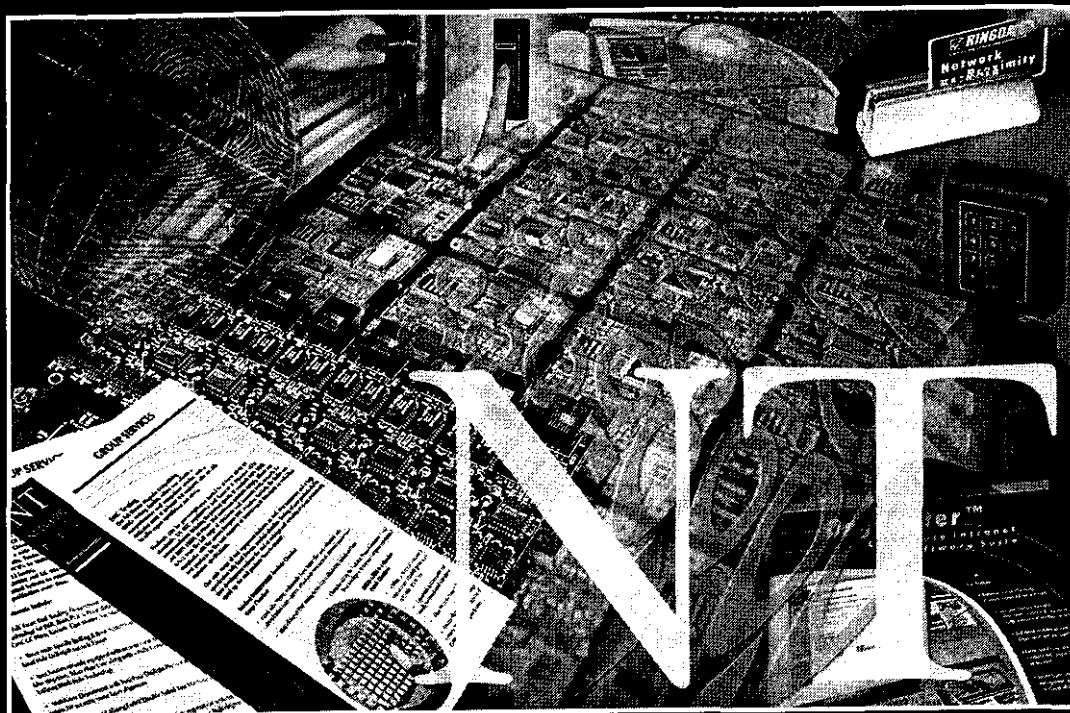


ANNUAL REPORT



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NETWORK
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Annual Report 2006



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DIRECTORS Klaus Bollmann (Executive Chairman & Managing Director)
Hannelore E Schlieker-Bollmann (Commercial Director & Acting Finance Director)
Martin Pollins (Non-Executive Director) - resigned 30 April 2006

COMPANY SECRETARY Hannelore E Schlieker-Bollmann

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Results

I am pleased to announce a second profitable year, albeit that profits were £23,000 as against £271,000 in 2005. An operating loss of £150,000 (2005: operating loss £50,000) was expected as we added more sales staff to our team. We are already seeing an increase in sales as a direct result of this investment, with a significant upturn in the last quarter. Turnover for the year amounted to £1.4 million, down on the previous year (2005: £2.2 million). Operating costs were reduced to £1.3 million. The Company's sales teams in the US and UK have been further strengthened.

During the year, the Company acquired certain assets of Nlynx Inc. in Austin, Texas and certain assets of Madge Ltd in UK as well as their brand names and technology. In the case of Madge no employees were taken on; in the case of Nlynx four employees joined the US operation. These have proved to be very successful transactions and I believe our earlier released estimates as to what those product lines will add to the bottom line are likely to be achieved.

The Company has focused on building the sales team and channels for its FollowMe® and Access Control products as well as absorbing some legacy product lines associated with the acquisitions, with access to Fortune 500 companies.

Our order book at the end of June 2006 showed a healthy £0.5 million (US\$0.9 million) - down from last year as a result of more efficient manufacturing and shipping procedures and a change in the nature of products supplied meaning fewer long term customer orders.

We continue to have low bank borrowings totalling £239,000 (2005:£225,000), which is primarily used to finance approximately two months of sales.

Dividends

The Directors are unable to recommend the payment of a final dividend for the year. However, the Directors are considering a share capital restructuring to permit the payment of dividends.

New Product Development

FollowMe® Printing – is a Printer Access Control and Accounting system which addresses issues like security, availability, print-data encryption, access to colour printers, copier fax and e-mail facilities on Multi Function Printers as well as ordinary printers and copiers. The system is an important element in protecting companies from breaches that might violate Sarbanes-Oxley a new law in the US affecting many large corporate users based in or doing business with the US.

Networked Access Control Systems and Time and Attendance Terminals - seamless integration of almost any existing identification technology such as swipe cards, proximity cards, barcodes but also fingerprint and face recognition. Biometric products incorporate the Group's own algorithms. This make our products independent of any particular reader or ID technology but also ensures that we can drive the technology to achieve the best efficiency when used with a larger number of people.

A further new product line has been released, the Networked Fax Receiver. This is a network appliance that converts an incoming fax directly into an e-mail so it arrives instantly in your e-mail Inbox improving delivery and ability to send forward as well as reducing waste from spam faxes.

We have also developed some unique devices and solutions that have their place in the field of renewable energy. However it is early days for these exciting products.

Corporate Activity

During the year we have been focusing on restructuring, refinancing and re-inventing the Group. For those shareholders who follow the RNS service of the London Stock Exchange, you will know that our Ringdale brand has emerged from the CVA and all of our Group Companies are now unencumbered again, leaving no residual contingent liabilities from those companies.

We have further strengthened our sales teams in the US and UK.

We will keep shareholders informed of developments within the company. Market sensitive data will be published through the RNS service of the London Stock Exchange. Further information can be found at our website www.network-technology.com which also provides a direct link to either LSE market data for NTY or Yahoo market data.

Copies of the 2006 Report and Accounts will be sent to shareholders in due course. Further copies will be available from the registered office of Network Technology PLC, 26 Victoria Way, Burgess Hill, West Sussex, RH15 9NF.

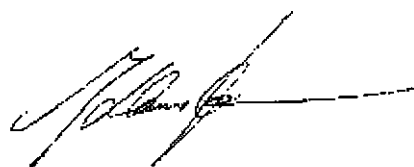
Guidance to the Market

The Group currently has firm orders of £0.5 million (US\$0.9 million) for delivery within the next 24 months.

The Group continues to focus on the business at hand and the growth of its market share in those markets for its products and services. The new products are fully developed and further developments and improvements should be covered by cash generated within the Company.

The Board maintains its view that growth and performance in the US operations will be higher than in our European operations. We are expecting a significant improvement for the Company's US operations in the year ending 31 March 2007 assuming that there are no extraordinary circumstances out of our control.

The markets into which the Group is selling are multi billion dollar markets. We believe that we can compete effectively by exploiting our technologies and have the flexibility to take advantage of opportunities when they arise. The Group continues to have a unique technological position as well as the ability to increase manufacturing when required.

A handwritten signature in black ink, appearing to read 'Klaus Bollmann', followed by a horizontal line.

Klaus Bollmann
Chairman, Network Technology Plc
6 November 2006

These financial statements are the first under which the Group is required to adopt International Financial Reporting Standards (IFRS). A reconciled opening balance sheet for the year ended 31 March 2005, and an IFRS reconciliation of the Group's results for the year ended 31 March 2006 are detailed on pages 24 to 26.

Operating and Financial Review

We report an operational loss of £150,000 which is mainly due to a significantly lower turnover of £1.41 million (£2.23 million in the previous period) caused by reduced TokenRing Bridge sales and delayed contracts for FollowMe® in the US which are now likely to materialize in the fourth quarter. See also additional information on Operating Review covered in the Chairman's Statement on pages 2 and 3.

Financial Review

We were able to control costs in the year to 31 March 2006. The highlights of the year since the last report are:

1. The Group was able to close the year with a small profit for the second time.
2. The Ringdale brand has acquired two product lines Nlynx and Madge at the end of the last Quarter.
3. Overheads reduced to £1.26 million in the 12 month period to 31 March 2006 due to lower sales.

Overheads

However, overheads were above what would have been needed to achieve these sales, due to the decision to build a stronger sales team which has the short term effect of higher operating costs.

Performance

The Group has achieved a turnover of £1.41 million in the year ended 31 March 2006. The Group is continuing to focus on channel business via its Ringdale brand. At the beginning of 2005 we put sales management in place to build our sales teams in US and Europe, we are now seeing increased sales as a direct result of this.

Earnings per share and dividends

Basic earnings per ordinary share was 1.1 pence. The Directors are unable to recommend the payment of a final dividend.

Cash flow

The cash outflow from operating activities decreased to £61,000 compared to a restated outflow of £90,000 in the 12 months to 31 March 2005.

Exceptional Item

The exceptional item refers to last year's exceptional item. See note 5 on page 32.

Capitalising Significant R&D

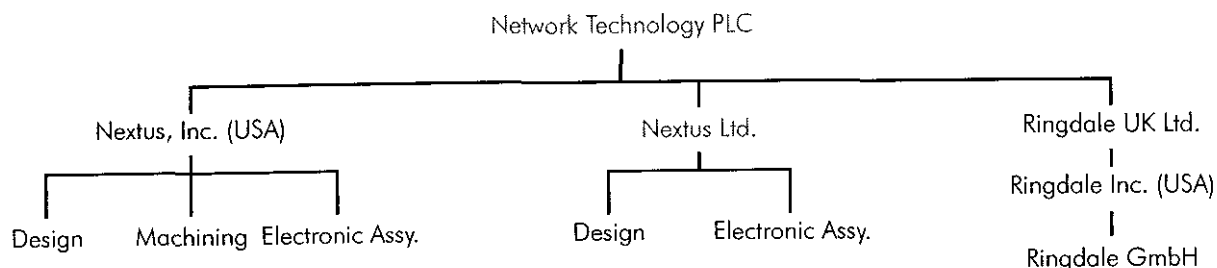
This is the first year that the Group has presented its accounts in accordance with International Financial Reporting Standards. As a result of this implementation a change in policy was required for the treatment of significant R&D to better represent the fair value of the company with the effect of increasing the profits for the restated period 2005 and the period ending 31 March 2006. See note 13 on page 36.

Valuation of Inventory

The Directors have made provisions against obsolete and slow-moving inventory. The current audit report is qualified by the auditors as they were unable to ascertain what level of provision should have been made. The Directors believe that the inventory shown in the accounts represents the fair value and will continue to review the carrying value of inventory on an ongoing basis. Nextus Component Broker is part of the Nextus Inc. website selling excess component inventory resulting from discontinued manufacturing within the Group and overspill from contract manufacturing for its customers. The Group has therefore no obsolete inventory and treats this inventory as Brokerage Inventory. The nature of Brokerage Inventory is that it may be slow moving and there is risk as to whether it can be sold. Since 1st April 2006 a value of £14,035 (8%) of the Brokerage Inventory of £187,000 had been sold.



