2918391 C/HSE

VOSS NET PLC

REPORT AND ACCOUNTS

31ST DECEMBER 1994

CONTENTS

VOSS NET PLC

DIRECTORS

K.A. Olisa (Non-executive Chairman)
A.C.G. Bergbrant (Chief Executive)
K.C. Palfreeman (Commercial Director)
S.K. Sharma (Technical Director)
G.K.E. Bergbrant (Sales Director)

SECRETARY AND REGISTERED OFFICE

K.C. Palfreeman,
5 Waterside Drive,
Langley,
Slough,
Berkshire,
SL3 6EZ.

REGISTERED NUMBER

2918391

AUDITORS

Hugill & Co.,
Chartered Accountants,
46 Museum Street,
London,
WC1A 1LY.

SOLICITORS

Watson, Farley & Williams,
15 Appold Street,
London,
EC2A 2HB.

REGISTRARS

Independent Registrars Group Limited,
Balfour House,
390/398 High Road,
Ilford,
Essex,
IG1 1NQ.

VOSS NET PLC

REPORT OF THE DIRECTORS

The directors present their report and the financial statements of the group for the period ended 31st December 1994.

The company was incorporated on 13th April 1994 under the name of Yieldbid PLC and its name changed to Voss Net PLC on 19th September 1994.
On 26th October 1994, application was made for the grant of permission to deal in the ordinary shares of the company pursuant to Rule 4.2(a) of the Rules of the London Stock Exchange.

On 23rd September 1994, the company acquired the entire issued share capital of Vossnet (U.K.) Limited. Details of the acquisition are given in note 9 to the financial statements.

The company is a subsidiary of Sherland Limited.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is that of a holding company. The principal activity of its subsidiary, Vossnet (U.K.) Limited, is the development and marketing for commerce and industry of a computerised view order sales system (the Gotvoss System) and computer consultancy services.

The directors have been encouraged by the response to the group's products in the last year and remain optimistic about the future prospects for the group.

RESULTS AND DIVIDENDS

The profit and loss account appears on page 5 and discloses a loss after taxation of £145,909.

The directors cannot propose the payment of a dividend for the period.

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 judgments and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

FIXED ASSETS

Movements in fixed assets in the period are given in note 8 to the financial statements. Following a review of fixed assets, the directors revalued the computer system to current market value and revaluation reserve credited accordingly.

Continued......

REPORT OF THE DIRECTORS Continued...

DIRECTORS

The names of the present directors appear on page 1. Mr. A.C.G. Bergbrant and Mr. K.C. Palfreeman were appointed to the board on 31st August 1994. Mr. K.A. Olisa, Mr. S.K. Sharma and Mr. G.K.E. Bergbrant were appointed to the board on 23rd September 1994.

The non-executive chairman, Ken Olisa, has worked predominantly in the information technology sector. He is currently the managing director of Interregnum Venture Marketing Limited, a company that he founded as a joint venture with the Stoy Hayward Group to provide operational and strategic advice with regard to the product marketing and distribution of information technology companies. He is also chairman of Stoy Hayward Consulting, chairman of the board of Metapraxis Limited, a London and New York based company specialising in management information and business performance management.

DIRECTORS' INTERESTS IN SHARES

No directors have held shares in the company.

SUBSTANTIAL SHAREHOLDINGS

At 31st December 1994 the company was aware of the following shareholdings of more than 3% of its issued ordinary share capital:

	Number	%
Sherland Limited	1,422,000	67.41
Glyn Mills Nominees (Lombard Street) Limited	170,000	8.06
Vohlan Verwaltungs AG	158,000	7.49
British Overseas Bank Nominees Limited	130,000	6.16
Midland Bank Trust Company	105,000	4.98

CLOSE COMPANY STATUS

In the directors' opinion, close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

SHARE CAPITAL

On incorporation, two ordinary shares of £1 each were issued for full cash consideration at par. On 23rd September 1994, the company's share capital was sub-divided into 5p ordinary shaes and 1,579,960 ordinary shares issued at par as full consideration for the acquisition of the entire share capital of Vossnet (U.K.) Limited. On 26th October 1994, a further 529,412 ordinary shares were issued for full cash consideration at 119p per share through a placing by Credit Lyonnais Laing.

Full details of share capital are given in note 13 to the financial statements.

AUDITORS

A resolution to re-appoint Hugill & Co. as auditors will be put to the members at the annual general meeting.

