

Kabira Technologies (UK) Limited

Report and Financial Statements

31 March 2005

ERNST & YOUNG



Kabira Technologies (UK) Limited

Registered No: 3281071

Directors

F Aries
P Sutton
R Gunn

Secretary

R Gunn

Auditors

Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

Bankers

Barclays Bank plc
P O Box 23
Hamilton Road
Slough
Berkshire
SL1 4NX

Registered office

The Eclipse
5 Bath Road
Slough
Berkshire
SL1 3UA

Directors' report

The directors present their report and financial statements for the year ended 31 March 2005.

Results and dividends

The profit for the year, after taxation, amounted to £47,049. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The principal activity of the company, as an agent acting on behalf of Kabira Technologies Inc, is to provide a new class of infrastructure software for the development of delivery of business and consumer services that are made possible by the convergence of telecommunications networks, internal enterprise networks and the Internet. This new breed of advanced eBusiness services includes new online services that enable consumers to obtain information and execute transactions through many types of electronic devices; more efficient methods of managing and exploiting information about products, customers and operations and new electronic means for businesses to exchange information, work together and buy and sell products and services. Specific examples of today's advanced eBusiness services include mobile travel services, voice transmissions over Internet networks, wireless Internet applications, online banking services and real-time business-to-business exchanges.

The results for the year and the financial position at the year end were considered satisfactory by the directors.

Future developments

The directors aim to continue to grow the business.

Directors

The directors who served the company during the year were as follows:

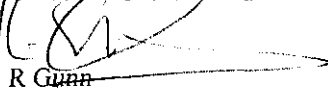
F Aries
P Sutton
R Gunn

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

Auditors

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

On behalf of the Board



R Gunn

Director

10 November 2005

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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.

Independent auditors' report

to the members of Kabira Technologies (UK) Limited (continued)

We have audited the company's financial statements for the year ended 31 March 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 judgements 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 as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
Reading

14 November 2005

Profit and loss account

for the year ended 31 March 2005

	Notes	2005 £	2004 £
Turnover	2	2,616,441	2,714,988
Administrative expenses		2,543,943	2,657,570
Operating profit	3	72,498	57,418
Bank interest receivable	6	8,721	3,702
Interest payable and similar charges	7	83	—
		8,638	3,702
Profit on ordinary activities before taxation		81,136	61,120
Tax on profit on ordinary activities	8	34,087	21,785
Profit retained for the financial year		47,049	39,335

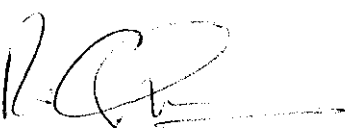
Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £47,049 attributable to the shareholders for the year ended 31 March 2005 (2004 - profit of £39,335).

Balance sheet

at 31 March 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	9	95,578	113,355
Current assets			
Debtors	10	621,884	473,844
Cash at bank		150,407	268,500
		772,291	742,344
Creditors: amounts falling due within one year	11	517,362	552,241
Net current assets		254,929	190,103
Total assets less current liabilities		350,507	303,458
Capital and Reserves			
Called up share capital	15	50,000	50,000
Profit and loss account	16	300,507	253,458
Equity shareholders' funds	16	350,507	303,458



R Gunn
Director

16th Nov 2005

Notes to the financial statements

at 31 March 2005

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Land and buildings - leasehold	- 20% straight line
Fixtures, fittings and equipment	- 33% straight line
Computer hardware and software	- 33% straight line

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

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

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

All differences are taken to the profit and loss account.

Operating lease agreements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs

The company does not operate a pension scheme and has made contributions to a number of employees personal pension funds.

Notes to the financial statements

at 31 March 2005

2. Turnover

Turnover, which is stated net of value added tax is attributable to one continuing activity and represents the invoiced amount in respect of support services provided to the parent company.

An analysis of turnover by geographical market is given below:

	2005 £	2004 £
United States of America	<u>2,616,441</u>	<u>2,714,988</u>

3. Operating profit

This is stated after charging:

	2005 £	2004 £
Auditors' remuneration - audit services	12,100	11,000
- non-audit services	<u>13,015</u>	<u>5,250</u>
Depreciation of owned fixed assets	<u>69,112</u>	<u>93,551</u>
Loss on disposal of fixed assets	182	3,156
Operating lease rentals - land and buildings	<u>178,130</u>	<u>178,130</u>

4. Staff costs

	2005 £	2004 £
Wages and salaries	1,847,443	1,827,856
Social security costs	220,786	214,017
Staff pension contributions (note 12)	90,296	86,398
	<u>2,158,525</u>	<u>2,128,271</u>

The monthly average number of employees during the year was as follows:

	2005 No.	2004 No.
Marketing and technical services	21	21
Administrative staff	<u>6</u>	<u>6</u>
	<u>27</u>	<u>27</u>

5. Directors' emoluments

	2005 £	2004 £
Emoluments	<u>351,402</u>	<u>356,562</u>
Value of company pension contributions to money purchase schemes	<u>15,693</u>	<u>15,048</u>

Notes to the financial statements

at 31 March 2005

5. Directors' emoluments (continued)

The amounts in respect of the highest paid director are as follows:

	2005 £	2004 £
Emoluments	220,188	241,311
Value of company pension contributions to money purchase schemes	8,273	8,048

Paul Sutton's emoluments have been borne by the parent company, Kabira Inc. The director of the company is also a director of the ultimate parent company Kabira Technologies Inc. Paul Sutton's services to the company do not occupy a significant amount of his time. As such Paul Sutton does not consider that he has received any remuneration for his incidental services to the company for the years ended 31 March 2004 and 31 March 2003.