Hannelore E. Schlieker-Bollmann
Commercial Director
6 November 2006

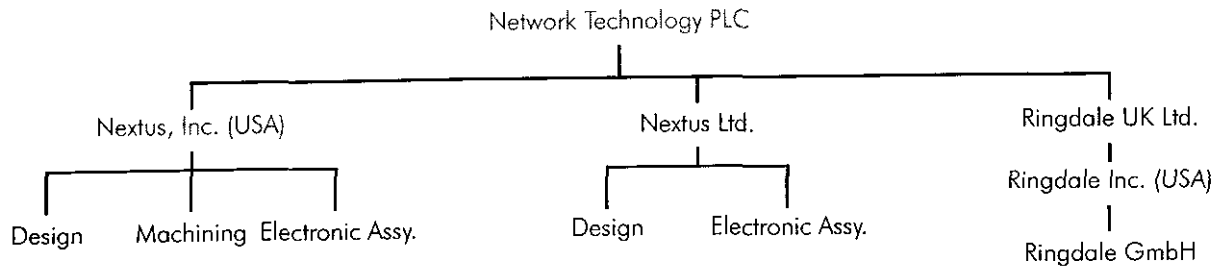


Nextus Limited, established in 2002, is a technology company specialising in the design and manufacture of an extensive range of hardware and software products, including *electromechanical systems*. These products are suitable to be marketed to the distribution channel through the Group's Ringdale brand or directly to the leading Original Equipment Manufacturers (OEMs) throughout the world. Nextus also makes custom designs for other OEMs and contract manufactures for a number of companies in Europe and USA.

The successful restructuring of the Group's portfolio away from its slowly diminishing legacy markets has led to renewed focus towards new growth areas. In addition to the manufacturing of Ringdale's new product ranges such as access control, electronic ballasts for fluorescent lighting and FollowMe® (copying, fax and printing system), Nextus also offers Electronic and Electromechanical contract manufacturing to a wide range of customers.

All Nextus' products are manufactured within an ISO 9000 Quality System and are code compliant with European CE as well as US FCC emission standards.

Recent achievements are the full compliance with the EU directive for the Reduction of Hazardous Substances (RoHS) as well as the directive dealing with Waste of Electronic and Electrical Equipment (WEEE). An environmental policy, compliance statement as well as a link to the directives in force is available on our website www.nextus.co.uk



Founded originally in 1987 and acquired by the Group in 1997, **Nextus Inc.** offers electronic and electromechanical manufacturing services to a wide range of customers in the form of turnkey or consigned manufacturing. These services range from printed circuit board assembly, cable, wire harness and fibre optics to hardware assemblies. Nextus also offers excellent Engineering/Prototyping services.

Nextus also provides a custom design service for electronic and mechanical designs to other OEMs and contract manufacturers. There are a number of companies in the USA using our service.

Nextus has developed a unique range of Access Control products to be sold under the Ringdale® brand. This includes Network Proximity ID Card Readers, Network Access Controllers and Pulse Operated Door Strike and Security Bolts for restricting and securing access to doorways.

Development for FollowMe® Printing, Access Control for printers and PC Access Readers have been continued by Nextus. Nextus has taken on the further development of the Group's mechanical design and manufacturing which is currently used for all Ringdale devices.

Nextus has taken on the Group's North American OEM business and provides marketing, manufacturing and design resources to the Ringdale brand.

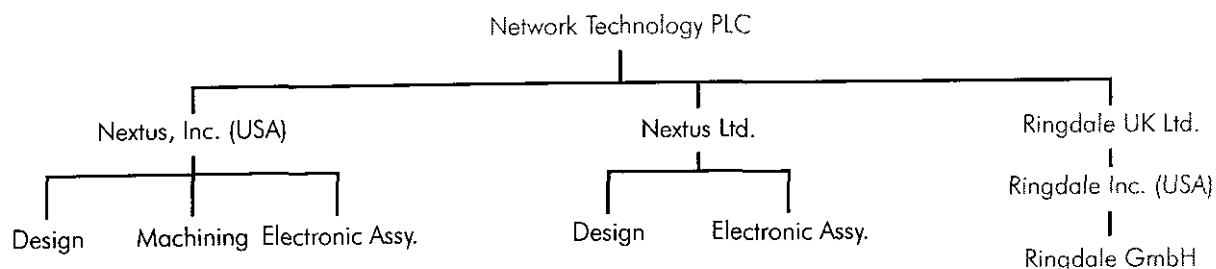
Recent achievements are the full compliance with the EU directive for the Reduction of Hazardous Substances (RoHS) as well as the directive dealing with Waste of Electronic and Electrical Equipment (WEEE). An environmental policy, compliance statement as well as a link to the directives in force is available on our website **www.nextus.com**

Nextus Component Broker is part of the Nextus Inc. website selling any excess component inventory resulting from discontinued manufacturing within the Group and spillover from contract manufacturing. The Group has therefore no obsolete inventory. Often those components can be sold at a premium.

Further design capabilities include:

- The development of Biometric technology for the Group's Access Control and Security products.
- The development of networked process control technology with a number of USB connected analog-input, digital-input and relay output controllers.
- Development of alternative and renewable energy-enabling devices leading the field in new technology for fluorescent lighting systems.

Nextus continues to play a pivotal role as the manufacturing and logistics centre for the Group's products in the North American markets.



The **Ringdale®** brand consists currently of three trading companies. Ringdale has been supplying network connectivity products from its European headquarters in West Sussex for more than 25 years. The North American headquarters are located in Georgetown, Texas and there are Sales and Logistics centres in Germany and Japan. Ringdale joined the NT Group in 1994. The Group's technology products are marketed to the end user via the Ringdale brand and sold through established distribution channels throughout the world.

With the level of interest growing for Ringdale's new product ranges, new strategic partnerships continue to be formed, notably for FollowMe® and the Ethernet to Token Ring Bridge with Ringdale as a third party solutions provider for various companies including Hewlett Packard®, Toshiba®, Xerox® and Konica-Minolta®.

Significant announcements during this period in the area of:

- Network connected Area Access Control supporting USB HID devices
- Colour Copy accounting on FollowMe®
- PC Access Control
- Remote PC Access Control Management
- Web-based FollowMe® Server Administration
- Fax Receiver Appliance
- Acquisition of Madge Brand and technology
- Acquisition of Nlynx Brand and technology

The products with the most significant likely impact for the next 12 month sales are Nlynx and Madge products together with the FollowMe® E-Line Controller.

As most printers or multi function devices that combine printing, copying and fax solutions already come with built-in network connectivity, the E-Line Controller connects one side directly to the Ethernet port of the printer/copier/fax and on the other side directly to the corporate network.

Advantages of this device are:

- Plug and Play functionality (no set up required at the printer-end).
- Utilises the IP address of the printer and its network port, therefore no loss of costly IP addresses.
- Adds FollowMe® functionality to low cost network printers.
- Government-strength encryption version available.
- Can be used as an encryption/decrypting device (point-to-point).
- Reader port for all Ringdale Identification Devices (swipe card, bar code, proximity card, Wiegand-type readers, fingerprint recognition).

The Group aggressively develops and brings new products to the market. Below are some of the significant planned developments and releases for 2006.

FollowMe®

FollowMe® was initially launched in 1997 to cater for an emerging need to provide accountability, secure printing and roaming printing across multiple printer models and manufacturers. The product is now in its fifth evolution having grown dramatically in functionality and adaptability in direct response to evolving requirements and technology.

Most notably, FollowMe® now also permits the control of other functions present in many of today's MFPs. This includes restricting access to copier, scanning, email and fax functions.

FollowMe®, through the use of its Q-Server server software, provides a complete control and audit solution by managing and accounting for usage of all printer and MFP services.

FollowMe® works through attaching an authentication device to a printer, copier or MFP. When a user presents their ID at this device then all of the user's current print jobs are released to the printer or MFP. In the case of a copier or MFP, assuming the user has the required permission, then additional functions such as copying become available.

It is also possible to use FollowMe® as a software-only solution to control, monitor and account for printing. In the case of Hewlett Packard (HP) MFPs manufactured post-September 2004 a fully embedded solution is available providing control of all the printer's functions such as email, fax and scanning.

FollowMe® Copy Patrol provides a unit which plugs directly into a MFP's external control port allowing for the control of the copier and other functions. Ringdale has worked with a number of OEMs to provide this functionality, including HP®, Canon®, Konica-Minolta®, Ricoh®, Sharp®, Toshiba® and Xerox®.

The FollowMe® solution portfolio is split into six areas:

FollowMe® Printing – For hardware and software printing control, monitoring and accounting.

FollowMe® Copy Patrol – For hardware-based copier/MFP control.

FollowMe® Embedded – Fully embedded solution supporting HP MFPs.

FollowMe® Q-Server – The central core of the FollowMe® based solution providing additional functionality for a software only solution of FollowMe® Printing as well as being the key requirement for all areas of the FollowMe® solutions.

FollowMe® Web Printing – Server-based driverless printing solution, requiring no client side driver or software installation.

FollowMe® Payment Kiosk – Self contained note collector and credit card self-service terminal which can be free standing or in-wall mounted. It allows users to fill their printing or copying accounts with cash or credit card for page credits.

FollowMe® Printing

FollowMe® Printing offers print roaming, secure printing and accounting within an ALL-IN-ONE solution. It offers many benefits to large or small organisations requiring the ability to roam between printers as well as ensuring printing is accountable and also that printing is secure.

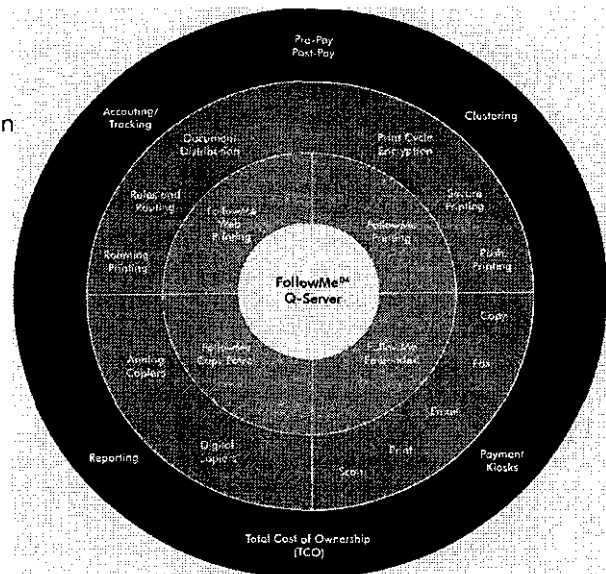
Secure printing has been a requirement in many organisations for a number of years and FollowMe™ Printing has been developed as the solution to this problem. It is designed to be easy to install, maintain and upgrade and works well with existing printing services and processes.

