

Sterling Commerce (UK) Limited

Registered No. 3163427

DIRECTORS

David Alexander
David Bruce
Gail Froelicher
Albert Hoover
Thomas Lutz
Stephen Perkins
John Sharp
Steven Shiflet
Edwin Washer
Derek Wilson

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

ERNST & YOUNG



Sterling Commerce (UK) Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 September 1997.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £133,073. 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.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 30 September 1997 were as follows:

David Alexander	(appointed 1 July 1997)
David Bruce	(appointed 1 July 1997)
Gail Froelicher	(appointed 1 July 1997)
Albert Hoover	
Thomas Lutz	
Ashley McClinton	(resigned 2 July 1997)
Stephen Perkins	(appointed 1 July 1997)
John Sharp	(appointed 1 July 1997)
Steven Shiflet	
Derek Wilson	(appointed 1 July 1997)

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

On 23 February 1998, Edwin Washer was appointed director.

EVENTS SINCE THE BALANCE SHEET DATE

On 22 June 1998 the company purchased the shares of Electronic Data Exchange Services Limited for £785,000.

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

28 OCT 1998

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 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.

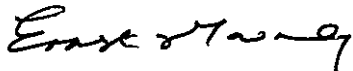
Basis of opinion

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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

28 OCT 1998

Sterling Commerce (UK) Limited

PROFIT AND LOSS ACCOUNT for the year ended 30 September 1997

		<i>Year ended</i> 30 September 1997	<i>Period ended</i> 30 September 1996
	<i>Notes</i>	£	£
TURNOVER		642,943	296,574
Cost of sales		(65,542)	(107,507)
Gross profit		577,401	189,067
Administrative expenses		580,123	706,826
OPERATING LOSS	3	(2,722)	(517,759)
Other income	4	219,046	1,009,045
Management fee		—	(536,532)
		219,046	472,513
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		216,324	(45,246)
Tax on profit/(loss) on ordinary activities	7	83,251	7,130
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		133,073	(52,376)
RETAINED LOSS BROUGHT FORWARD		(52,376)	—
RETAINED PROFIT/(LOSS) CARRIED FORWARD		80,697	(52,376)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £133,073 for the year ended 30 September 1997, and loss of £52,376 for the period ended 30 September 1996.

Sterling Commerce (UK) Limited

BALANCE SHEET

at 30 September 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	8	217,542	45,545
CURRENT ASSETS			
Debtors	9	2,381,124	499,505
Cash at bank and in hand		271,545	76,790
		2,652,669	576,295
CREDITORS: amounts falling due within one year	10	(2,787,891)	(674,151)
NET CURRENT LIABILITIES		(135,222)	(97,856)
TOTAL ASSETS LESS CURRENT LIABILITIES		82,320	(52,311)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	1,558	—
		80,762	(52,311)
CAPITAL AND RESERVES			
Called up share capital	12	65	65
Profit and loss account	13	80,697	(52,376)
EQUITY SHAREHOLDERS' FUNDS		80,762	(52,311)

Signed on behalf of the board

Director



28 OCT 1998

Sterling Commerce (UK) Limited

NOTES TO THE ACCOUNTS

at 30 September 1997

1. ACCOUNTING POLICIES

Accounting convention

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

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 of 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	–	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 1997

2. TURNOVER

Turnover, which is stated net of VAT, 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:

	<i>Year ended 30 September 1997 £</i>	<i>Period ended 30 September 1996 £</i>
By geographical area:		
United Kingdom	642,943	296,574

3. OPERATING LOSS

This is stated after charging:

	<i>Year ended 30 September 1997 £</i>	<i>Period ended 30 September 1996 £</i>
Depreciation of owned fixed assets	66,338	14,910
Auditors' remuneration	15,000	5,000

4. OTHER INCOME

	<i>Year ended 30 September 1997 £</i>	<i>Period ended 30 September 1996 £</i>
Market penetration revenue	219,046	1,009,045

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.

