


Kabira Technologies (UK) Limited

Report and Financial Statements

31 March 2003

 ERNST & YOUNG



Kabira Technologies (UK) Limited

Registered No: 3281071

Directors

F Aries
P Sutton
R Gunn

Secretary

R Gunn

Auditors

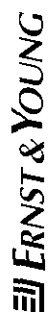
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Berkshire
RG1 1YE

Bankers

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SL1 4NX

Registered Office

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 ERNST & YOUNG

Directors' report

The directors present their report and financial statements for the year ended 31 March 2003.

Results and dividends

The profit for the year, after taxation, amounted to £41,304 (2002: £67,035). The directors do not recommend the payment of a dividend (2002: nil).

Principal activity and review of the business

Kabira provides 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 and their interests

The directors who held office during the year were:

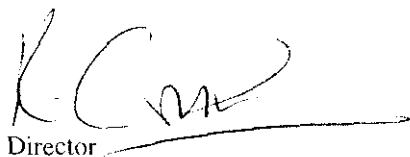
F Aries
P Sutton
R Gunn

No directors' held any interests in the share capital of the company requiring disclosure under the Companies Act 1985.

Auditor

Beavis Walker, the company's auditor resigned during the year and Ernst & Young LLP was appointed in their stead. A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the members at the forthcoming Annual General Meeting.

By order of the Board



Director

29th October 2003
Date:

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
- 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**

We have audited the company's financial statements for the year ended 31 March 2003 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
Reading

Date: 30 October 2003.

Profit and loss account

for the year ended 31 March 2003

	Note	2003 £	2002 £
Turnover	2	2,641,976	3,288,450
Administrative expenses		(2,579,378)	(3,202,778)
Operating profit	3	62,598	85,672
Other interest receivable and similar income		9,662	14,445
Interest payable and similar charges	4	-	(171)
Profit on ordinary activities before taxation		72,260	99,946
Tax on profit on ordinary activities	5	(30,956)	(32,911)
Profit on ordinary activities after taxation	12	41,304	67,035

Statement of total recognised gains and losses

	2003 £	2002 £
Profit for the financial year	41,304	67,035
Prior year adjustment	-	(8,795)
Total gains and losses recognised since last financial statements	41,304	58,240

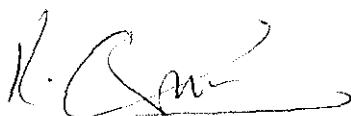
All operations are continuing.

Balance sheet

as at 31 March 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	6		168,343		244,981
Current assets					
Debtors	7	639,848		506,019	
Cash at bank and in hand		35,942		50,859	
		675,790		556,878	
Creditors: amounts falling due within one year	8	(580,010)		(575,464)	
Net current assets/(liabilities)			95,780		(18,586)
Total assets less current liabilities			264,123		226,395
Provisions for liabilities and charges	9		-		(3,576)
			264,123		222,819
Capital and Reserves					
Called up share capital	11		50,000		50,000
Profit and loss account	12		214,123		172,819
Shareholders' funds – equity interests	13		264,123		222,819

Approved by the Board



Director

Date: 29 October 2003

Notes to the financial statements

at 31 March 2003

1. Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Cash flow statement

The company has taken advantage of the exemption in FRS 1 from the requirement to produce a cash flow statement as the company's cash flows are included in the consolidated cash flow statement of Kabira Technologies Inc.

Tangible fixed assets and depreciation

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

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

Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Pensions

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

Deferred tax

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 exceptions:

- 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 currency translation

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

Notes to the financial statements

at 31 March 2003

2. Turnover

Turnover represents the amount receivable by the company in the ordinary course of business for the representation of Kabira Technologies Inc., the ultimate parent undertaking, exclusive of VAT. All turnover arises from sales promotion activities in the UK and relate to one continuing activity.

	2003 £	2002 £
United Kingdom	-	99,923
United States of America	2,641,976	3,188,527
	<u>2,641,976</u>	<u>3,288,450</u>

3. Operating profit

Operating profit is stated after charging:

	2003 £	2002 £
Depreciation of tangible assets	113,614	109,515
Loss on disposal of tangible assets	4,058	6,251
Operating lease rentals	178,130	168,960
Auditors' remuneration – audit fees	5,281	6,500
Auditors' remuneration – non-audit fees	4,150	-
	<u> </u>	<u> </u>

4. Interest payable

	2003 £	2002 £
On overdue tax	-	171
	<u> </u>	<u> </u>

5. Taxation

	2003 £	2002 £
UK corporation tax	48,227	39,990
Adjustment for prior years	(173)	(1,860)
	<u>48,054</u>	<u>38,130</u>
Deferred tax credit in current year	(17,098)	(5,219)
	<u>30,956</u>	<u>32,911</u>