FollowMe® is a completely flexible and secure solution through the use of roaming and data encryption. Once a user's print job is sent to the server, the user's print jobs are now ready to be collected by activating any FollowMe® enabled printer on the network, allowing users to avoid printers that are out of toner or paper or off-line by simply selecting another printer.

Using FollowMe® also reduces the costs of owning a printer, making cost savings on paper, toner and ink by limiting their use.

Significant announcements during this period:

- New FollowMe® E-Line Hardware
- New Web-based Server Administration Interface
- Plug and Play Connection
- Government Grade Encryption for the Print Cycle
- Increased Security using Triple Factor Authentication
- New FollowMe® Output Print Spooler
- New Extendable Rules and Routing Engine
- Document Distribution
- Print Job Recovery and Fault Detection
- Re-Route Print Jobs
- Web based Payment Kiosks for Credit Card Payments



Benefits of using FollowMe® include:

- Use with any copier/printer/MFP model and manufacturer
- Roaming and Secure Printing
- Turn your centralised workgroup printer back into your "personal printer"
- Decreased Consumable and Paper Wastage

Sentinel™ - Access Control Products

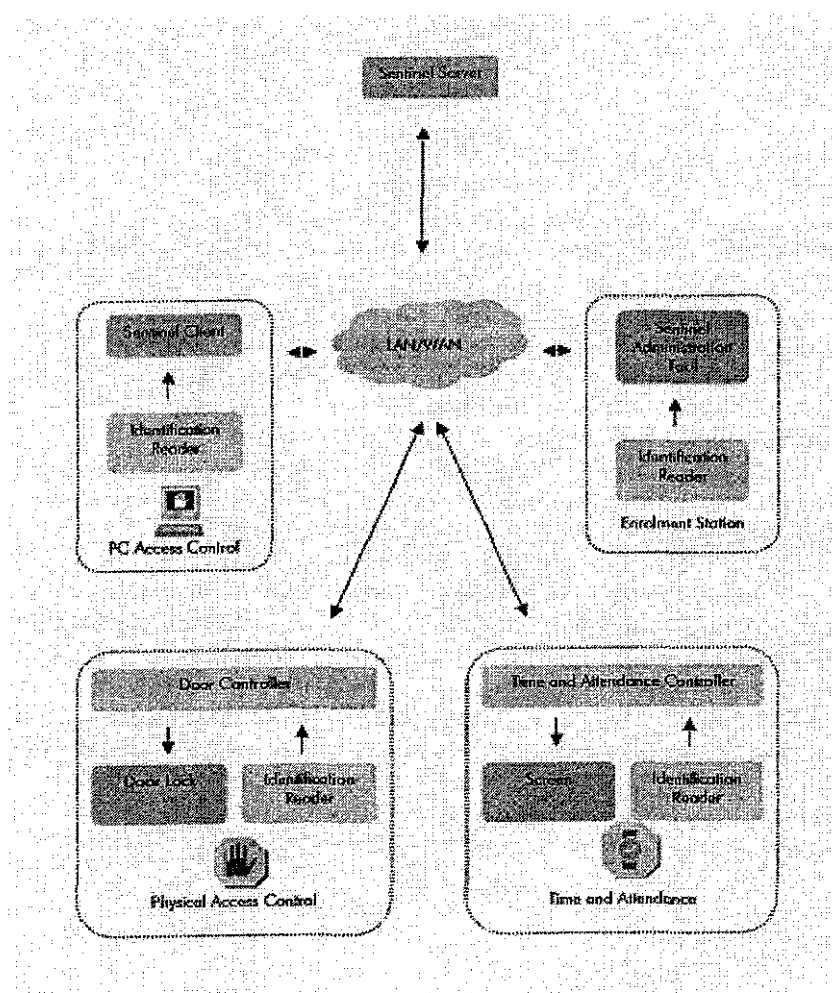
Access Control (swipe card, RFID, Bar code, face, fingerprint and PC Access)

Ringdale manufactures the most scalable, totally network-based access control systems obtainable in today's market. We were the first company to identify that security will be more and more managed by IT departments and that Access Control Systems need to be networked.

The Access Control ID reader range has grown to include a wide selection of readers, strikes, bolts and accessories. These encompass proximity readers (including Wiegand), magnetic swipe and fingerprint readers, key pads, pulse operated door strikes and security bolts.

An unsurpassed number of door controllers were developed driving our devices to unsurpassed performance in terms of our devices' capabilities, integration and affordability.

Consultancy is becoming an important part of this business, helping the customer to select the most appropriate Identification method for the environment and application.



Significant access control developments in the current period are:

- the Power Over Ethernet (POE) Access Control and Time and Attendance Solutions
- inclusion of USB reader capabilities on all its POE controllers and readers
- compatibility with Microsoft Optical Fingerprint Reader and integration into Sentinel™ PC Access Control for use with MS Windows NT, 2000 and XP based operating systems exceeding the current support that Microsoft offers which is currently only for Microsoft Windows XP.

This is significant as Ringdale's POE range of Networked Access Control devices will allow any industry standard HID compatible reader to be connected to its products.

Ringdale continues to promote its Access Control products through distribution channels while assisting its customers with consultancy and tailored solutions for their specific requirements.

Sentinel™ - PC Access Control

Controlling access to PCs has been added to the capabilities of Ringdale's Access Control Systems and its Sentinel Access Control Management Software. This product has seen significant improvements since its initial release in 2003, which include support for almost all of Ringdale's reader technologies allowing seamless integration with most companies' existing Identification Technologies.

Now Ringdale's Sentinel - PC Access system allows the connection of any USB type HID compatible reader such as Bar Code, Swipe Card, RFID or Fingerprint reader devices to be used to log into the PC or connect to the Network.

Ringdale recently released a number of USB conversion devices that allow almost any existing ID technology to be used in conjunction with Ringdale's Sentinel - PC Access Control system:

Wiegand to HID Compatible USB converter

Connects any reader that has Wiegand Output to a USB Port and show it as an HID device

USB to HID Compatible USB converter

Connects a Microsoft USB Optical Fingerprint Reader as an HID device to a Microsoft Windows or Unix System

Serial (TTL or RS232) to HID Compatible USB converter

Connects an RS232 or TTL serial Bar code Reader as an HID device to a Unix System

USB 8port Single Pole Switchover (SPS) Relay Controller

Allows eight single pole switchover relay to be operated from a USB port. This device can be used for process automation applications, in Access Control applications to open electrically operated doors or in building energy management.

USB 16 Port Digital Input and 4 port Analog Input Controller

Allows input from 4 different analog sources and each channel is selectable to be used as 0-5volt, 4-20mA or thermocouple input using a built in temperature reference. For use in process automation and building energy management.

Madge Product Line

Network Technology Plc. acquired certain assets from the receiver, as well as the right to exclusively sell Madge inventory on consignment from the receiver. NT also acquired the exclusive right to manufacture and the use of the intellectual property to allow the support and manufacture of the products. We will not warrant any product sold prior to the Madge company going into liquidation nor will we continue any contracts that the Madge company in liquidation may have had with its suppliers or customers. The NT Group did not take on any employees of Madge and have not continued any contracts therefore this transaction does not constitute a transfer of a going concern as defined by TUPE.

Ringdale will sell the products with the Madge brand as a product line brand. The Madge brand is well known in the IBM Mainframe and Mini Computer market and should lead customers to our website and products. It gains us access to fortune 500 companies that have been prime customers of Madge and will be prime customers for our FollowMe® and Access Control range of products.

The Madge wireless products will not be continued and will only be sold as is, as long as inventory lasts. However, Ringdale may produce a competitive wireless management software that is MS Windows based and easier to maintain as well as extend its own ModuLAN® product line to extend into the WiFi wireless market.

The manufacturing and support integration of this product line as well as our ability to establish new channels for the products has been very successful.

NLynx Product Line

Ringdale Inc. acquired certain assets of NLynx Inc. in Austin, Texas, as well as the right to exclusively sell NLynx inventory on consignment on behalf of the secured creditors. Ringdale Inc. also acquired the exclusive right to manufacture and use of the intellectual property to allow the support and manufacture of the products. We will not warrant any product sold prior to the NLynx company going into liquidation nor will we continue any contracts that the NLynx company in liquidation may have had with its suppliers or customers. Ringdale Inc. did employ 4 of the remaining employees of NLynx and gave them new roles within the Ringdale Inc. organization.

Ringdale will sell the products with the NLynx brand as a product line brand. The NLynx brand is well known in the IBM Mainframe and Mini Computer market and should lead customers to our website and products. Also this acquisition will improve our access to fortune 500 companies that have been prime customers of NLynx and will be prime customers for our FollowMe® and Access Control range of products.

The manufacturing and support integration of this product line as well as our ability to hold onto NLynx's existing channels for the products has been very successful. Employees were successfully integrated in the Group's manufacturing, sales, support and marketing departments.

A recent new product was developed: The Minit Thin Client 6488. It replaces legacy IBM compatible Twinax Terminals with a Windows CE based Thin Client that can connect directly via Twinax or via an Ethernet network to an AS 400 Mini Computer.

The NLynx product line contains a number of Token Ring and Twinax infrastructure devices such as Twinax Hubs, Token Ring MAUs, Twinax and Coax Terminals as well as a number of Thin Client PCs that are Linux, Windows CE or Windows XPe based.

Network Technology Plc

*Financial Statements for the year
to 31st March 2006*

*Directors Reports
and
Corporate Governance*

Klaus Bollmann

(Executive Chairman and Managing Director), aged 50, co-founded the Group in 1985. Previously, Mr. Bollmann worked for OEM PLC in London where he designed hardware and software as well as being instrumental in the marketing and globalisation of OEM's products which were based on his technology. Mr Bollmann restructured the business in 1992, led an MBO in 1995, the AIM flotation of the Company in 1996 and finally the admission to the official list in August 1997. Mr. Bollmann has been responsible for the Group's vertical integration, product and acquisition strategies.

Hannelore E Schlieker-Bollmann

(Commercial Director and Acting Finance Director), aged 47, co-founded the Group in 1985.

Martin Pollins, MBA FCA ATII MIDM

(Non Executive Director), aged 67, was a director of the Group from 1996 to 1999 and re-joined the Group as Senior Non-Executive Director in February 2004. Martin Pollins resigned in April 2006.

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 March 2006.

Principal activity and business review

The Group's main strategy is to be at the forefront of computer network and Internet technology. The Group's business focuses on the design, manufacture and marketing of hardware and software used in connecting all computer associated equipment in the modern business and domestic environment, such as PCs, workstations, printers, scanners, fax and vending machines to LANs, WANs and the Internet. In the last three years the Group has also engaged in additional fields, including custom switch mode power supplies for rugged applications, security and access control devices for connection to computer networks, as well as security management software for use within organisations and their enterprise networks. The group's activities are conducted from branches in the UK, USA and Germany.

Results and dividends

The financial results for the year appear on page 24.

