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Network Technology PLC and subsidiaries

Financial Statements for the year to 31st March 2000

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Klaus Bollmann
(Executive Chairman), aged 44, co-founded H. Bollmann Manufacturers Limited 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 HBM 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 41, co-founded H. Bollmann Manufacturers Limited in 1985.

David F Mould Cert Ed
(Technical Director), aged 46, joined the Group as Design Engineer in 1987 and joined the Board as Technical Director in November 1989.

The Directors present their report together with the audited financial statements for the year ended 31st March 2000.

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.

Results and dividends

The financial results for the year appear on page 36.

Review of business and future developments

A review of the year's operations is given in the Chairman's Statement and in the Financial Review.

There have been no events since the balance sheet date which materially affect the position of the Group.

Directors and their interests

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

K. Bollmann		Executive Chairman (from 1/4/99)
R. Ehlers	Resigned 9th September 1999	Chief Executive Officer (from 1/4/99)
H. Schlieker-Bollmann		Commercial Director & Acting Finance Director (from 4/4/99)
D. Mould		Technical Director
F. Klingensmith	Resigned 7th April 2000	Non-Executive Director
M. Pollins	Resigned 7th September 1999	Non-Executive Director
G. Woodhead	Resigned 1st April 1999	Non-Executive Chairman
N. Soames	Resigned 1st May 1999	Non-Executive Director
P. Cottrell	Resigned 4th April 1999	Finance Director

The interests of the Directors in shares in the company are disclosed in the Remuneration Report on page 31.

Other than set out in note 24, none of the directors has or had any interest, direct or indirect in any transactions effected by any company in the Group which are or were unusual in their nature or conditions, or significant to the business of the Group, which was effected by the Company or the Group during the current financial year or any preceding financial period, and remains outstanding or unperformed in any respect.

Substantial shareholdings
As at 6th November 2000, the Company has been notified that, with the exception of H. Schlieker-Bollmann, there were no beneficial interests in the Company's shares amounting to 3 per cent or more of the issued share capital.

Research and development
The Group employs a number of product development staff and continues to be at the forefront of product development in its core business. The cost of all research and development is written off as incurred.

Creditors payment policy
The Group policy for the year under review and the period ending 31st March 2001 for all suppliers is 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 outstanding for the Group at 31st March 2000 was 64 days (125 days at 31st March 1999).

Directors' and Officers' liability insurance
The Group maintains Directors' and Officers' liability cover for the Directors.

Disabled persons and minorities
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 for other suitable positions within the Group.

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

Treasury policy
The Board agrees and reviews policies and financial instruments for risk management. 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.

Auditors
BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting
Notice of the Annual General Meeting and explanatory notes of the business to be conducted are set out on pages 54-56.

by Order of The Board

H. Schlieker-Bollmann
Secretary
November 2000

The Remuneration Committee
The Chairmanship of the remuneration committee passed to Martin Pollins from Nicholas Soames on 1st May 1999. The other members were Graham Woodhead (until 1st April 1999) and Frederick Klingensmith who was appointed Chairman on 7th September 1999 following the resignation of Martin Pollins. The Chairmanship of the remuneration committee passed to Klaus Bollmann on 7th April 2000.

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.

The committee met when required (and consulted with the Chief Executive when necessary, until his resignation during the year). In addition, the committee, having sought external advice and obtained data on reward schemes for Executive Directors in other companies in the previous period, relied on that information.

Executive Directors' salaries
In carrying out its annual review of salaries, the committee has the benefit of internal and external advice, as well as having access to the policies and data of other comparable companies. The review comprises not only an assessment of personal performance, but also the performance of the business area for which a Director is responsible. Further, the breadth of responsibility that Directors carry and the overall performance of the Group are relevant factors. These differing strands of review can carry unequal weighting, depending upon circumstance.

Executive Directors' benefits
The use of a car is the principal benefit provided for Executive Directors.

