Registered Number 2942785

Harbinger Commerce Limited

Annual report
for the year ended 31 December 2003

Harbinger Commerce Limited

Annual report
for the year ended 31 December 2003

Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements of the group for the year ended 31 December 2003.

Principal activities

The principal activity of the company is the provision of information technology, software licences and related maintenance and consultancy services.

Business review

During the year the company continued the progress made in the previous year which saw a return to profitability. The directors expect to consolidate this position in the market in the forthcoming year.

Results and dividends

The company made a profit after taxation of £62,983 (2002: £865,017).

The directors are unable to recommend the payment of a dividend (2002: £Nil).

Directors and their interests

The directors who served during the year or who have been appointed since the financial year end were as follows:

I Derr	(appointed 26 January 2004)
P Farrimond	(resigned 27 August 2003)
S Feargrieve	(resigned 26 January 2004)
P Finegan	
C J Schaper	(appointed 28 August 2003)

The directors have no other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report for the year ended 31 December 2003 *(continued)*

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

P Finegan
Director

Independent auditors' report to the members of Harbinger Commerce Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

Basis of audit 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 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 at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading

22 March 2005

Profit and loss account

For the year ended 31 December 2003

	Note	**For the year ended 31 December 2003**	For the 9 months to 31 December 2002
		£	£
Turnover	1,2	**2,746,017**	2,134,857
Cost of sales		**-**	-
Gross profit		**2,746,017**	2,134,857
Other operating expenses (net)	3	**(2,656,353)**	(1,788,496)
Operating profit		**89,664**	346,361
Interest receivable and similar income	4	**12,092**	27,184
Interest payable and similar charges	5	**-**	(30,471)
Profit on ordinary activities before taxation	6	**101,756**	343,074
Tax on profit on ordinary activities	8	**(38,773)**	521,943
Profit for the financial year/period	14	**62,983**	865,017

The above results all arise from continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the years stated and their historical cost equivalents.

The company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

Balance sheet as at 31 December 2003

	Note	2003 £	2002 £
Fixed Assets			
Tangible assets	9	**139,421**	349,329
Investments	10	**-**	-
		139,421	349,329
Current assets			
Debtors	11	**1,583,742**	1,844,514
Cash at bank and in hand		**120,256**	292,242
		1,703,998	2,136,756
Creditors – Amounts falling due within one year	12	**(2,460,032)**	(3,165,681)
Net current liabilities		**(756,034)**	(1,028,925)
Total net liabilities		**(616,613)**	(679,596)
Capital and reserves			
Called-up share capital	13	**187,661**	187,661
Share premium account	14	**374,353**	374,353
Capital redemption reserve	14	**85,000**	85,000
Profit and loss account	14	**(1,263,627)**	(1,326,610)
Total shareholders' funds	15	**(616,613)**	(679,596)

The financial statements on pages 4 to 14 were approved by the board of directors on 22 March 2005 and were signed on its behalf by:

P Finegan
Director

Notes to the financial statements for the year ended 31 December 2003

1 Accounting policies

These financial statements are prepared under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

At 31 December 2003, the company had net current liabilities of £756,034 and net liabilities of £616,613. The directors have prepared the financial statements on a going concern basis as Inovis, Inc., the current immediate parent undertaking, has confirmed that it will continue to provide financial support to enable the company to continue in business as a going concern and to satisfy all third party obligations in full when they become due for a period of a least twelve months from the date these financial statements were approved.

The financial statements do not include any adjustments that might be necessary if the financial support was not forthcoming.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes.

Revenue recognition and deferred income

For software licenses, the revenue is recognised on delivery of the key or upon ascertainment that no significant obligations pertaining to the sale of the software exist.

Consulting and training revenue are recognised when the related services are performed.

Hosted services revenue consists of two elements being a standard monthly fee over an agreed contract term with revenue being recognised over the duration of the customer contract and additional services provided on a time and materials basis with revenue being recognised as the services are performed.

For maintenance contracts, the revenue is recognised over the period of the contract on a straight line basis. The amount of deferred income is disclosed separately within creditors, amounts falling due within one year.

Investments

Fixed asset investments are stated at cost less provision for impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Leasehold improvements	- over the term of the lease
Computer equipment	- 20% to 33⅓% straight line
Office fixtures and fittings	- 14.3% straight line

Residual value is calculated on prices prevailing at the date of acquisition.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

Leasing

Rentals under operating leases are charged against income on a straight line basis over the lease term, even if the payments are not made on such a basis.