Review of business and future developments

The exceptional item in the Group's previous (31 March 2005) profit and loss account relates to the settlement of amounts due to the liquidators of H. Bollmann Manufacturers Limited and N & R Circuits UK Limited, and the finalisation of the Corporate Voluntary Arrangement in respect of Ringdale UK Limited. There were also exceptional cost of sales relating to write down of inventory.

A review of the year's operations is given in the Chairman's Statement and in the Operating and Financial Review on pages 2 to 4.

Directors and their interests

The Directors who held office during the year were as follows:

K. Bollmann	Executive Chairman	
H. Schlieker-Bollmann	Commercial Director & Acting Finance Director	
M. Pollins	Non Executive Director	resigned 30 April 2006

The interests of the Directors in shares in the Company are disclosed in the Remuneration Report on pages 16 to 18. Other than set out in note 26, none of the Directors has or had any interest (direct or indirect) in any transactions effected by any company in the Group which remains outstanding or unperformed in any respect.

Substantial share holdings

As at 6 November 2006, with the exception of H. Schlieker-Bollmann, the Company has been advised by Mr. Wardleworth that his shareholding has now extended to over 3%, the Company has not been advised of any other beneficial interests in the Company's shares amounting to 3% or more of the issued share capital.

Research and development

The Group employs a number of product development and research staff and continues to be at the forefront of product development and market research in its core business.

Creditors payment policy

The Group policy for the year ended 31 March 2006 for all suppliers was to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment. The creditor payment days for the Group at 31 March 2006 improved to 98 days (109 days at 31 March 2005).

Financial Risk Management

As a matter of policy, the Group predominantly deals with Fortune 500 companies or with well established companies with very low risk of default. New customers are credit checked before credit is given. It is a constant process to evaluate any risk from *increase of costs from raw materials or wages on the cost side as well as customers and contracts on the receivable side* and bring any risks to the board's attention so that a decision can be made if the impact is significant and if shareholders need to be informed.

Employees, disabled persons and minorities

The skill and intellect of the people working for our Group are vital to achieve our goals. The Group's policy is to offer equal opportunities to disabled persons and minorities who apply for employment. In addition, employees who become disabled are given every opportunity and assistance to continue their employment or be trained if other suitable positions within the Group are available.

Charitable and political contributions

The Group made no charitable or political contributions during the year.

Treasury policy

The Board agrees and reviews policies for risk management as detailed further on page 30. The Group does not trade in financial instruments. There is no formal policy for matching foreign currency cash flows or matching exposure to foreign currency net assets, although the situation is monitored carefully. In planning the maturity of debt, the Group's policy is to ensure a balance between continuity of funding and flexibility.

Health, Safety and Environment

Policy

Human health, safety and impact upon the environment are considered when the Group conducts its business. It is the Group's aim to provide a safe working environment for employees at all times. We operate in a socially and environmentally responsible manner, proactively seeking ways of reducing any adverse impact upon our surroundings through recycling schemes, making more efficient use of utilities and seeking ways to reduce waste.

There have been no accidents at any of our manufacturing sites in Burgess Hill or Texas.

Environmental Performance

A major upgrade of our building where our UK facility is located allowed us to keep the energy costs at the same level despite energy price increases. In our US facility we deployed our own energy saving lighting systems and reduced the monthly use of electricity for lighting by 50%. The Group's policy when designing a new electronic device is to use the most energy efficient design possible. For more than a decade we have been leading our market segment with the most energy efficient devices saving significant amounts of energy throughout the world wherever our devices are deployed.

It is a continual process to improve our manufacturing processes to use less energy and to process orders in the most resource efficient way. All our Group Companies use state-of-the-art logistics systems developed by the Group as well as using our energy saving technology at all our plants.

The Group has recently developed a Building Energy Management System and related devices which will be employed over the coming year to manage energy use and reduce electricity usage for heating air-conditioning and fans by another 30%.

Auditors

A resolution to re-appoint Baker Tilly as auditors for the ensuing year will be proposed at the Annual General Meeting in accordance with section 385 of the Companies Act 1985.

Disclosure of information to auditors

The directors in office on 6 November 2006 have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Annual General Meeting

Notice of the Annual General Meeting and explanatory notes of the business to be conducted are set out on pages 42-44.

Authority to allot shares

At the Annual General Meeting in September 2005 the directors were given the power to make allotments of equity securities up to £407,000 as if the pre-emption rights attached to the Ordinary Shares of 200p each did not apply to any such allotments.

On behalf of The Board



H. Schlieker-Bollmann
Secretary

6 November 2006

Directors' Remuneration Report

This report is produced to comply with the Directors' Remuneration Report Regulations 2002 which covers both executive and non-executive directors.

The regulations require the Auditors to report to the Company's members on the "Auditable Part" of The Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985. The report has therefore been divided into two sections, audited and unaudited information.

As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be adopted.

Unaudited Information

The Remuneration Committee

The Committee consists of Martin Pollins and is chaired by Klaus Bollmann.

The remuneration committee is responsible for reviewing and determining the remuneration of Executive Directors and, within that overall remit, for establishing the individual arrangements appropriate to them. Its main role is to ensure that the executive remuneration arrangements within the Group are in line with best practice.

Executive Directors' salaries

None of the Executive Directors received a salary in the period (see **Directors' remuneration** page 18). The compensation will be reviewed when appropriate. See also Remuneration Committee on page 19.

Executive Directors' long term incentives

As reported previously, no long-term incentive plan exists for the benefit of the Executive Directors (or key Senior Employees) to provide a meaningful reward for achieving above average growth in shareholder value. It is proposed that this matter should be subject to review and further external advice taken and, if appropriate, to make recommendations to shareholders at a later date.

Executive Directors' annual bonuses

As the Group is still in recovery mode no bonus is payable.

Non Executive Director

The Board set the level and form of compensation for the Non-Executive director.

Share Option Plan

The Company operates a Share Option Plan and invitations are made to Group Executives and Managers based on recommendations from the Chief Executive. Executive Directors based in the UK are also eligible to participate in the Company's Savings-Related Share Option Scheme. Under this scheme options are granted, at a discount of 20% to the market price at the date of invitation, to participants who have contracted to save up to £250 per month over a period of three or five years. None of the Executive Directors have an interest in these schemes.

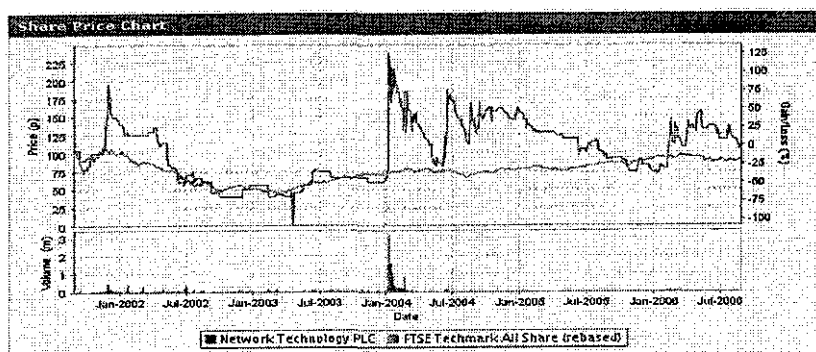
Contracts

All Executive Directors have written service contracts dated 5th August 1997 containing provision for termination on giving twelve months' notice. The Non-Executive Director had a letter of appointment with a review period of 6 months.

Share price

Source: Hemscott

The Company trades under the symbol NTY and is included in the Techmark All Share Index

**Shareholders' return**

As no dividend was paid in the last 5 years the shareholders' return is best measured by comparing its shareprice movement.

Audited Information

Directors' remuneration including pension costs:

	Year ended 31 March 2006			
	Salary/ Fees £'000	Benefits £'000	Pension Costs £'000	Total Costs £'000
				Year to 31.3.05 £'000
Executive Directors				
K. Bollmann	-	-	-	11
H. Schlieker-Bollmann	-	-	-	-
Non Executive Director				
M. Pollins	6	-	-	6
Total	6	-	-	17

Pensions

Except for any premiums payable to the Directors' pension scheme (the Woodgate Trust), which is a defined contribution scheme, Executive Directors do not participate in any other pension arrangements sponsored by the Company, K Bollmann and H Bollmann are members and trustees of the scheme. The total pension cost for the year ended 31 March 2006 was £Nil (year ended 31 March 2005 - £Nil). The pension cost for the highest paid employee was £Nil (year ended 31 March 2005 - £Nil).

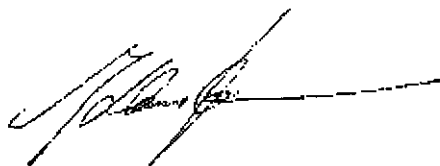
Directors' interests

The beneficial interests of Directors in the Company's securities are set out below:

Name (see notes below)	As at 31.3.06	As at 31.3.05
	Ordinary Shares	Ordinary Shares
K. Bollmann and H. Schlieker-Bollmann	1,094,140	1,094,140
M. Pollins	126	126

Notes regarding holdings at 31 March 2006:

- Of the ordinary shares in which K. Bollmann and H. Schlieker-Bollmann are interested, 871,474 are registered in the name of H. Schlieker-Bollmann, 156 in the name of K. Bollmann and 222,510 in the name of Woodgate Trust, a pension scheme in which Mr. and Mrs. Bollmann are interested as trustees and members.
- Full details of Directors' share holdings and options are contained in the Register of Directors' Interests which is kept by the Company and is open to inspection in accordance with the provisions of the Companies Act 1985.
- There have been no changes in the Directors' interests since the end of the financial year.



K Bollmann
Chairman of the Remuneration Committee
6 November 2006

Compliance

The UK Listing Authority has published the Principles of Good Governance and the Code of Best Practice 2003 ("The Combined Code") and as a continuing obligation of listing, the Company must include in its Annual Report and Accounts a statement of how the Company has applied the principles and a statement as to whether it has complied with the detailed provisions of the Combined Code.

Principles of Good Governance

While it is expected that listed companies will comply with the Code's provisions most of the time, it is recognised that departure from the provisions of the Code may be justified in particular circumstances. The Board has reviewed each provision carefully and gives a considered explanation where it departs from the Code's provisions.

Role of Executive Chairman

Since the Company entered into a re-structuring phase in 2000, the Chairman and Chief Executive positions are held by Klaus Bollmann and is therefore not in compliance with the Code section A.2.1

Independent Director

The Board has appointed Martin Pollins as the Independent Non Executive Director in the period and considers his position is not compromised as a result of the disclosures made in note 26 and applying the tests of the Code. The Board has also appointed Martin Pollins the Senior Independent Director in the period. As the company only had one Non-Executive Director in the period it was not in compliance with A.3.2 of the Code. Mr. Pollins resigned on 30 April 2006.