6. Interest receivable

	2005 £	2004 £
Bank interest receivable	8,721	3,702

7. Interest payable and similar charges

	2005 £	2004 £
Interest on late payment of tax	83	—

8. Taxation on ordinary activities

(a) Tax on profit on ordinary activities
The tax charge is made up as follows:

	2005 £	2004 £
<i>Current tax:</i>		
UK corporation tax	21,696	40,291
Tax over provided in previous years	(9,666)	(1,284)
Total current tax (note 8(b))	12,030	39,007
<i>Deferred tax:</i>		
Origination and reversal of timing differences	22,057	(17,222)
Tax on profit on ordinary activities	34,087	21,785

Notes to the financial statements

at 31 March 2005

8. Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 - 30%). The differences are reconciled below:

	2005 £	2004 £
Profit on ordinary activities before taxation	81,136	61,120
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	24,341	18,336
Non deductible expenses	9,282	13,142
Depreciation in excess of capital allowances	412	6,775
Adjustments to previous periods	(9,666)	(1,284)
Other timing differences	(7,863)	3,378
Marginal relief	(4,476)	(1,340)
Total current tax (note 8(a))	12,030	39,007

(c) Deferred tax

	2005 £	2004 £
Depreciation in advance of capital allowances	6,806	19,064
Other timing differences	1,881	11,680
Deferred taxation asset	8,687	30,744

£

At 1 April 2004	30,744
Profit and loss account movement arising during the year	(7,450)
Adjustments in respect of prior years	(14,607)
At 31 March 2005	8,687

The deferred tax asset has been fully recognised in the financial statements as sufficient future taxable profits are forecast to utilise any future reversal of the timing differences.

Notes to the financial statements

at 31 March 2005

9. Tangible fixed assets

	<i>Short-term Leasehold Property</i> £	<i>Fixtures & Fittings</i> £	<i>Equipment</i> £	<i>Total</i> £
<i>Cost:</i>				
At 1 April 2004	108,015	39,155	144,717	291,887
Additions	21,293	6,486	24,299	52,078
Disposals	—	(8,120)	(68,273)	(76,393)
At 31 March 2005	129,308	37,521	100,743	267,572
<i>Depreciation:</i>				
At 1 April 2004	62,759	31,381	84,392	178,532
Provided during the year	24,344	7,619	37,149	69,112
Disposals	—	(8,120)	(67,530)	(75,650)
At 31 March 2005	87,103	30,880	54,011	171,994
<i>Net book value:</i>				
At 31 March 2005	42,205	6,641	46,732	95,578
At 1 April 2004	45,256	7,774	60,325	113,355

10. Debtors

	2005 £	2004 £
Amounts owed by group undertakings	309,234	210,666
Other debtors	268,841	197,887
Prepayments and accrued income	35,122	34,547
Deferred taxation (note 8)	8,687	30,744
	621,884	473,844

11. Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	251,556	177,111
Corporation tax	21,697	40,291
Other taxation and social security	69,636	85,574
Accruals and deferred income	174,473	249,265
	517,362	552,241

12. Pensions

The company does not operate a pension scheme but has made contributions to a number of employees personal pension funds. Unpaid contributions at the year end, included in 'Accruals' (note 11) are £11,672 (2004: £13,883).

Notes to the financial statements

at 31 March 2005

13. Commitments under operating leases

At 31 March 2005 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	<i>2005</i>	<i>2004</i>
	£	£
<i>Operating leases which expire:</i>		
In two to five years	178,130	—
In over five years	—	178,130
	<u>178,130</u>	<u>178,130</u>

14. Related party transactions

The company has taken advantage of exemptions in FRS 8 not to disclose transactions which have taken place between itself and its parent company.

15. Share capital

	<i>Authorised</i>	
	<i>2005</i>	<i>2004</i>
	£	£
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
	<i>Allotted, called up and fully paid</i>	
	<i>2005</i>	<i>2004</i>
	No. £	No. £
Ordinary shares of £1 each	50,000 <u>50,000</u>	50,000 <u>50,000</u>

16. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£	£	£
At 1 April 2003	50,000	214,123	264,123
Profit for the year	—	39,335	39,335
At 31 March 2004	<u>50,000</u>	<u>253,458</u>	<u>303,458</u>
Profit for the year	—	47,049	47,049
At 31 March 2005	<u>50,000</u>	<u>300,507</u>	<u>350,507</u>

17. Ultimate parent company and controlling party

The ultimate parent company and controlling company is Kabira Technologies Inc., a company registered in the United States of America.

Kabira Technologies Inc. prepare group financial statements and copies can be obtained from The Vice President, Kabira Technologies Inc., 900 Larkspur Landing Circle, Suite 270, Larkspur, CA 94939, USA.