely attributable to equity interests.

16. GUARANTEES AND FINANCIAL COMMITMENTS

Capital commitments

Capital commitments amounted to £29,280 as at 30 September 1996.

Pension arrangements

The Company operates a defined contribution pension scheme. The pension cost charge for the period was £15,786 which was charged to the profit and loss account. No contributions were due or prepaid at the period end.

17. ULTIMATE PARENT UNDERTAKING

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.