The Board

The Board had 4 formal Board Meetings via video conference or phone or email where all Board Members attended due to the fact that Klaus Bollmann is working from Texas, USA. The Board is responsible for adopting and implementing a strategy for the Group that is designed to deliver increasing value to shareholders. The implementation of the strategy and the management of the Group's operations are the responsibility of the Executive Directors, led by the Executive Chairman. In order to effectively discharge these responsibilities the Board has reserved to itself a schedule of key matters and in addition has delegated certain authorities to Executive Directors. The Board also delegates particular matters to approved committees of the Board. No directors insurance cover has been purchased due to the high cost of insurance cover in respect of legal action against its directors, the Company did not comply with A.1.5 of the code. No Director is being presented for re-election as required by A.7.1. In the Board's view it is not appropriate to extend the Board at this time and it is impractical to carry out performance reviews as required under A.6.1.

Remuneration Committee

The Remuneration Committee is chaired by Klaus Bollmann and included Martin Pollins, the Non-Executive member of the committee in the period. Because the Company had only one Non-Executive Director and because Klaus Bollmann is not an independent Non-Executive it did not comply with B.2.1 of the code. As the remaining Executive Directors received no remuneration, but have a controlling interest of more than 50% in the Company, their interests are totally aligned with that of the remaining shareholders and therefore B.2.2 of the code in respect of Directors' remuneration was not appropriate in the reported period.

Audit Committee

Due to the resignation of Martin Pollins, in the period reported, the remaining directors met with the auditors. The Company did not comply with C.3.1 as it did not have two independent non-executive directors. The Company does not comply with C3.3, C3.4 and C3.5 of the code. The functions of the Audit Committee have been restricted in the year to advising the Board on the appointment and re-appointment of auditors, determining their independence and meeting the auditors to agree the plan for the annual audit and to review with the auditors matters arising from their annual audit. The Audit Committee does not believe any further description of their work in discharging their responsibilities is useful. Due to the small size of the Company at this time, staff are invited to approach members of the Board should they wish to raise any matters in confidence. As to internal audit, as explained below, the size of the Company at this time does not make such a function feasible or affordable. Martin Pollins resigned on 30 April 2006 and was not involved in this audit.

Nomination Committee

The Board currently takes on the function of the Nomination Committee. There has been no call for nomination of additional directors in the period and is therefore not in compliance with A.4.1 of the Code.

Internal Control

The Executive Directors are responsible for the Group's internal financial control system, which incorporates procedures designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information is reliably reported, but any such system can only provide reasonable and not absolute assurance against misstatement or loss.

The Group's internal financial control and monitoring procedures include:

- a) Clear responsibilities on the part of line and financial management for the maintenance of good financial controls and the production of accurate and timely financial management information;
- b) The control of key financial risks through clearly laid down authorisation levels and appropriate segregation of accounting duties;
- c) Detailed monthly budgeting and reporting of trading results, balance sheets and cash flows, with regular review by management of variances from budgets;
- d) Reporting on compliance with internal financial controls and procedures.

The Executive Directors have reviewed the effectiveness of the system of internal and financial, operational compliance controls and risk-management systems for the year covered by the Financial Statements. Given the size of the Group and the Executive Directors' daily involvement in the business, combined with state-of-the-art computer management systems, the Board does not consider that an internal audit function is required at present. The Company assesses its risks monthly and may change its policy in respect of financial internal audit functions when it deems this to be necessary. As there was no formal review the Company was not in compliance with C.2.1.

Going concern

The ability of the Company to continue as a going concern is dependent upon the achievement of projected sales and profit margins and the maintenance of acceptable credit terms with suppliers and creditors and the continued support of related parties. On the basis of the current financial projections for the period to November 2007 and the cash balances and facilities available, the Directors have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Shareholder communications

The Group reports formally to shareholders twice a year. A full Annual Report and Accounts and a half-year Interim Statement are issued to all shareholders. In addition, as soon as they are announced, interim and final results are posted on the Group's web site (www.network-technology.com) together with any other business information on the Group. The Group's Annual General Meeting (the "AGM") is used as an opportunity to communicate with shareholders and it is intended that Notice of the AGM to be held on Tuesday 19 December 2006 will be sent to the shareholders at least 21 days before the meeting. At the AGM, the level of proxy votes lodged on each resolution will be available. Each substantially separate issue is proposed in the Notice of AGM as a separate resolution and there is a separate resolution relating to the Annual Report and Accounts.

Statement of Directors' Responsibilities

UK company law requires the Directors to prepare Group and Company Financial Statements that present fairly the financial position and performance of the group for each financial year. Under that law the Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") adopted by the EU and have elected to prepare the company financial statements in accordance with IFRS. In preparing each of the Group and Company 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;
- 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 Group 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 requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We have audited the group and parent company financial statements on pages 24 to 41. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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 auditor's 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

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and *International Financial Reporting Standards* (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and *International Standards on Auditing* (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Operating and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with *International Standards on Auditing* (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. 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 group's and company's circumstances, consistently applied and adequately disclosed.

We planned 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 and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. However, brokerage inventory of £187,000 included in the group inventory of £946,000 has been identified as slow moving and we were unable to obtain sufficient appropriate evidence that the net realisable value of this inventory is greater than cost. Also other receivables of £77,000 owed to the group and parent company, included in note 15 'Trade and other receivables', includes an amount of £43,000 that has been outstanding for several years and the company has been unable to supply sufficient evidence to demonstrate its recoverability. We were unable to carry out satisfactory alternative audit procedures in either circumstance.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Qualified opinion arising from limitation of scope

Except for the financial effects of such adjustments, if any, that might have been determined to be necessary had we been able to satisfy ourselves as to the net realisable value of £187,000 of brokerage inventory and the recoverability of the £43,000 included in trade and other receivables for the parent company and group in our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the group's affairs as at 31 March 2006 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2006;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

In respect solely in relation to the limitation on our work relating to net realisable value of stock and the recoverability of other receivables we have not obtained all the information and explanations that we considered necessary for the purposes of our audit.

Emphasis of matter - Going Concern

In forming our opinion, which is not qualified in respect of this matter, we have considered the adequacy of the disclosure made on page 28 of the financial statements concerning the company's ability to continue as a going concern. The company is reliant upon continued support of related parties, as disclosed in note 26 of these financial statements and the achievement of projected sales and profit margins and the maintenance of acceptable credit terms with suppliers and other creditors. These conditions indicate the existence of a material uncertainty which may cast significant doubt upon the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.


BAKER TILLY
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

6 November 2006

	Notes	Year to 31 March 2006 £'000	Year to 31 March 2005 £'000 (restated)
Revenue	3, 4	1,413	2,230
Ordinary cost of sales		(306)	(543)
Exceptional cost of sales	5	-	(377)
Cost of Sales		<u>(306)</u>	<u>(920)</u>
Gross profit		1,107	1,310
Other operating expenses	6	(1,257)	(1,360)
Operating loss	6	(150)	(50)
Exceptional income	5	-	273
Finance cost	8	(21)	(24)
Investment Income		-	-
(Loss)/Profit on ordinary activities before taxation		<u>(171)</u>	<u>199</u>
Tax credit	9	194	72
Profit for year from continuing operations		<u>23</u>	<u>271</u>
Earnings per ordinary share in pence			
Basic and diluted	10	1.1p	14.2p

All amounts relate to continuing activities

Group and Company Balance Sheet

NT

	Notes	Group		Company	
		31.3.06	31.3.05 (restated)	31.3.06	31.3.05
		£'000	£'000	£'000	£'000
Non Current Assets					
Property, plant and equipment	11a, 11b	371	391	4	2
Investments	12	113	-	850	481
Development costs	13	374	159	-	-
Deferred tax asset	18	147	-	-	-
		<u>1,005</u>	<u>550</u>	<u>854</u>	<u>483</u>
Current Assets					
Inventories	14	946	806	-	-
Trade and other receivables	15	670	510	336	327
Cash and cash equivalents		18	30	1	1
		<u>1,634</u>	<u>1,346</u>	<u>337</u>	<u>328</u>
TOTAL ASSETS		<u>2,639</u>	<u>1,896</u>	<u>1,191</u>	<u>811</u>
Current Liabilities					
Trade and other payables	16	1,597	1,055	346	225
Bank overdrafts and loans	17	135	79	17	3
		<u>1,732</u>	<u>1,134</u>	<u>363</u>	<u>228</u>
Non Current Liabilities					
Loans	17	168	146	48	-
		<u>1,900</u>	<u>1,280</u>	<u>411</u>	<u>228</u>
TOTAL LIABILITIES		<u>1,900</u>	<u>1,280</u>	<u>411</u>	<u>228</u>
Equity					
Called up share capital	19	4,112	4,112	4,112	4,112
Share premium account		8,028	8,028	8,028	8,028
Currency Translation Reserve	27	(6)	(21)	-	-
Capital redemption reserve		12	12	12	12
Merger reserve		-	-	1,963	1,963
Revaluation Reserve		85	-	85	-
Retained loss		(11,492)	(11,515)	(13,420)	(13,532)
Total Equity		<u>739</u>	<u>616</u>	<u>780</u>	<u>583</u>
TOTAL LIABILITIES AND EQUITY		<u>2,639</u>	<u>1,896</u>	<u>1,191</u>	<u>811</u>

These Financial Statements on pages 24 to 41 were approved by the Board of Directors and authorised for issue on 6 November 2006 and are signed on its behalf by:


H. Bollmann

	Notes	Group Year to 31.3.06 £'000	Group Year to 31.3.05 (restated) £'000	Company Year to 31.3.06 £'000	Company Year to 31.3.05 £'000
Net cash Inflow(outflow) from operating activities	22	(61)	(90)	48	(429)
Investing activities					
Payments to acquire tangible fixed assets	11a	(72)	(185)	(2)	(2)
Development costs	13	(215)	(159)	-	-
Payments to acquire investments	12	(28)	-	(28)	-
Net cash inflow/(outflow) from investing		(315)	(344)	(30)	(2)
Financing activities					
Repayment of borrowings		(50)	(55)	(16)	-
Proceeds from share issues	23	-	348	-	348
Increase/(Decrease) of bank overdrafts		64	(17)	(2)	3
Proceeds from borrowings		350	132	-	80
Net cash Inflow/(outflow) from financing		364	408	(18)	431
Cash and cash equivalents at beginning of period	21	30	56	1	1
Cash and cash equivalents at end of period	21	18	30	1	1

Group and Company Statement of Changes in Equity



Group Statement of Changes in Equity

	Revaluation Reserve £'000	Share Capital £'000	Share Premium £'000	Foreign Other Reserves £'000	Currency Reserve £'000	Retained Loss £'000
At 1.4.04	-	3,764	8,028	12	-	(11,786)
Retained Profit for the Year	-	-	-	-	-	271
Issue of Shares	-	348	-	-	-	-
Exchange Loss	-	-	-	-	(21)	-
At 31.3.05	-	4,112	8,028	12	(21)	(11,515)
At 1.4.05	-	4,112	8,028	12	(21)	(11,515)
Retained Profit for the Current Year	-	-	-	-	-	23
Exchange Gain	-	-	-	-	15	-
Revaluation	85	-	-	-	-	-
At 31.3.06	85	4,112	8,028	12	(6)	(11,492)