Pension costs

The cost of providing retirement pensions under the defined contribution schemes is charged to the profit and loss account as contributions fall due. The difference, if any, between the charge to the profit and loss account and the contributions paid to the schemes is shown as an asset or a liability in the balance sheet.

Cash flow statement

The company has adopted the provision of FRS 1 (Revised 1996) 'Cash Flow Statements' and has taken advantage of the exemptions available to wholly owned subsidiary companies contained therein. Accordingly, a cash flow statement is not included in these financial statements.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have enacted or substantially enacted by the balance sheet date.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as 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 at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2 Segment information

Turnover	**For the year ended 31 December 2003**	For the 9 months to 31 December 2002
Software licences	**414,608**	587,001
Maintenance services	**1,286,491**	936,588
Hosted services	**861,537**	354,342
Consulting and training	**171,746**	149,103
Sale of software rights	**-**	100,000
Other revenue	**11,635**	7,823
	2,746,017	2,134,857

3 Other operating expenses

	For the year ended 31 December 2003 £	For the 9 months to 31 December 2002 £
Administrative expenses	**3,652,996**	2,565,890
Other operating income	**(996,643)**	(777,394)
	2,656,353	1,788,496

Other operating income is derived from recharging research and development activities and management functions undertaken on behalf of group companies.

4 Interest receivable and similar income

	For the year ended 31 December 2003 £	For the 9 months to 31 December 2002 £
On bank deposits	**1,428**	27,184
On rent deposit	**10,664**	-
	12,092	27,184

5 Interest payable and similar charges

	For the year ended 31 December 2003 £	For the 9 months to 31 December 2002 £
On bank loans, overdrafts and other loans	**-**	30,471

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	For the year ended 31 December 2003 £	For the 9 months to 31 December 2002 £
Depreciation of tangible fixed assets	**137,854**	148,878
Operating lease rentals		
- plant and machinery	**6,936**	28,685
- land and buildings	**184,220**	141,190
Auditors' remuneration		
- audit fees	**20,000**	20,000
- other	**5,000**	5,000

7 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

By activity	For the year ended 31 December 2003 Number	For the 9 months to 31 December 2002 Number
Development and Testing/ Consultancy/ Customer Support	**23**	31
Sales	**4**	5
Administration	**3**	3
	30	39

The aggregate remuneration comprised:

	For the year ended 31 December 2003 £	For the 9 months to 31 December 2002 £
Wages and salaries	**1,458,620**	1,323,428
Social security costs	**182,133**	181,328
Other pension costs	**170,934**	137,645
	1,811,687	1,642,401

7 Employee information (continued)

Directors' Emoluments:	**For the year ended 31 December 2003 £**	For the 9 *months* to 31 December 2002 £
Aggregate emoluments	**270,319**	133,722
Compensation for loss of office	**14,933**	-
Company contributions to defined contribution pension schemes	**27,610**	10,246
Highest paid director:		
Aggregate emoluments	**112,554**	61,739
Company contribution to defined contribution pensions schemes	**9,350**	4,107

Retirement benefits are accruing to three (31 December 2002 –three) directors under a defined contribution pension scheme.

8 Tax on profit on ordinary activities

	For the year ended 31 December 2003 £	For the 9 months to 31 December 2002 £
Current tax:		
UK corporation tax	-	2,723
Adjustments in respect of previous periods	**(1,648)**	-
Tax refund in relation to liquidated subsidiaries	-	(152,342)
Total current tax	**(1,648)**	(149,619)
Deferred tax:		
Origination and reversal of timing differences	**40,421**	(372,324)
Tax on profit on ordinary activities	**38,773**	(521,943)

8 Tax on profit on ordinary activities (continued)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	For the year ended 31 December 2003	For the 9 months to 31 December 2002
Profit on ordinary activities before taxation	**101,756**	343,074
Profit on ordinary activities multiplied by the standard rate in the UK (30%) (December 2002: 30%)	**30,527**	102,922
Effects of:		
Adjustments in respect of previous periods	**(1,648)**	-
Tax refund in relation to liquidated subsidiaries	-	(152,343)
Tax losses utilised in the period	**(42,956)**	(92,125)
Expenses not deductible for tax purposes	**27,128**	11,705
Capital allowances in excess of deprecation	**(14,699)**	(19,778)
Current tax	**(1,648)**	(149,619)

