

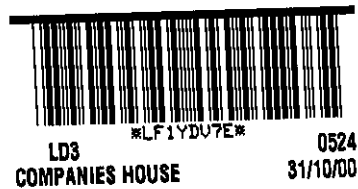


ARTHUR ANDERSEN

Viewgate Networks Limited
(formerly Network People International Limited)

Abbreviated accounts 31 December 1999

Registered number: 2769350





ARTHUR ANDERSEN

Auditors' report

To Viewgate Networks Limited under Section 247B of the Companies Act 1985:

We have examined the abbreviated accounts set out on pages 2 to 5 together with the financial statements of the company for the year ended 31 December 1999 prepared under Section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246(5) and (6) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246(5) and (6) of the Companies Act 1985, and the abbreviated accounts on pages 2 to 5 are properly prepared in accordance with those provisions.

Arthur Andersen

Arthur Andersen

Chartered Accountants and Registered Auditors

17 Lansdowne Road

Croydon

CR9 2PL

30 October 2000

Balance sheet

As at 31 December 1999

	Notes	1999 £	1998 Restated £
Fixed assets			
Tangible assets	1	136,354	71,424
Investments	2	160	60
		<u>136,514</u>	<u>71,484</u>
Current assets			
Debtors		880,700	182,530
Cash at bank and in hand		1,273,877	8,349
		<u>2,154,577</u>	<u>190,879</u>
Creditors: amounts falling due within one year		<u>(587,839)</u>	<u>(111,958)</u>
Net current assets		<u>1,566,738</u>	<u>78,921</u>
Total assets less current liabilities		1,703,252	150,405
Creditors: amounts falling due after more than one year		<u>-</u>	<u>(111,878)</u>
Net assets		<u><u>1,703,252</u></u>	<u><u>38,527</u></u>
Capital and reserves			
Called-up share capital	3	1,948	800
Share premium account		2,678,814	-
Capital redemption reserve		200	200
Profit and loss account		<u>(977,710)</u>	<u>37,527</u>
Equity shareholders' funds		<u><u>1,703,252</u></u>	<u><u>38,527</u></u>

The abbreviated accounts have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985.

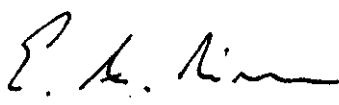
Signed on behalf of the Board



R G Courtney

Director

30 October 2000



E A Richardson

Director

Notes to the accounts

As at 31 December 1999

Accounting policies

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Comparatives for 1998 have been restated to correct a fundamental error and to reclassify turnover of £57,901 as deferred income.

Group Accounts

The accounts present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small sized group. The company has therefore taken advantage of the exemptions provided by s248 of the Companies Act 1985 not to prepare group accounts.

Turnover

Turnover represents the amounts receivable from customers for computer consultancy, software licenses and software development, excluding valued added tax.

Credit is taken for sales once equipment has been installed and tested.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuations, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets so as to write off the cost or valuation, less estimated residual value of each asset over its anticipated useful life at the following annual rates on a straight-line basis:

Office equipment and fittings	-	20%
Computer equipment	-	25%

Long term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

Taxation

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

Deferred tax is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

Notes to the accounts (continued)

Foreign currencies

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

Research and development

Research and development expenditure is written off as incurred, except where its future recoverability can be regarded as assured. In these cases, the development expenditure is capitalised and written off over the period in which the revenue arises.

Operating leases

Equipment and operating rents payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Cash flow statement

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

Pension costs

The company operates a defined contribution pension scheme. Payments are charged to the profit and loss account as they arise. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1 Tangible fixed assets

	Total £
Cost or valuation	
At 1 January 1999	214,618
Additions	125,042
Disposals	(62,841)
At 31 December 1999	<u>276,819</u>
Depreciation	
At 1 January 1999	143,194
Charge for year	58,755
Disposals	(61,484)
At 31 December 1999	<u>140,465</u>
Net book value	
At 31 December 1999	<u>136,354</u>
At 31 December 1998	<u>71,424</u>

Notes to the accounts (continued)

2 Investments

Cost	Total £
1 January 1999	60
Additions	100
31 December 1999	160

On 1 January 1998, the company acquired 100 common stock shares of \$1 in Viewgate Networks Inc. (formerly Network People Inc.), a company incorporated in the United States. On 9 June 1999, the company acquired 100 ordinary shares of £1 each in Network People Limited, a company incorporated in the United Kingdom. Both holdings in Viewgate Networks Inc. and Network People Limited represent 100% of the issued share capital of that company.

The primary activity of both subsidiaries is the selling of computer software, consultancy and training.

At 31 December 1999 the aggregate capital and reserves of Viewgate Networks Inc. were a deficit £587,259 (1998: funds of £4,170). The subsidiary incurred a loss for the year of £278,287 (1998: profit of £4,110).

3 Called up share capital

	1999 £	1998 £
<i>Authorised</i>		
1,203,140 Ordinary 'A' shares of £0.001 each	1,203	1,000
913,420 Ordinary 'B' shares of £0.001 each	914	-
	<u>2,117</u>	<u>1,000</u>
<i>Allotted, called-up and fully-paid</i>		
1,044,390 Ordinary 'A' shares of £0.001 each (1998: 800,000)	1,044	800
903,400 Ordinary 'B' shares of £0.001 each (1998: nil)	904	-
	<u>1,948</u>	<u>800</u>

In June 1999 the company allotted 903,400 Ordinary 'B' shares with a nominal value of £0.001 for cash consideration of £2,111,075. 85,640 Ordinary 'A' shares were also allotted on the same date with a nominal value of £0.001 and for a consideration of £200,055, comprising the settlement of the outstanding convertible loan note, interest, a retainer fee and a transaction fee.

Again in June 1999, 158,750 Ordinary 'A' shares were issued to an executive of Viewgate Networks Inc., a subsidiary company, at a nominal value of £0.001 and consideration of £368,832.