Company Statement of Changes in Equity

	Revaluation Reserve £'000	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Currency Reserve £'000	Retained Loss £'000
At 1.4.04	-	3,764	8,028	1,963	12	(14,350)
Retained Profit for the Year	-	-	-	-	-	818
Issue of Shares	-	348	-	-	-	-
At 31.3.05	-	4,112	8,028	1,963	12	(13,532)
At 1.4.05	-	4,112	8,028	1,963	12	(13,532)
Retained Profit for the Current Year	-	-	-	-	-	112
Issue of Shares	-	-	-	-	-	-
Revaluation	85	-	-	-	-	-
At 31.3.06	85	4,112	8,028	1,963	12	(13,420)

1. GENERAL INFORMATION

Network Technology Plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given inside the front cover. The nature of the Company's and Group's operations and principal activities are set out in the Directors' Report. The name of the Company's ultimate controlling party is given in note 26. These financial statements are set out in pounds sterling because that is the currency of the primary economic environment in which the company operates. These financial statements were approved and signed by the Director and authorised for issue on 6 November 2006. The Company's shareholders do not have the power to amend the financial statements after issue.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements comply with and have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time, but only those that were appropriate and in issue and effective at the time of signing the accounts. The following appropriate Standards and Interpretations that were in issue but not yet effective are IFRS 7 (Financial instruments: Disclosures; and the related amendment to IAS 1 on capital disclosures), IFRIC 4 (Determining whether an Arrangement contains a Lease), IFRIC 8 (Scope of IFRS 2 Share-based Payment), IFRIC 9 (Reassessment of Embedded Derivatives) and IFRIC 10 (Interim Financial Reporting and Impairment). With the amount of information reasonably estimable the Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group when the relevant standards and interpretations come into effect. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given on page 25 and in note 27. The financial statements have also been prepared in accordance with IFRSs adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared on the historical cost basis except for the revaluation of certain properties and financial instruments. The principal accounting policies are set out below.

Basis of consolidation

The Group financial statements include the financial statements of the Company and all the subsidiaries during the periods reported for the periods during which they were members of the Group. Inter-company balances between Group businesses are eliminated on consolidation. In accordance with section 230(3) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account. The amount of profit for the financial year dealt with in the financial statements of Network Technology Plc is disclosed on page 27 to these financial statements.

Going concern

The ability of the Company to continue as a going concern is dependent upon the achievement of projected sales and profit margins and the maintenance of acceptable credit terms with suppliers and creditors and the continued support of related parties. On the basis of the current financial projections for the period to November 2007 and the cash balances and facilities available, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of those financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts invoiced during the year, exclusive of value Added Tax. Sales of goods are recognised when goods are delivered and invoice raised. The consolidated financial information incorporates the financial information of the Company and all its subsidiary undertakings (the "Group"). The acquisition method of accounting has been used to consolidate the results of the subsidiary undertakings in the Group's financial information.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the cost of purchase. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Property, Plant and Equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Motors, Plant & Machinery	- 25% reducing balance
Computer Equipment	- 33.3% straight line
Fixtures & Fittings	- 15% reducing balance

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Goodwill

Goodwill recognised under UK GAAP prior to the date of transition to IFRS arising on previous acquisitions has been written off to reserves and in accordance with FRS 10 will only be reinstated in the event of a disposal of the relevant subsidiary. Goodwill recognised subsequent to the date of transition to IFRS will be capitalised. Goodwill is not amortised but is reviewed for impairment annually as described below.

Impairment of assets

Goodwill arising on acquisition is allocated to cash-generating units (equivalent to the reported primary business segments). The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired.

The carrying values of property, plant and equipment and intangibles with finite lives are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

Research and development expenditure

The Group considers that the regulatory, technical and market uncertainties inherent in the experimental research of new products mean that internal development costs should not be capitalised as intangible fixed assets until, inter-alia, commercial viability of a project is demonstrable and appropriate resource is in place to launch the product and a reasonable forecast can be made that takes into account the amortisation of development costs. Those two ways of treating experimental research on one side and product development for market needs of established markets on the other side is essential as it highlights the need for economically efficient development of products to the research and development departments as well as satisfying the need for experimental developments that may result in significant advances or may end up being a failure.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantively all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the period of the lease.

Borrowing Costs

All borrowing costs, as not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or covered) using the tax rates and laws that have been enacted by the balance sheet date. Deferred tax is accounted for using the balance sheet liability method in respect of temporary timing differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Their carrying amount is reviewed at each balance sheet date on the same basis. Deferred tax is measured on a non-discounted basis, and at the tax rates that are expected to apply in the period in which the asset or liability is settled. It is recognised in the income statement except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Post-retirement benefits

The Group operates a defined contribution pension scheme for certain key executives and the amount charged to the income statement in respect of pension costs is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet. The contributions are administered by trustees in a fund independent from the Group's assets.

Foreign Currencies

Transactions of Group companies denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date or, if appropriate, at the forward contract rate. The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of operations and on foreign currency borrowings are reported in the foreign currency translation reserve. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. All other exchange differences are included in the income statement.

Financial Instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade Receivables and Trade Payables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Trade payables are not interest bearing and are stated at their nominal value.

Financial Liability and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial Risk Management

As a matter of policy, the Group predominantly deals with Fortune 500 companies or with well established companies with very low risk of default. New customers are credit checked before credit is given. It is a constant process to evaluate any risk from increase of costs from raw materials or wages on the cost side as well as customers and contracts on the receivable side and bring any risks to the Board's attention so that a decision can be made if the impact is significant and if shareholders need to be informed.

3. Revenue	Year to 31.3.06 £'000	Year to 31.3.05 £'000
Sales of goods	1,413	2,230
	1,413	2,230

Revenue is recognised as set out in Note 2.

4. Segmental information

For management purposes the Group is currently organized into one business segment, which is computer products and services. Since this is the only primary reporting segment no further information has been shown. The following table provides an analysis of the Group's revenue by Geographical market, irrespective of the origin of the goods and services:

Revenue by geographical market	Year to 31.3.06 £'000	Year to 31.3.05 £'000
United Kingdom	666	707
Other EC Countries	274	363
United States of America	311	912
Japan	-	21
Rest of world	<u>162</u>	<u>227</u>
	1,413	2,230

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	31.3.06 £'000	31.3.05 £'000	31.3.06 £'000	31.3.05 £'000
United Kingdom	1,233	960	42	44
United States of America	1,313	748	271	222
Germany	<u>93</u>	<u>188</u>	<u>2</u>	<u>78</u>
	2,639	1,896	315	344

	Carrying amount of segment liabilities		Depreciation and amortisation charge by segment	
	31.3.06 £'000	31.3.05 £'000	31.3.06 £'000	31.3.05 £'000
United Kingdom	870	751	42	46
United States of America	1,024	524	33	1
Germany	<u>6</u>	<u>5</u>	<u>27</u>	<u>5</u>
	1,900	1,280	102	52

Results by segment

	31.3.06 £'000	31.3.05 £'000
United Kingdom	99	503
United States of America	42	(247)
Germany	<u>(118)</u>	<u>15</u>
	23	271

5. EXCEPTIONAL ITEM (2005)

The exceptional item in the Group's profit and loss account relates to the settlement of amounts due to the liquidators of H. Bollmann Manufacturers Limited and N & R Circuits UK Limited, and the finalisation of the Corporate Voluntary Arrangement in respect of Ringdale UK Limited.

Exceptional cost of sales relates to write down of inventory of slow moving or end of life product.

6. PROFIT/(LOSS) FROM OPERATIONS

The operating loss has been arrived at after charging/crediting:

	Year to 31.3.06 £'000	Year to 31.3.05 £'000
Staff costs (note 7)	844	685
Depreciation of tangible assets (note 11)	102	52
Auditors' remuneration		
- audit services	46	26
Operating lease costs		
- land and buildings	100	51
Amounts payable to Baker Tilly by the Company in respect of non-audit services were £NIL [2005; £NIL]		

7. STAFF COSTS

	Year to 31.3.06 £'000	Year to 31.3.05 £'000
Wages and salaries	720	652
Social security costs	124	33
	844	685

The average monthly number of employees during the year, including Directors, was 36 (year to 31 March 2005: 32). Analysed by category:

	Year to 31.3.06 number	Year to 31.3.05 number
Production	11	13
Distribution	8	4
Management and administration	7	7
Research, development and technical support	10	8
	36	32

Full details of the Directors' remuneration and details of share options are shown in the Remuneration Report on pages 16 to 18, including details of the highest paid director.

8. FINANCE COSTS

	Year to 31.3.06 £'000	Year to 31.3.05 £'000
Interest payable on bank overdrafts and loans	21	24
	21	24

The weighted average interest rate paid on borrowings was 3.49% (2005: 8.96%). The Directors consider the carrying amount of borrowings to approximate their fair value.

9. TAXATION	Year to 31.3.06 £'000	Year to 31.3.05 £'000
UK corporation tax	-	-
Research and Development Credit	(46)	(80)
Overseas taxes	-	8
Deferred tax asset movement	<u>(148)</u>	<u>-</u>
	(194)	(72)
The credit can be reconciled to the profit per the income statement as follows:		
Profit/(Loss) before tax	(171)	199
Tax of UK corporate rate of 30%	(51)	60
Effects of:		
Expenses not deductible for tax	-	(9)
Capital allowances in deficit of depreciation	2	(2)
Losses utilised for R&D tax credit	88	151
R&D tax credit uplift	(29)	(50)
Utilisation of losses brought forward	(10)	(150)
Overseas taxes	-	8
Research and Development tax credit at 16%	(46)	(80)
Deferred tax asset movement	<u>(148)</u>	<u>-</u>
	(194)	(72)

10. Profit / Loss per ordinary share

The calculations of basic earnings per ordinary share is based on the profit for the year after tax of £23,000 (year to 31 March 2005: 271,000).

Earnings per share has been calculated using the weighted average number of ordinary shares in issue during the year. The weighted average number of equity shares in issue is 2,055,971 (2005: 1,911,000).

The Basic and Diluted earnings per share figures are the same because the average market price of the ordinary shares during the period did not exceed the exercise price of the equity options in existence at the balance sheet date.

11.a) PROPERTY, PLANT AND EQUIPMENT to 31 March 2006

Group:	31.3.05 £'000	Additions £'000	Exchange Differences £'000	Disposals £'000	31.3.06 £'000
Cost					
Plant and equipment	812	67	37	-	916
Motor vehicles	17	-	2	-	19
Fixtures and fittings	<u>77</u>	<u>5</u>	<u>4</u>	<u>-</u>	<u>86</u>
	906	72	43	-	1,021

	31.3.05 £'000	Charge £'000	Exchange Differences £'000	Disposals £'000	31.3.06 £'000
Accumulated Depreciation					
Plant and equipment	462	89	31	-	582
Motor vehicles	15	5	(1)	-	19
Fixtures and fittings	<u>38</u>	<u>8</u>	<u>3</u>	<u>-</u>	<u>49</u>
	515	102	33	-	650

	31.3.05 £'000				31.3.06 £'000
Net book value					
Plant and equipment	350				334
Motor vehicles	2				-
Fixtures and fittings	<u>39</u>				<u>37</u>
	391				371

Company:	31.3.05 £'000	Additions £'000	Disposals £'000	Charge £'000	31.3.06 £'000
Cost					
Plant and equipment	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>4</u>
Depreciation					
Plant and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	31.3.05 £'000				31.3.06 £'000
Net book value					
Plant and equipment	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>

At the Balance Sheet date there was £143,880 amount of Property, Plant and Equipment pledged to security. At the Balance Sheet date there was no amount of contractual commitments for acquisition of Property, Plant and Equipment. At the Balance sheet date there is no compensation for impairment. At the Balance Sheet date there is no carrying amount of idle Property, Plant and Equipment, gross amount of any fully depreciated Plant, Property and Equipment still in use or carrying amount of Property, Plant and Equipment retired from active use.