By order of the Board,

K.C. Palfreeman
Secretary
10th May 1995

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF

VOSS NET PLC

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF 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 judgments 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 affairs of the company and the group as at 31st December 1994 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

HUGILL & CO.,
Chartered Accountants
Registered Auditors

46 Museum Street,
LONDON,
WC1A 1LY.

10th May 1995

VOSS NET PLC

GROUP PROFIT AND LOSS ACCOUNT for the period ended 31ST DECEMBER 1994

	Note	£
TURNOVER	1	50,916
Cost of sales		45,642
GROSS PROFIT		5,274
Other operating expenses	2	148,671
OPERATING LOSS	3	(143,397)
Bank deposit interest		1,591
		(141,806)
Interest payable	6	4,103
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(145,909)
Taxation on loss on ordinary activities	7	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(145,909)

All the above derives from acquired activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	£
Loss for the period	(145,909)
Unrealised surplus on revaluation of fixed assets	193,160
Total recognised gains and losses relating to the period	47,251

There is no material difference between the reported loss on ordinary activities before taxation and the equivalent figure calculated on the historical cost basis.

VOSS NET PLC

GROUP BALANCE SHEET 31ST DECEMBER 1994

	Note	£	£
FIXED ASSETS			
Tangible assets	8		374,832
CURRENT ASSETS			
Debtors	10	82,139	
Cash at bank and in hand		236,144	
		318,283	
CREDITORS: amounts falling due within one year	11	187,187	
NET CURRENT ASSETS			131,096
TOTAL ASSETS LESS CURRENT LIABILITIES			505,928
CREDITORS: amounts falling due after more than one year	12		248,995
			256,933
CAPITAL AND RESERVES			
Called up share capital	13		105,471
Share premium	14		503,669
Revaluation reserve	14		193,160
Profit and loss account	14		(545,367)
EQUITY SHAREHOLDERS' FUNDS	15		256,933

The financial statements on pages 5 to 15 were approved by the Board of Directors on 10th May 1995 and signed on its behalf:

A.C.G. Bergbrant Director

VOSS NET PLC

COMPANY BALANCE SHEET — **31ST DECEMBER 1994**

	Note	£	£
FIXED ASSETS			
Tangible assets	8		18,783
Investments	9		384,600
			403,383
CURRENT ASSETS			
Debtors	10	4,080	
Cash at bank		221,289	
		225,369	
CREDITORS: amounts falling due within one year	11	15,590	
NET CURRENT ASSETS			209,779
TOTAL ASSETS LESS CURRENT LIABILITIES			613,162
CREDITORS: amounts falling due after more than one year	12		12,469
			600,693
CAPITAL AND RESERVES			
Called up share capital	13		105,471
Share premium	14		503,669
Profit and loss account	14		(8,447)
EQUITY SHAREHOLDERS' FUNDS	15		600,693

The financial statements on pages 5 to 15 were approved by the Board of Directors on 10th May 1995 and signed on its behalf:

A.C.G. Bergbrant — Director

VOSS NET PLC

GROUP CASH FLOW STATEMENT for the period ended 31ST DECEMBER 1994

	Note	£	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	16		(198,632)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,591	
Interest paid		(234)	
Net cash inflow from returns on investments and servicing of finance			1,357
INVESTING ACTIVITIES			
Cash and cash equivalents of subsidiary undertaking acquired	17	(5,714)	
Expenditure on tangible fixed assets		(162,041)	
Net cash outflow from investing activities			(167,755)
NET CASH OUTFLOW BEFORE FINANCING			(365,030)
FINANCING			
Issue of ordinary share capital		630,003	
Cost of placing of shares		(99,861)	
Net increase in finance leases and hire purchase contracts		121,758	
Loan repayments		(57,154)	
Net cash inflow from financing			594,746
INCREASE IN CASH AND CASH EQUIVALENTS	18		229,716

ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention including adjustments for the revaluation of certain assets and in accordance with applicable accounting standards.

Basis of consolidation

The Group accounts consolidate the accounts of the Company and its subsidiary undertaking. The results of the subsidiary undertaking acquired during the period are included in the group profit and loss account from the date of acquisition. Goodwill arising on consolidation is written off against reserves. In accordance with Section 230 of the Companies Act 1985, a separate profit and loss account dealing with the results of the Company has not been presented.

Turnover

Turnover represents sales invoiced to customers excluding Value Added Tax.

