

KABIRA TECHNOLOGIES (UK) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002



KABIRA TECHNOLOGIES (UK) LIMITED

COMPANY INFORMATION

Directors	F Aries P Sutton R Gunn
Secretary	R Gunn
Company number	3281071
Registered office	The Eclipse, 5 Bath Road Slough Berkshire SL1 3UA
Auditors	Beavis Walker Audrey House 16/20 Ely Place London EC1N 6SN

KABIRA TECHNOLOGIES (UK) LIMITED

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KABIRA TECHNOLOGIES (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2002

The directors present their report and financial statements for the year ended 31 March 2002.

Principal activities

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 transmission 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.

Directors

The following directors have held office since 1 April 2001:

F Aries

P Sutton

R Gunn

R Weismann

(Resigned 12 October 2001)

Directors' interests

There are no directors' interests in the share capital of the company requiring disclosure under the Companies Act 1985.

The directors hold the following interests in the issued share capital of the parent company Kabira Technologies Inc.:

F Aries less than 1% and P Sutton less than 5%.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Beavis Walker be reappointed as auditors of the company will be put to the Annual General Meeting.

KABIRA TECHNOLOGIES (UK) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2002

Directors' responsibilities

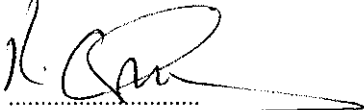
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the Board



R Gunn

Director

17/1/03

KABIRA TECHNOLOGIES (UK) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF KABIRA TECHNOLOGIES (UK) LIMITED

We have audited the financial statements of Kabira Technologies (UK) Limited on pages 4 to 14 for the year ended 31 March 2002. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Auditing 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 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 Director's 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 Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

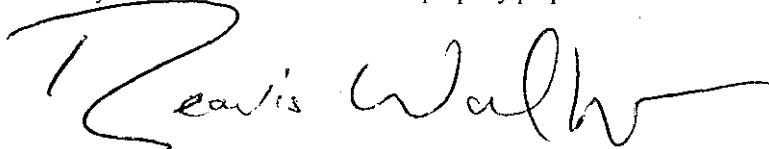
Basis of audit opinion

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 the company's affairs as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Beavis Walker

21/1/02

Chartered Accountants

Registered Auditor

Audrey House
16/20 Ely Place
London
EC1N 6SN

KABIRA TECHNOLOGIES (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2002

		2002	2001
	Notes	£	as restated £
Turnover	2	3,288,450	3,350,491
Administrative expenses		(3,202,778)	(3,194,866)
Operating profit	3	85,672	155,625
Other interest receivable and similar income		14,445	6,734
Interest payable and similar charges	4	(171)	-
Profit on ordinary activities before taxation		99,946	162,359
Tax on profit on ordinary activities	5	(32,911)	(73,808)
Profit on ordinary activities after taxation	12	67,035	88,551

The profit and loss account has been prepared on the basis that all operations are continuing operations.

KABIRA TECHNOLOGIES (UK) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2002

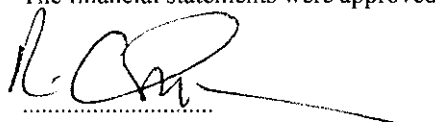
	2002 £	2001 £
Profit for the financial year	67,035	88,551
Prior year adjustment - notes 1.6 and 9	(8,795)	-
	<hr/>	<hr/>
Total gains and losses recognised since last financial statements	<u>58,240</u>	<u>88,551</u>

KABIRA TECHNOLOGIES (UK) LIMITED

BALANCE SHEET AS AT 31 MARCH 2002

		2002		2001 as restated	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	6		244,981		187,623
Current assets					
Debtors	7	506,019		285,210	
Cash at bank and in hand		50,859		1,386,912	
		<u>556,878</u>		<u>1,672,122</u>	
Creditors: amounts falling due within one year	8	<u>(575,464)</u>		<u>(1,695,166)</u>	
Net current liabilities			<u>(18,586)</u>		<u>(23,044)</u>
Total assets less current liabilities			<u>226,395</u>		<u>164,579</u>
Provisions for liabilities and charges	9		<u>(3,576)</u>		<u>(8,795)</u>
			<u>222,819</u>		<u>155,784</u>
Capital and reserves					
Called up share capital	11		50,000		50,000
Profit and loss account	12		172,819		105,784
Shareholders' funds - equity interests	13		<u>222,819</u>		<u>155,784</u>

The financial statements were approved by the Board on 17th January 2003


 R Gunn
 Director

KABIRA TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT.

1.3 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 & software	33% Straight line
Fixtures, fittings & equipment	33% Straight line

1.4 Leasing

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

1.5 Pensions

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

1.6 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The adoption of the standard requires a prior period adjustment to be made to recognise the liability which existed at the start of the financial year and which was not recognised under the old accounting policy. This has increased the deferred tax liability and reduced the retained profits by £8,795.

1.7 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 profit and loss account.