11.b) Tangible fixed assets to 31 March 2005

Group	31.3.04 £'000	Additions £'000	Exchange Differences £'000	Disposals £'000	31.3.05 £'000
Cost					
Plant and equipment	636	185	(9)	-	812
Motor vehicles	18	-	(1)	-	17
Fixtures and fittings	<u>78</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>77</u>
	732	185	(11)	-	906

	31.3.04 £'000	Charge £'000	Exchange Differences £'000	Disposals £'000	31.3.05 £'000
Depreciation					
Plant and equipment	428	44	(10)	-	462
Motor vehicles	12	3	-	-	15
Fixtures and fittings	<u>33</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>38</u>
	473	52	(10)	-	515

	31.3.04 £'000	31.3.05 £'000
Net book value		
Plant and equipment	208	350
Motor vehicles	6	2
Fixtures and fittings	<u>45</u>	<u>39</u>
	259	391

Company:	31.3.04 £'000	Additions £'000	Disposals £'000	31.3.05 £'000
Cost				
Plant and equipment	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>

Depreciation				
Plant and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	31.3.04 £'000	31.3.05 £'000
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Net book value		
Plant and equipment	<u>-</u>	<u>2</u>

12. Investment in subsidiaries Company

	Year to 31.03.06 £'000	Year to 31.03.05 £'000
Cost at 1 April 2005 and 31 March 2006	4,417	4,417
Impairment at 1 April 2005	(3,936)	(4,417)
Revaluation in year at 31 March 2006	256	481
	<u>(3,680)</u>	<u>(3,936)</u>
Net book value	737	481

Principal Group Investments

The following were the subsidiary undertakings of the Company at 31 March 2006. The subsidiaries operate in their country of incorporation and unless otherwise stated are incorporated in England and Wales. All subsidiaries are 100% owned by the Company. Ringdale UK Limited and Nextus Limited are 100% owned by International Technology Consultants Limited.

Continued Operations

Name	Principal activity
Nextus Limited	Design House & Manufacturer
Nextus Inc. (incorporated in the USA)	Design House & Manufacturer
Ringdale UK Limited	Brand for Network & Security Product
Ringdale Inc. (incorporated in the USA)	Brand for Network & Security Product
Ringdale GmbH (incorporated in Germany)	Brand for Network & Security Product
International Technology Consultants Limited	Intermediate holding company
Megaswitch Limited	Dormant
Ncrypton PLC	Dormant
AB Semicon Inc. (incorporated in the USA)	Dormant
PC Card Technology PLC	Dormant
Ringdale Instruments Limited	Dormant
Bits International Limited	Dormant
Solarplant Technology Ltd	Dormant

Other Investments Group and Company	Year to 31.3.06 £'000	Year to 31.3.05 £'000
Additions at cost	28	-
Revaluation	85	-
	<u>113</u>	<u>-</u>

The above investment represents 4 million shares of US\$0.001 in Facekey Corporation.

13. Development Costs Group (Company £Nil)

Cost	31.3.05 £'000	Additions £'000	31.3.06 £'000
	<u>159</u>	<u>215</u>	<u>374</u>

The development cost refer to developments that have not converted into sales but are likely to in 2006/7 and subsequent years.

14. Inventories**Group (Company £Nil)**

	31.3.06 £'000	31.3.05 £'000
Brokerage Inventory	187	-
Manufacturing Raw materials and consumables	592	734
Work in progress	-	-
Finished goods	<u>167</u>	<u>72</u>
	946	806

There is no material difference between the balance sheet value of inventories and their replacement cost.

This is the first year that brokerage inventory is separated from the manufacturing inventory. Brokerage inventory may range from no value to cost. However, brokerage inventory will not have to be replaced and therefore no risk assessment in respect of replacement cost for brokerage inventory is made.

15. TRADE AND OTHER RECEIVABLES

	Group 31.3.06 £'000	Group 31.3.05 £'000	Company 31.3.06 £'000	Company 31.3.05 £'000
Trade receivables	342	257	-	-
Other receivables	77	68	43	43
Value added tax	4	1	-	-
R & D tax credit receivable	220	173	-	-
Prepayments	27	11	5	5
Related party receivables	<u>-</u>	<u>-</u>	<u>288</u>	<u>279</u>
	670	510	336	327

The average credit period taken on sales of goods is 44 days. No interest is charged on the trade receivables. An allowance is made for estimated irrecoverable amounts of £8396. Other receivables comprise transactions with non-related parties. The director considers that the carrying amount of trade and other receivables approximates their fair value.

Credit Risk

The Company's principal financial assets are trade and other receivables, which represent the company's maximum exposure to credit risk in relation to financial assets. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic environment. The Company has no significant concentration of credit risk, with exposure spread over a large number of counter parties and customers. The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies.

16. TRADE AND OTHER PAYABLES

	Group 31.3.06 £'000	Group 31.3.05 £'000	Company 31.3.06 £'000	Company 31.3.05 £'000
Trade payables	667	507	48	61
Taxation and social security	322	250	2	5
Other payables and accruals	608	298	160	118
Related party payables	<u>-</u>	<u>-</u>	<u>136</u>	<u>41</u>
	1,597	1,055	346	225

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 75 days. Other payables comprise transactions with non-related parties. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

14. Inventories**Group (Company £Nil)**

	31.3.06 £'000	31.3.05 £'000
Brokerage Inventory	187	-
Manufacturing Raw materials and consumables	592	734
Work in progress	-	-
Finished goods	<u>167</u>	<u>72</u>
	946	806

There is no material difference between the balance sheet value of inventories and their replacement cost.

This is the first year that brokerage inventory is separated from the manufacturing inventory. Brokerage inventory may range from no value to cost. However, brokerage inventory will not have to be replaced and therefore no risk assessment in respect of replacement cost for brokerage inventory is made.

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	Group 31.3.06 £'000	Group 31.3.05 £'000	Company 31.3.06 £'000	Company 31.3.05 £'000
Trade receivables	342	257	-	-
Other receivables	77	68	43	43
Value added tax	4	1	-	-
R & D tax credit receivable	220	173	-	-
Prepayments	27	11	5	5
Related party receivables	<u>-</u>	<u>-</u>	<u>288</u>	<u>279</u>
	670	510	336	327

The average credit period taken on sales of goods is 44 days. No interest is charged on the trade receivables. An allowance is made for estimated irrecoverable amounts of £8396. Other receivables compromise transactions with non-related parties. The director considers that the carrying amount of trade and other receivables approximates their fair value.

Credit Risk

The Company's principal financial assets are trade and other receivables, which represent the company's maximum exposure to credit risk in relation to financial assets. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic environment. The Company has no significant concentration of credit risk, with exposure spread over a large number of counter parties and customers. The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies.

16. TRADE AND OTHER PAYABLES

	Group 31.3.06 £'000	Group 31.3.05 £'000	Company 31.3.06 £'000	Company 31.3.05 £'000
Trade payables	667	507	48	61
Taxation and social security	322	250	2	5
Other payables and accruals	608	298	160	118
Related party payables	<u>-</u>	<u>-</u>	<u>136</u>	<u>41</u>
	1,597	1,055	346	225

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 75 days. Other payables compromise transactions with non-related parties. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

17. BANK OVERDRAFTS AND LOANS

	Group	Group	Company	Company
	31.3.06	31.3.05	31.3.06	31.3.05
	£'000	£'000	£'000	£'000
Bank overdrafts	95	31	1	3
Bank loans	144	194	-	-
Other loan	64	-	64	-
	303	225	65	3

The borrowings are repayable as follows:

	31.3.06	31.3.05	31.3.06	31.3.05
	£'000	£'000	£'000	£'000
On demand or within one year	135	79	17	3
In the second year	64	48	16	-
In the third to fifth year inclusive	104	98	32	-
	303	225	65	3

Amounts falling due in:

Amounts due for settlement within				
12 months as shown under current liabilities	135	79	17	3
Amounts due for settlement after 12 months	168	146	48	-
	303	225	65	3

The weighted average interest rates paid were as follows:

Bank loans of £143,880 (2005 £193,767) were arranged at fixed interest rates and expose the Company to fair value interest rate risk. Other borrowings are arranged at floating rates and expose the Company to cash flow interest rate risk. The Director considers that the carrying amount of bank overdrafts and loans approximates their fair value.

The other principal features of the Company's borrowings are as follows:

Bank overdrafts are repayable on demand. No overdrafts have been secured on the Group's assets. The average effective interest rate on bank overdrafts approximates 8 per cent per annum and is determined based on 4 per cent plus base rate. The bank loan of £143,880 (2005 £193,767) was taken out on 27.11.2002. Repayments commenced on 27.2.2003 and will continue to 2008. The loan is repayable at 4 per cent above UK bank base rate and is secured by a fixed and floating charge over the Company's assets dated 2 November 2002. At 31 March 2006 the Company had no undrawn committed borrowing facilities in respect of which all conditions had been met.

The Group has no material foreign currency exposure on monetary assets and liabilities not denominated in the operating currency of the relevant Group company. Further disclosures on the Group's policy for managing financial risk are given in the Directors' report.

18. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereof:

	Tax losses	Accelerated	Group Total
	£'000	Capital allowances	£'000
	£'000	£'000	£'000
At 1 April 2004	-	-	-
Charge to Income Statement	-	-	-
At 1 April 2005	-	-	-
Charge to Income Statement	159	(12)	147
At 31 March 2006	159	(12)	147

18. Deferred Tax (continued)

Certain deferred tax asset and liabilities have been offset. The following is the analysis of the deferred tax balances:

	Group 2006 £'000	Group 2005 £'000
Deferred tax liabilities	(12)	-
Deferred tax assets	<u>159</u>	<u>-</u>
	147	-

At the balance sheet date, the Group had unused tax losses of £693,000 (2005: £Nil) available for offset against future profits. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Their carrying amount is reviewed at each balance sheet date on the same basis. After the application of the tax losses to future profits at the balance sheet date, the Company had no material unused tax losses available for offset against further future profits.