Depreciation

Fixed assets are depreciated in equal annual instalments over their anticipated useful lives at the following annual rates:

Motor vehicles	25%
Equipment and computer	20%
Furniture and fittings	15%

Leased assets

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated on the same basis as shown above. Leasing payments are treated as consisting of capital and interest, the interest element being charged to profit and loss account.

Rental costs under operating leases are charged to profit and loss account when incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date or at the rate at which the transaction is contracted to be settled in the future.

VOSS NET PLC

NOTES TO THE FINANCIAL STATEMENTS

1. TURNOVER

Turnover was all attributable to the United Kingdom.

2. OTHER OPERATING EXPENSES

	£
Product development costs	5,780
Administrative expenses	142,891
	148,671

3. OPERATING LOSS

	£
This is stated after charging:-	
Depreciation	
- owned assets	1,679
- assets held under finance leases and hire purchase contracts	1,317
	2,996
Directors' emoluments	41,910
Auditors' remuneration	6,000
Hire of office accommodation - operating leases	5,311

4. DIRECTORS' EMOLUMENTS

	£
Chairman	3,000
Highest paid director	14,661

The number of directors whose emoluments fall within the following ranges was:

	Number
£0 - £5,000	1
£5,001 - £10,000	3
£10,001 - £15,000	1

5. EMPLOYEE INFORMATION

The average weekly number of employees (including directors) during the period was 10.

Staff costs during the period amounted to:-	£
Wages and salaries	51,165
Social security costs	2,524
	53,689

6. INTEREST PAYABLE

	£
On bank overdraft	23
On loans (not repayable by instalments)	3,869
On finance leases and hire purchase contracts	211
	4,103

7. TAXATION

Subject to agreement with the Inland Revenue, there are tax losses of approximately £457,000 available to carry forward against future trading profits of the group.

8. TANGIBLE ASSETS - GROUP

	Motor vehicles	Equipment, furniture and fittings	Total
	£	£	£
Cost and valuation			
Acquisition of Vossnet (U.K.) Limited	7,995	22,610	30,605
Other additions	19,600	142,441	162,041
Revaluation surplus	-	193,160	193,160
At 31st December 1994	27,595	358,211	385,806
Depreciation			
Acquisition of Vossnet (U.K.) Limited	1,832	6,146	7,978
Charge for the period	1,317	1,679	2,996
At 31st December 1994	3,149	7,825	10,974
Net book value:			
31st December 1994	24,446	350,386	374,832

Included in tangible fixed assets are assets held under finance leases and hire purchase contracts with a net book value at 31st December 1994 of £324,446.

Computer equipment was revalued by the directors at 31st december 1994 to reflect current market value.

TANGIBLE ASSETS - COMPANY

	Motor vehicles	Equipment, furniture and fittings	Total
	£	£	£
Cost			
Additions	19,600	-	19,600
At 31st December 1994	19,600	-	19,600
Depreciation			
Charge for the period	817	-	817
At 31st December 1994	817	-	817
Net book value:			
31st December 1994	18,783	-	18,783

Included in tangible fixed assets are assets held under finance leases and hire purchase contracts with a net book value at 31st December 1994 of £18,783.

NOTE TO THE FINANCIAL STATEMENTS Continued......

9. INVESTMENTS - COMPANY

	Subsidiary undertaking
	£
Shares in subsidiary undertaking acquired in the period	78,998
Loan to subsidiary undertaking advanced in the period	305,602
	384,600

On 23rd September 1994, the company acquired the entire issued share capital of Vossnet (U.K.) Limited, comprising 100,000 ordinary shares of £1 each. The effect on the financial statements using acquisition accounting was as follows:

Assets acquired		
Tangible fixed assets		22,627
Debtors		3,468
Cash		397
		26,492
Creditors		
due within one year	135,973	
due after more than one year	210,979	
		346,952
Net liabilities at date of acquisition		320,460
Consideration: 1,579,960 ordinary shares of 5p each allotted at par		78,998
Goodwill arising on acquisition		399,458

The loss after taxation of Vossnet (U.K.) Limited for its initial period of trading from 19th May 1993 to 31st January 1994 was £307,998 and its loss for the period from 1st February 1994 to the date of acquisition was £152,462.

10. DEBTORS

	Group	Company
	£	£
Trade debtors	60,240	-
Other debtors	12,413	2,413
Prepayments	9,486	1,667
	82,139	4,080

Group other debtors include an amount of £10,000 which is receivable after more than one year.