9 Tangible assets

Company	**Leasehold Improvements £**	**Computer Equipment £**	**Fixtures and fittings £**	**Total £**
Cost				
At 1 January 2003	105,984	775,318	326,504	1,207,806
Additions	769	18,680	-	19,449
Disposals	-	(306,869)	-	(306,869)
At 31 December 2003	**106,753**	**487,129**	**326,504**	**920,386**
Accumulated Depreciation				
At 1 January 2003	39,434	631,770	187,273	858,477
Charge for the year	10,915	79,797	47,142	137,854
Disposals	-	(290,649)	-	(290,649)
Impairment	54,610	-	20,673	75,283
At 31 December 2003	**104,959**	**420,918**	**255,088**	**780,965**
Net book amount				
At 31 December 2003	**1,794**	**66,211**	**71,416**	**139,421**
At 31 December 2002	66,550	143,548	139,231	349,329

10 Fixed asset investments

	2003 £	2002 £
Beginning of the year	-	97,947
Write down in value	-	(97,947)
End of the year	-	-

The company had a holding of 5% of the share capital of Harbinger Srl which was liquidated on 31 March 2004.

11 Debtors

	2003 £	2002 £
Trade debtors	**620,018**	235,810
Amounts owed by group undertakings	**403,135**	950,547
VAT	-	56,167
Other debtors	**126,164**	116,000
Prepayments and accrued income	**102,522**	113,666
Deferred tax asset (note 16)	**331,903**	372,324
	1,583,742	1,844,514

Other debtors includes an amount of £114,000 (£114,000) in respect of a rent deposit that is falling due after more than one year. There is a charge on the rent deposit in respect of the company's commitment under a lease agreement.

12 Creditors: Amounts falling due within one year

	2003 £	2002 £
Trade creditors	**89,606**	113,583
Amounts due to group undertakings	**1,512,683**	2,519,697
Corporation tax	**807**	2,723
Other taxation and social security	**65,278**	66,909
Accruals and deferred income	**791,658**	462,769
	2,460,032	3,165,681

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

13 Called-up share capital

	2003 £	2002 £
Authorised		
1,100,000 ordinary shares of £1 each	**1,100,000**	1,100,000
170,000 redeemable ordinary shares of £1 each	**170,000**	170,000
	1,270,000	1,270,000
Allotted and fully paid		
102,661 ordinary shares of £1 each	**102,661**	102,661
85,000 redeemable ordinary shares of £1 each	**85,000**	85,000
	187,661	187,661

The redeemable ordinary shares are redeemable at the option of the company. Each of the redeemable ordinary shares carries one vote and has equal voting rights to the ordinary shares in issue.

14 Reserves

	Share premium account £	Capital Redemption £	Profit and Loss account £
Company			
At 1 January 2003	374,353	85,000	(1,326,610)
Profit for the financial year	-	-	**62,983**
At 31 December 2003	**374,353**	**85,000**	**(1,263,627)**

15 Reconciliation of movements in shareholders' deficit

	2003 £	2002 £
Company		
Profit for the financial year/period	**62,983**	865,017
Opening equity shareholders' deficit	**(679,596)**	(1,544,613)
Closing equity shareholders' deficit	**(616,613)**	(679,596)

16 Deferred taxation

Amounts recognised in respect of deferred taxation assets comprises the following elements:

	2003	2002
	£	£
Tax effect of timing differences because of:		
Accelerated capital allowances	**122,723**	89,816
Short term timing differences	**6,750**	21,067
Tax losses carried forward	**202,430**	261,441
	331,903	372,324

17 Financial commitments

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

	2003		2002	
	Land and buildings £	**Plant and machinery £**	Land and buildings £	Plant and machinery £
Expiry date:				
Within one year	**-**	**-**	-	7,811
Between two and five years	**117,300**	**-**	184,220	-
Over five years	**-**	**-**	-	-
	117,300	**-**	184,220	7,811

18 Ultimate parent undertaking

The ultimate parent company is Inovis International Inc., a company incorporated in the State of Delaware USA. Inovis Inc. a company incorporated in the State of California USA., is the company's immediate parent company.

The largest and smallest group in which the results of the company for the year are consolidated is that headed by Inovis International Inc. The consolidated financial statements of the group may be obtained from Parkway 400, 11720 Amber Park Drive, Alpharetta, Georgia, 30004, USA.

Advantage has been taken of the exemptions available under Financial Reporting Standard No.8 for the non-disclosure of transactions between group undertakings.