19. SHARE CAPITAL (Group and Company)

	31.3.06 £'000	31.3.05 £'000
Authorised		
2,650,000 Ordinary Shares of £2 each	5,300	5,300
Allotted, issued and fully paid		
2,055,971 Ordinary Shares of £2 each	4,112	4,112

The Company has one class of ordinary share which carries no right to fixed income.

20. SHARE OPTIONS

Under the share option schemes operated by the Company, at 31 March 2006, the following options were outstanding:

Share option plan	Date of grant of Option	Number of Ordinary shares	Period of Exercise	WAEP Price per share
	Nov 1996	750	Nov 1999 to Nov 2006	£32.70
	Dec 1996	1,420	Dec 1999 to Dec 2006	£34.50
	Apr 1997	1,114	Apr 2000 to Apr 2007	£43.20
	Nov 1997	500	Nov 2000 to Nov 2007	£25.20
	Dec 1997	1,437	Dec 2000 to Dec 2007	£25.20
	Feb 1998	375	Feb 2001 to Feb 2008	£25.00
	Jun 1998	3,823	Jun 2001 to Jun 2008	£32.80
	Jul 1998	1,780	Jul 2001 to Jul 2008	£18.90
	Aug 1998	1,846	Aug 2001 to Aug 2008	£15.80
	Sep 1998	7,452	Sep 2001 to Sep 2008	£8.70
	Dec 1998	<u>3,000</u>	Dec 2001 to Dec 2008	£7.00
		23,497		

No adjustment is made for share based payments as allowed under transitional rules as no options were granted since December 1998.

21. Analysis of net funds and reconciliation of net cash outflow to movement in net funds

	At 1.4.05 £'000	Cash flow £'000	At 31.3.06 £'000
Cash at bank and in hand	30	(12)	18
Overdraft	(31)	(64)	(95)
Bank loan	<u>(194)</u>	<u>50</u>	<u>(144)</u>
	(195)	(26)	(221)

22. NET CASHFLOW FROM OPERATING ACTIVITIES

	Group Year to 31.3.06 £'000	Group Year to 31.3.05 £'000	Company Year to 31.3.06 £'000	Company Year to 31.3.05 £'000
Profit/(Loss) from operations	(150)	(50)	115	337
Depreciation of property, plant and equipment	102	52	-	-
Impairment of investments	-	-	(256)	-
Operating cash flow before movement in working capital	(48)	2	(141)	337
Decrease/(Increase) in inventories	(140)	350	-	-
Decrease/(Increase) in receivables	(113)	193	(9)	(254)
(Decrease)/Increase in payables	261	(872)	201	(512)
Cash generated by operations	(40)	(327)	51	(429)
Interest paid	(21)	(24)	(3)	-
Income tax paid	-	(12)	-	-
Exceptional credit	-	273	-	-
Net cash from operating activities	(61)	(90)	48	(429)

23. FINANCING ACTIVITIES

		Group Year to 31.3.06 £'000	Group Year to 31.3.05 (restated) £'000	Company Year to 31.3.06 £'000	Company Year to 31.3.05 £'000
	Note				
Proceeds from share issues		-	348	-	348
Repayment of Loans		(50)	(55)	(16)	-
New Loans	17,26	350	132	-	80
Increase/(decrease) in bank overdraft		64	(17)	(2)	3
Net cash inflow from financing		364	408	(18)	431

24. OPERATING LEASE ARRANGEMENTS

At 31 March 2006, the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases as set out below:

	31.3.06 Land & buildings £'000	Other £'000	31.3.05 Land & buildings £'000	Other £'000
Within one year	-	-	-	-
In the second to fifth years	48	-	40	-
	48	-	40	-

25. CONTINGENT LIABILITIES

The Company has guaranteed other borrowings of subsidiary undertakings amounting to £144,000 (2005: £194,000). No provision has been made as there is no probable loss. This refers to the bank loan also referred to in note 21.

26. RELATED PARTY TRANSACTIONS

Transactions between the companies and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The following transactions took place during the period at arms length:

Woodgate Trust charged £48,000 (year to 31 March 2005: £51,099) in respect of rent and the amount of £68,774 was outstanding at 31 of March 2006.

Webpage-Marketing.Com Limited is considered to be a related party as it is controlled by close family of K. Bollmann and Mrs H. Bollmann. During the year, purchases of £217,534 (year ended 31 March 2005: £229,164) were made from this company. At 31 March 2006 £420,346 (2005: £290,313) was outstanding to Webpage-Marketing.Com Limited.

PRB Martin Pollins LLP, Chartered Accountants are considered to be a related party as they are controlled by M Pollins who was a director of the Company. During the year fees of £30,301 (2005: £16,206) were paid to PRB Martin Pollins LLP. At 31 March 2006, £19,490 (2005: £27,186) was outstanding to PRB Martin Pollins LLP.

Unsecured loans outstanding to related parties	Group Year to 31.3.06 £'000	Group Year to 31.3.05 £'000
Woodgate Trust new short term loan	17	-
Woodgate Trust fixed term loan	<u>64</u>	<u>80</u>
	81	80
Woodgate Property, Inc term loan	252	52
Loan outstanding to Mr. and Mrs Bollmann	207	57
The ultimate controlling party is K Bollmann and Mrs H Bollmann via their shareholdings and as trustees of The Woodgate Trust which also hold shares in the Company.		

27. TRANSITION TO IFRS

This is the first year that the Company has presented its financial statements under IFRSs. The last financial statements under UK GAAP were for the year ended 31 March 2005 and the date of transition to IFRSs was 1 April 2004.

Intangible Assets	Group Year to 31.3.06 £'000	Group Year to 31.3.05 (restated) £'000	Company Year to 31.3.06 £'000	Company Year to 31.3.05 £'000
Intangible Assets	374	159	-	-
Depreciation of Intangible Assets	-	-	-	-
Total Intangible Assets	374	159	-	-

Under IAS 38 (Intangible Assets) development costs have been capitalised amounting to £374,000 of this £159,000 related to the previous year and as a result, an adjustment has been made to opening reserves and the comparative figures restated.

Effect of changes in foreign exchange rates

Under IAS 21 (the effect of changes in foreign exchange rates) a foreign currency translation reserve has been created. Under UK GAAP, exchange differences were included within retained reserves, but under IAS 21 they have been shown within a foreign currency reserve (page 25).

Impact of the transition on the Group's equity

IFRS 1 requires that a reconciliation be disclosed of the impact of the transition on the Group's equity is shown on page 27 of these accounts. There has been no effect in the transition to IFRSs on the Company's equity or profit and loss. There was no effect in the transition to IFRSs on the consolidated balance sheet and equity as at 1 April 2004.

NOTICE IS HEREBY GIVEN that an ANNUAL GENERAL MEETING of the Company will be held at The Priory, Haywards Heath, West Sussex on Tuesday, 19th December 2006 at 12.00 noon, for the purpose of considering and if thought for, passing the following resolutions of which resolutions 1 to 3 will be proposed as ordinary resolutions and resolution 4 will be proposed as a special resolution.

Ordinary Resolutions

1. DEALS with the receipt of the financial statements for the year ended 31st March 2006 which the Directors are required to present to the shareholders in the General Meeting
2. DEALS with the appointment and remuneration of the Auditors. A public company must appoint Auditors. Their appointment is renewed each year at the Annual General Meeting. The Directors wish to appoint Baker Tilly. In accordance with common practice, the resolution also authorises the Directors to fix the Auditors' remuneration.
3. THE Directors feel that they may need the flexibility to be able to finance business opportunities, as they arise, by the possible issue of equity in the Company. The Company has granted such authority to the Directors already which expires at the 2006 Annual General Meeting. The authority is for 9.9% of the issued Share Capital of the company which complies with the guidelines recommended by the London Stock Exchange.
 - (i) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution unless renewed, varied or revoked by the Company in general meeting save that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired; and
 - (ii) that this authority shall be to the exclusion of and in substitution of any such earlier authority to the extent unused.

Special Resolutions

4. TO give the Directors the power to make allotments of equity securities up to £407,000 as if the pre-emption rights attached to the Ordinary Shares of 200p each did not apply to any such allotments.
 - (i) Be limited to the allotment of equity securities up to an aggregate nominal amount of £407,000 (representing 9.9% of the then existing issued ordinary share capital of the Company);
 - (ii) Expire at the conclusion of the next Annual General Meeting of the Company (unless previously renewed, varied or revoked by the Company);
 - (iii) Allow and enable the Directors to make offer or agreement before any such expiry which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired; and
 - (iv) Shall be in substitution for any authority previously conferred by the Directors pursuant to section 95 of the Act.



By Order of the Board

H. Schlieker-Bollmann

Company Secretary

6 November 2006

Registered Office: Ringdale House, 26 Victoria Way, Burgess Hill, West Sussex, RH15 9NF

Notice of the Annual General Meeting



NOTES:

1. A member is entitled to attend and vote at the above Meeting and is entitled to appoint a proxy to attend and (on a poll) vote instead of him. A proxy need not be a *Member of the Company*.
2. If you wish to appoint some person of your own choosing as your proxy, you must complete in block capitals his/her name and (where declared) delete the words 'or failing him/her, the Chairman of the meeting' and initial the alteration.
3. Please indicate with an 'X' how you wish your vote to be cast. On receipt of this form duly signed without any specific directions, the proxy will vote or abstain at his/her discretion.

Explanatory notes

Shareholders may find it useful to have some explanatory notes in connection with the documentation and business to be conducted at the forthcoming Annual General Meeting.

The notice of the Annual General Meeting - this sets out the business that will be dealt with at the meeting. Ordinary Resolutions are passed by a simple majority of shareholders voting in person or by proxy. A Special Resolution requires 75% of the shareholders voting in favour (in person or by proxy) for it to be adopted.

Proxy cards - allow a shareholder to appoint a proxy to vote if he/she is unable to attend the meeting in person. A proxy holder at the meeting may not address the meeting. However, if he/she does not appoint a proxy, a shareholder may also vote in a poll vote if he/she does not wish to appoint a proxy holder by completing and returning the proxy card. It is normal custom for the Chairman of the meeting to be appointed the proxy holder who will vote as instructed if a poll vote is called. The proxy card must reach the Registrars of the Company, Computershare Investor Services Plc (PO Box 1075, The Pavilions, Bristol, BS99 3FA), by not less than 48 hours before the time for holding the meeting.

Resolution 1 - deals with the receipt of the financial statements for the year ended 31st March 2006 which the Directors are required to present to the shareholders in General Meeting.

Resolution 2 - deals with the appointment and remuneration of the Auditors. A public company must appoint Auditors. Their appointment is renewed each year at the Annual General Meeting. The Directors wish to appoint Baker Tilly. In accordance with common practice, the resolution also authorises the Directors to fix the Auditors' remuneration.

Resolution 3 and Special Resolution 4 - The Directors feel that they may need the flexibility to be able to finance business opportunities, as they arise, by the possible issue of equity in the Company. The Company has granted such authority to the Directors already which expires at the 2006 Annual General Meeting. The authority is for 9.9% of the issued Share Capital of the Company which complies with the guidelines recommended by the London Stock Exchange.