KABIRA TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2002

2 Turnover

Geographical market

	Turnover 2002 £	2001 £
United Kingdom	99,923	174,465
United States of America	3,188,527	3,176,026
	<u>3,288,450</u>	<u>3,350,491</u>

3 Operating profit

	2002 £	2001 £
Operating profit is stated after charging:		
Depreciation of tangible assets	109,515	53,071
Loss on disposal of tangible assets	6,251	-
Operating lease rentals	168,960	117,080
Auditors' remuneration	6,500	5,000
	<u>391,226</u>	<u>275,151</u>

4 Interest payable

	2002 £	2001 £
On overdue tax	171	-
	<u>171</u>	<u>-</u>

KABIRA TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2002

5	Taxation	2002 £	2001 £
	Domestic current year tax		
	U.K. corporation tax	39,990	63,140
	Adjustment for prior years	(1,860)	1,873
		<hr/>	<hr/>
	Current tax charge	38,130	65,013
	Deferred tax		
	Deferred tax (credit)/charge current year	(5,219)	8,795
		<hr/>	<hr/>
		32,911	73,808
		<hr/>	<hr/>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	99,946	162,359
		<hr/>	<hr/>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.66% (2001: 29.96%)	28,645	48,643
		<hr/>	<hr/>
	Effects of:		
	Non deductible expenses	4,237	20,967
	Depreciation	31,388	15,898
	Capital allowances	(24,280)	(22,368)
	Adjustments to previous periods	(1,860)	1,873
		<hr/>	<hr/>
		9,485	16,370
		<hr/>	<hr/>
	Current tax charge	38,130	65,013
		<hr/>	<hr/>

KABIRA TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2002

6 Tangible fixed assets

	Land and buildings Leasehold	Computer hardware & software	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 April 2001	22,881	209,980	42,822	275,683
Reallocation	7,060	(3,854)	(3,206)	-
Additions	74,795	67,781	35,717	178,293
Disposals	-	(25,171)	-	(25,171)
	<u>104,736</u>	<u>248,736</u>	<u>75,333</u>	<u>428,805</u>
At 31 March 2002				
Depreciation				
At 1 April 2001	2,288	74,040	11,732	88,060
Reallocation	5,491	(1,440)	(4,051)	-
On disposals	-	(13,751)	-	(13,751)
Charge for the year	13,655	75,381	20,479	109,515
	<u>21,434</u>	<u>134,230</u>	<u>28,160</u>	<u>183,824</u>
At 31 March 2002				
Net book value				
At 31 March 2002	<u>83,302</u>	<u>114,506</u>	<u>47,173</u>	<u>244,981</u>
At 31 March 2001	<u>20,593</u>	<u>135,940</u>	<u>31,090</u>	<u>187,623</u>

7 Debtors

	2002 £	2001 £
Trade debtors	-	4,283
Amounts owed by parent and fellow subsidiary undertakings	286,252	-
Other debtors	210,638	266,568
Prepayments and accrued income	9,129	14,359
	<u>506,019</u>	<u>285,210</u>

KABIRA TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2002

8	Creditors: amounts falling due within one year	2002 £	2001 £
	Trade creditors	189,719	203,037
	Amounts owed to parent and fellow subsidiary undertakings	-	857,266
	Corporation tax	39,990	65,000
	Other taxes and social security costs	81,522	68,875
	Other creditors	-	547
	Accruals and deferred income	264,233	500,441
		<u>575,464</u>	<u>1,695,166</u>

9	Provisions for liabilities and charges	Deferred taxation £
	Balance at 1 April 2001	8,795
	Profit and loss account	(5,219)
	Balance at 31 March 2002	<u>3,576</u>

Deferred taxation provided in the financial statements is as follows:

	2002 £	2001 £
Accelerated capital allowances	<u>3,576</u>	<u>8,795</u>

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. The adoption of the standard results in a prior year adjustment of £8,795 to recognise the liability which existed at the start of the year. This is reflected in the above figures.

10 Pension costs

Defined contribution

	2002 £	2001 £
Contributions payable by the company for the year	99,434	60,266
Contributions paid in advance at the year end and included in debtors	-	12,028
Contributions payable to the fund at the year end and included in creditors	<u>(14,897)</u>	<u>-</u>

KABIRA TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2002

11 Share capital	2002	2001
	£	£
Authorised		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000
	<u> </u>	<u> </u>
12 Statement of movements on profit and loss account		Profit and loss account £
Balance at 1 April 2001 as previously reported		114,579
Prior year adjustment		(8,795)
		<u> </u>
Balance at 1 April 2001 as restated		105,784
Retained profit for the year		67,035
		<u> </u>
Balance at 31 March 2002		<u>172,819</u>
13 Reconciliation of movements in shareholders' funds	2002	2001
	£	£
Profit for the financial year	67,035	88,551
Opening shareholders' funds	155,784	67,233
	<u> </u>	<u> </u>
Closing shareholders' funds	<u>222,819</u>	<u>155,784</u>

Opening shareholders' funds were originally £164,579 before deducting prior year adjustments of £8,795.

14 Financial commitments

At 31 March 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2002	2001
	£	£
Expiry date:		
In over five years	178,130	178,130
	<u> </u>	<u> </u>

KABIRA TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2002

15 Directors' emoluments	2002 £	2001 £
Emoluments for qualifying services	444,519	409,525
Company pension contributions to personal pension funds	14,677	9,799
	<u>459,196</u>	<u>419,324</u>

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

Emoluments for qualifying services	334,657	319,088
Company pension contributions to personal pension funds	7,887	-
	<u>342,544</u>	<u>319,088</u>

16 Employees

Number of employees

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

	2002 Number	2001 Number
Marketing and technical services	22	16
Administration	6	4
	<u>28</u>	<u>20</u>

Employment costs

	£	£
Wages and salaries	1,449,424	1,489,125
Social security costs	251,701	219,413
Other pension costs	99,434	60,266
	<u>1,800,559</u>	<u>1,768,804</u>

17 Control

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

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

KABIRA TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2002

18 Related party transactions

During the year the company made sales of services to its parent company totalling £3,188,527 (2001- £3,176,026). At 31 March 2002 the company was owed by/(owed to) its parent £286,252 (2001- £(857,266)).

Included in other debtors is deposits of £5,500 which have been paid by the company on behalf of F Aries, a director.