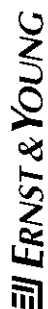


Kabira Technologies (UK) Limited

Report and Financial Statements

31 March 2004

 ERNST & YOUNG



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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 2004.

Results and dividends

The profit for the year, after taxation, amounted to £39,335. 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



Director
21st Sept 2004

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 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 16. 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.

Independent auditors' report

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

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

22 September 2004

Profit and loss account

for the year ended 31 March 2004

	Notes	2004 £	2003 £
Turnover	2	2,714,988	2,641,976
Administrative expenses		2,657,570	2,579,378
Operating profit	3	57,418	62,598
Bank interest receivable	6	3,702	9,662
Profit on ordinary activities before taxation		61,120	72,260
Tax on profit on ordinary activities	7	21,785	30,956
Profit retained for the financial year		39,335	41,304

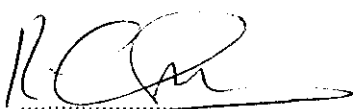
Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £39,335 attributable to the shareholders for the year ended 31 March 2004 (2003 - profit of £41,304).

Balance sheet

at 31 March 2004

	Notes	2004 £	2003 £
Fixed assets			
Tangible assets	8	113,355	168,343
Current assets			
Debtors	9	473,844	639,848
Cash at bank		268,500	35,942
		742,344	675,790
Creditors: amounts falling due within one year	10	552,241	580,010
Net current assets		190,103	95,780
Total assets less current liabilities		303,458	264,123
Capital and reserves			
Called up share capital	14	50,000	50,000
Profit and loss account	15	253,458	214,123
Equity shareholders' funds	15	303,458	264,123


R Gunn
Director

21st Sept 2004

Notes to the financial statements

at 31 March 2004

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 & Equipment	- 33% straight line
Computer Hardware & 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 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 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 2004

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:

	2004 £	2003 £
United States of America	<u>2,714,988</u>	<u>2,641,976</u>

3. Operating profit

This is stated after charging:

	2004 £	2003 £
Auditors' remuneration - audit services	11,000	10,000
- non-audit services	<u>5,250</u>	<u>4,150</u>
Depreciation of owned fixed assets	<u>93,551</u>	<u>113,614</u>
Loss on disposal of fixed assets	3,156	4,058
Operating lease rentals - land and buildings	<u>178,130</u>	<u>178,130</u>

4. Staff costs

	2004 £	2003 £
Wages and salaries	1,827,856	1,545,463
Social security costs	214,017	198,922
Staff pension contributions (note 11)	<u>86,398</u>	<u>90,715</u>
	<u>2,128,271</u>	<u>1,835,100</u>

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

	2004 No.	2003 No.
Marketing and technical services	21	21
Administrative staff	<u>6</u>	<u>6</u>
	<u>27</u>	<u>27</u>

5. Directors' emoluments

	2004 £	2003 £
Emoluments	<u>356,562</u>	<u>416,477</u>
Value of company pension contributions to money purchase schemes	<u>15,048</u>	<u>14,677</u>

Notes to the financial statements

at 31 March 2004

5. Directors' emoluments (continued)

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

	2004 £	2003 £
Emoluments	241,311	304,965
Value of company pension contributions to money purchase schemes	8,048	7,887

Paul Suttons emoluments have been borne by the parent company, Kabira Inc. The director of the company is also director of the ultimate parent company Kabira Technologies Inc. Paul Suttons 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

	2004 £	2003 £
Bank interest receivable	3,702	9,662

7. Taxation on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2004 £	2003 £
<i>Current tax:</i>		
UK corporation tax	40,291	48,227
Tax over provided in previous years	(1,284)	(173)
Total current tax (note 7(b))	39,007	48,054
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(17,222)	(17,098)
Tax on profit on ordinary activities	21,785	30,956

Notes to the financial statements

at 31 March 2004

7. Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2003 - 30%). The differences are reconciled below:

	2004 £	2003 £
Profit on ordinary activities before taxation	61,120	72,260
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	18,336	21,678
Non deductible expenses	13,142	9,450
Depreciation in excess of capital allowances	6,775	11,384
Adjustments to previous periods	(1,284)	(173)
Other timing differences	3,378	5,715
Marginal relief	(1,340)	—
Total current tax (note 7(a))	39,007	48,054

(c) Deferred tax assets, all of which are fully recognised in these financial statements comprise:

	2004 £	2003 £
Depreciation in advance of capital allowances	19,064	7,807
Other timing differences	11,680	5,715
Deferred taxation asset	30,744	13,522
		£
At 1 April 2003		13,522
Profit and loss account movement arising during the year		17,222
At 31 March 2004		30,744

Notes to the financial statements

at 31 March 2004

8. Tangible fixed assets

	<i>Leasehold Property</i> £	<i>Fixtures & Fittings</i> £	<i>Equipment</i> £	<i>Total</i> £
Cost:				
At 1 April 2003	108,015	76,323	228,450	412,788
Additions	—	2,526	40,734	43,260
Disposals	—	(39,694)	(124,467)	(164,161)
At 31 March 2004	108,015	39,155	144,717	291,887
Depreciation:				
At 1 April 2003	42,568	52,025	149,852	244,445
Provided during the year	20,191	18,760	54,600	93,551
Disposals	—	(39,404)	(120,060)	(159,464)
At 31 March 2004	62,759	31,381	84,392	178,532
Net book value:				
At 31 March 2004	45,256	7,774	60,325	113,355
At 1 April 2003	65,447	24,298	78,598	168,343

9. Debtors

	<i>2004</i> £	<i>2003</i> £
Amounts owed by group undertakings	210,666	352,629
Other debtors	197,887	225,632
Prepayments and accrued income	34,547	48,065
Deferred taxation (note 7)	30,744	13,522
	473,844	639,848

10. Creditors: amounts falling due within one year

	<i>2004</i> £	<i>2003</i> £
Trade creditors	177,111	160,744
Corporation tax	40,291	48,227
Other taxation and social security	85,574	75,154
Accruals and deferred income	249,265	295,885
	552,241	580,010

11. Pensions

The company does not operate a pension scheme but has made contributions to a number of employees personal pension funds. The unpaid contributions outstanding at the year end, included in 'Accruals' (note 10) are £13,883 (2003: £12,863).

Notes to the financial statements

at 31 March 2004

12. Commitments under operating leases

At 31 March 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	<i>2004</i>	<i>2003</i>
	£	£
Operating leases which expire:		
In over five years	<u>178,130</u>	<u>178,130</u>

13. 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.

14. Share capital

	<i>Authorised</i>	
	<i>2004</i>	<i>2003</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>2004</i>	<i>2003</i>
	No. £	No. £
Ordinary shares of £1 each	50,000 <u>50,000</u>	50,000 <u>50,000</u>

15. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss</i>	<i>Total share-</i>
	£	account	holders' funds
	£	£	£
At 1 April 2002	50,000	172,819	222,819
Profit for the year	—	41,304	41,304
At 31 March 2003	<u>50,000</u>	<u>214,123</u>	<u>264,123</u>
Profit for the year	—	39,335	39,335
At 31 March 2004	<u>50,000</u>	<u>253,458</u>	<u>303,458</u>

16. 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., One, McInnis Parkway, San Rafael, CA 94903, USA.