11. CREDITORS: amounts falling due within one year

	Group	Company
	£	£
Bank overdraft	6,428	-
Obligations under finance leases and hire purchase contracts	30,608	2,913
Trade creditors	73,584	1,071
Payroll taxes and value added tax	5,172	4,620
Other creditors	2,746	-
Accruals	68,649	6,986
	187,187	15,590

12. CREDITORS: amounts falling due after more than one year

	Group	Company
	£	£
Repayable by instalments		
Obligations under finance leases and hire purchase contracts	125,778	15,382
Less: amounts due within one year included in current liabilities	30,608	2,913
Repayable within two to five years	95,170	12,469
Loans repayable otherwise than by instalments		
From holding company (repayable by 30th January 1996)	107,083	-
From shareholder of holding company (repayable by 10th February 1996)	46,742	-
	153,825	-
Total creditors falling due after more than one year	248,995	12,469

The loan from the holding company attracts interest at a rate of 2% above bank base rate. The loan from the holding company shareholder attracts interest at 10% p.a.

13. CALLED UP SHARE CAPITAL

	£
Authorised:	
3,000,000 ordinary shares of 5p each	150,000
Allotted, called up and fully paid:	
2,109,412 ordinary shares of 5p each	105,471

Shares were issued in the period as follows:

	Number	Share capital	Share premium
		£	£
On incorporation at par	40	2	-
On 23rd September 1994 at par for acquisition of subsidiary	1,579,960	78,998	-
On 26th October 1994 through placing at £1.19 per share	529,412	26,471	603,530
	2,109,412	105,471	603,530

14. RESERVES

	Share premium	Revaluation reserve	Profit and loss account	
	Group and Company	Group	Group	Company
	£	£	£	£
Deficit for the period	-	-	(145,909)	(8,447)
Premium on issue of shares	603,530	-	-	-
Costs of placing of shares	(99,861)	-	-	-
Surplus on revaluation of equipment	-	193,160	-	-
Goodwill written off on acquisition of subsidiary	-	-	(399,458)	-
At 31st December 1994	503,669	193,160	(545,367)	(8,447)

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group	Company
	£	£
Deficit for the period	(145,909)	(8,447)
New share capital subscribed (net of issue costs)	609,140	609,140
Goodwill written off on acquisition of subsidiary	(399,458)	-
Surplus on revaluation of equipment	193,160	-
Closing shareholders' funds at 31st December 1994	256,933	600,693

16. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	£
Operating loss	(143,397)
Depreciation	2,996
Increase in debtors	(78,671)
Increase in creditors	20,440
Net cash outflow from operating activities	(198,632)

17. ANALYSIS OF NET OUTFLOW IN RESPECT OF PURCHASE OF VOSSNET (U.K.) LIMITED

	£
Cash consideration	-
Cash at bank and in hand acquired	397
Bank overdraft of Vossnet (U.K.) Limited on acquisition	(6,111)
Net cash outflow of cash and cash equivalents in respect of the purchase of Vossnet (U.K.) Limited	(5,714)

The consideration for the acquisition of Vossnet (U.K.) Limited was satisfied by the allotment of 1,579,960 ordinary shares of 5p at par.

18. ANALYSIS OF CASH AND CASH EQUIVALENTS

	£
Cash at bank and in hand	236,144
Bank overdraft	(6,428)
Increase in cash and cash equivalents in the period	229,716

19. LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases at 31st December 1994 were as follows:-

	Group	Company
	£	£
Land and buildings		
Annual commitments expiring: after five years	16,750	-

20. CAPITAL COMMITMENTS

	Group	Company
	£	£
Contracted for	Nil	Nil
Authorised but not contracted for	Nil	Nil

21. CONTINGENT LIABILITIES

The company has guaranteed the financial obligation of its subsidiary undertaking in respect of the operating lease commitments referred to in note 19 to the financial statements.

22. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Sherland Limited, a company registered in the British Virgin Islands. Sherland Limited holds 67% of the issued share capital of the company.

VOSS NET PLC

SUBSIDIARY COMPANIES

The company has two subsidiaries:-

	Principal activity	Proportion of shares Held
Vossnet (U.K.) Limited	Development and marketing for commerce and industry of a computerised view order sales system (the Gotvoss System) and computer consultancy services.	100%
Voss Net Communications Limited	Supply of modems and ancilliary telecommunication equipment.	76%

Both companies are registered in England.

All the holdings are of ordinary shares and are held direct by the company.

Voss Net Communications Limited was incorporated and commenced trading after 31st December 1994.