Sterling Commerce (UK) Limited

NOTES TO THE ACCOUNTS at 30 September 1997

5. DIRECTORS' REMUNERATION

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

	<i>Year ended 30 September 1997 £</i>	<i>Period ended 30 September 1996 £</i>
Emoluments	61,562	130,274

6. STAFF COSTS

	<i>Year ended 30 September 1997 £</i>	<i>Period ended 30 September 1996 £</i>
Wages and salaries	272,360	369,182
Social security costs	26,153	28,922
Other pension costs (see also note 15)	10,331	15,786
	<u>308,844</u>	<u>413,890</u>

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

	<i>Year ended 30 September 1997 No.</i>	<i>Period ended 30 September 1996 No.</i>
Sales and distribution	22	11
Administration	3	2
	<u>25</u>	<u>13</u>

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

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

	<i>Year ended 30 September 1997 £</i>	<i>Period ended 30 September 1996 £</i>
UK corporation tax	82,784	7,130
Deferred taxation (note 11)	1,558	—
	<u>84,342</u>	<u>7,130</u>
Corporation tax overprovided in previous year	(1,091)	—
	<u>83,251</u>	<u>7,130</u>

Sterling Commerce (UK) Limited

NOTES TO THE ACCOUNTS at 30 September 1997

8. TANGIBLE FIXED ASSETS

	<i>Computer equipment and software £</i>	<i>Fixtures and fittings £</i>	<i>Total £</i>
Cost or valuation:			
At 19 February 1996	—	—	—
Acquisitions	95,045	21,879	116,924
At 30 September 1996	95,045	21,879	116,924
Additions	35,074	3,367	38,441
Acquisitions	130,323	69,571	199,894
At 30 September 1997	260,442	94,817	355,259
Accumulated depreciation:			
At 19 February 1996	—	—	—
Acquisitions	47,736	8,733	56,469
Provided during the period	13,290	1,620	14,910
At 30 September 1996	61,026	10,353	71,379
Provided during the year	38,330	28,008	66,338
At 30 September 1997	99,356	38,361	137,717
Net book value:			
At 30 September 1997	161,086	56,456	217,542
At 30 September 1996	34,019	11,526	45,545

9. DEBTORS

	<i>1997 £</i>	<i>1996 £</i>
Trade debtors	2,237,281	248,969
Amounts owed by fellow group undertakings	—	206,936
Prepayments and accrued income	143,843	43,600
	2,381,124	499,505

Sterling Commerce (UK) Limited

NOTES TO THE ACCOUNTS

at 30 September 1997

10. CREDITORS: amounts falling due within one year

	1997 £	1996 £
Trade creditors	530,051	27,912
Amounts owed to other group undertakings	862,079	417,642
Corporation tax	82,784	7,130
Other taxes and social security	49,280	25,749
Accruals and deferred income	1,263,697	195,718
	<u>2,787,891</u>	<u>674,151</u>

11. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	<i>Provided</i>		<i>Not provided</i>	
	1997	1996	1997	1996
	£	£	£	£
Capital allowances in advance of depreciation	1,558	—	—	—

12. SHARE CAPITAL

SHARE CAPITAL		Authorised	
		1997	1996
		US\$	US\$
10,000 Ordinary shares of US\$ 1 each		10,000	10,000
		<i>Allotted, called up and fully paid</i>	
	1997	1996	1997
	No.	No.	£
Ordinary shares of US\$ 1 each	100	100	65

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£
At 19 February 1996	—	—	—
Issue of new share capital	65	—	65
Loss for the period	—	(52,376)	(52,376)
At 30 September 1996	65	(52,376)	(52,311)
Profit for the year	—	133,073	133,073
At 30 September 1997	65	80,697	80,762

Shareholders' funds are entirely attributable to equity interests.

NOTES TO THE ACCOUNTS

at 30 September 1997

14. POST BALANCE SHEET EVENTS

On 27 June 1998 the company purchased the shares of Electronic Data Exchange Services Limited for £785,000.

15. GUARANTEES AND FINANCIAL COMMITMENTS

Capital commitments

Capital commitments amounted to £nil at 30 September 1997 (1996 – £29,280).

Pension arrangements

The company operates a defined contribution pension scheme. The pension cost charge for the year was approximately £10,000 which was charged to the profit and loss account. The unpaid contributions outstanding at the year end, included in 'accruals' (note 10) was £7,359 (1996 – nil).

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.