Notes to the financial statements

at 31 March 2003

5. Taxation (continued)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before taxation	72,260	99,946
Profit on ordinary activities before taxation multiplied by relevant standard rate of UK corporation tax of 30% (2002: 28.66%)	21,678	28,645
<i>Effects of:</i>		
Non deductible expenses	9,450	4,237
Depreciation in excess of capital allowances	11,384	7,108
Adjustments to previous periods	(173)	(1,860)
Other timing differences	5,715	-
Current tax charge	48,054	38,130

6. Tangible fixed assets

	<i>Land and buildings leasehold</i> £	<i>Computer hardware software</i> £	<i>Fixtures, fittings and equipment</i> £	<i>Total</i> £
<i>Cost:</i>				
At 31 March 2002	104,736	248,736	75,333	428,805
Additions	3,279	42,366	990	46,635
Disposals	-	(75,986)	-	(75,986)
At 31 March 2003	108,015	215,116	76,323	399,454
<i>Depreciation:</i>				
At 31 March 2002	21,434	134,230	28,160	183,824
On disposal	-	(66,327)	-	(66,327)
Charge for the year	21,134	68,615	23,865	113,614
At 31 March 2003	42,568	136,518	52,025	231,111
<i>Net book value:</i>				
At 31 March 2003	65,447	78,598	24,298	168,343
At 31 March 2002	83,302	114,506	47,173	244,981

Notes to the financial statements

at 31 March 2003

7. Debtors

	2003	2002
	£	£
Amounts owed by parent and fellow subsidiary undertakings	352,629	286,252
Other debtors	225,632	210,638
Prepayments and accrued income	48,065	9,129
Deferred taxation (see note 9)	13,522	-
	<u>639,848</u>	<u>506,019</u>

8. Creditors: amounts falling due within one year

	2003	2002
	£	£
Trade creditors	160,744	189,719
Corporation tax	48,227	39,900
Other taxes and social security costs	75,154	81,522
Accruals and deferred income	295,885	264,233
	<u>580,010</u>	<u>575,464</u>

9. Provisions for liabilities and charges

	<i>Deferred taxation</i>	
	2003	2002
	£	£
Balance at 1 April	(3,576)	(8,795)
Profit and loss account	17,098	5,219
At 31 March – asset/(liability)	<u>13,522</u>	<u>(3,576)</u>

Deferred taxation assets/(liabilities) recognised in the financial statements is as follows:

	2003	2002
	£	£
Accelerated capital allowances	7,807	(3,576)
Other timing differences	5,715	-
	<u>13,522</u>	<u>(3,576)</u>

Notes to the financial statements

at 31 March 2003

10. Pension costs

Contributions payable by the company to personal pension funds:

	2003 £	2002 £
Contributions payable by the company for the year	90,715	99,434
Contributions payable unpaid at the year end and included in creditors	(12,863)	(14,897)

11. Share capital

	2003 £	2002 £
<i>Authorised:</i>		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
<i>Allotted, called up and fully paid:</i>		
50,000 ordinary shares of £1 each	50,000	50,000

12. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Profit and loss account £	Total share- holders' funds £
At 1 April 2001 as restated	50,000	105,784	155,784
Profit for the year	-	67,035	67,035
At 31 March 2002	50,000	172,819	222,819
Profit for the year	-	41,304	41,304
At 31 March 2003	50,000	214,123	264,123

13. Financial commitments

At 31 March 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2003 £	2002 £
<i>Operating leases which expire:</i>		
-in over five years	178,130	178,130

Notes to the financial statements

at 31 March 2003

14. Directors' emoluments

	2003	2002
	£	£
Emoluments for qualifying services	416,477	444,519
Company pension contributions to personal pension funds	14,677	14,677
	<u>431,154</u>	<u>459,196</u>

Emoluments disclosed above include the following amounts paid to the highest paid director:

	2003	2002
	£	£
Emoluments for qualifying services	304,965	334,657
Company pension contributions to personal pension funds	7,887	7,887
	<u>312,852</u>	<u>342,544</u>

15. Employees

The average number of employees (including directors) during the year was as follows:

	2003	2002
	No.	No.
Marketing and technical services	21	22
Administration	6	6
	<u>27</u>	<u>28</u>

Staff costs:

	2003	2002
	£	£
Wages and salaries	1,545,463	1,449,424
Social security costs	198,922	251,701
Other pension costs	90,715	99,434
	<u>1,835,100</u>	<u>1,800,559</u>

16. Ultimate parent company and controlling party

The ultimate parent company and controlling party 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., One, McInnis Parkway, San Rafael, CA 94903, USA.

Notes to the financial statements

at 31 March 2003

17. Related party transactions

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