Executive Directors' long term incentives
As reported last year, unusually 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. As previously reported, it is proposed that the remuneration committee should review this matter and take further external advice and, if appropriate, to make recommendations to shareholders at a later date. It would be expected that if such a scheme were implemented, participants in it would become ineligible for the grant of further options under any other Company Share Option Plan.

Executive Directors' annual bonuses
Due to the economic circumstances affecting the Group's trading in this year and the previous period, no bonus is payable.

For the current year ending 31st March 2001, the committee intends to review the appropriateness of the previous scheme and to either revise or replace it with a new scheme that has realistic yet challenging targets.

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 (who did not participate in the scheme, until his resignation during the year) to the remuneration committee.

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.

Contracts

All Executive Directors have written service contracts of between one and two years' duration containing provision for termination on giving twelve months' notice.

Non-Executive Directors

Non-Executive Directors do not enter into service contracts, nor do they receive grants under any of the Company's share option plans. Their remuneration takes the form of fees, which are non-pensionable, at a level agreed from time to time by the Board as a whole, subject to a maximum aggregate level agreed by shareholders.

Directors' remuneration including pension costs:

	Year ended 31st March 2000					
	Salary/ Fees £'000	Compensation for loss of office £'000	Benefits £'000	Pension Costs £'000	Total Costs £'000	6 months to 31.3.99 £'000
Executive Directors						
K. Bollmann	108	-	16	-	124	84
H. Schlieker-Bollmann	50	-	6	-	56	38
D. Mould	85	-	-	-	85	42
P. Cottrell (to 4th April 1999)	1	-	-	-	1	36
R.Ehlers (to 9th September 1999)	38	10	3	-	51	36
Non-Executive						
G. Woodhead (to 1st April 1999)	-	11	-	-	11	11
M. Pollins (to 7th September 1999)	7	9	-	-	16	23
F. Klingensmith (to 7th April 2000)	-	-	-	-	-	9
N. Soames (to 1st May 1999)	-	2	-	-	2	9
Total	289	32	25	-	346	288

Pensions

Except for the premiums payable to the Directors' pension schemes (the Woodgate Trust), Executive Directors do not participate in any other pension arrangements sponsored by the Company. The total pension cost for the year ended 31st March 2000 was £Nil (6 months ended 31st March 1999 - £63,000). The pension cost for the highest paid employee was £Nil (6 months ended 31st March 1999 - £22,000).

Directors' interests

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

Name (see notes below)	As at 31.3.00 Ordinary Shares	As at 31.3.99 Ordinary Shares
K. Bollmann and H. Schlieker-Bollmann	17,620,095	17,620,095
D. Mould	307,395	307,395
F. Klingensmith (Resigned 7th April 2000)	268,331	318,331

Notes regarding holdings at 31st March 2000:

1. Of the ordinary shares in which K. Bollmann and H. Schlieker-Bollmann are interested, 17,429,484 are registered in the name of H. Schlieker-Bollmann, 3,111 in the name of K. Bollmann and 187,500 in the name of Woodgate Trust, a pension scheme in which Mr and Mrs Bollmann are interested as members.
2. Of the ordinary shares in which D. Mould is interested, 187,500 shares are held in the name of Woodgate Trust, a pension scheme in which he is interested as a member.
3. On 25th April 2000 F. Klingensmith disposed of 25,000 shares reducing his holding to 243,331. There have been no other changes in the interests of the Directors in the ordinary shares of the Company since the end of the financial year on 31st March 2000. F. Klingensmith disposed of his remaining holding on 22nd June 2000.
4. Full details of Directors' shareholdings 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.

Directors' share options

The details of the Directors' share options at 31st March 2000 were as follows:

	31.3.99 and 31.3.00	Exercise price	Exercise period from	to
D. Mould	10,000	79p	10th Aug 2000	10th Aug 2007
D. Mould	31,994	43.5p	29th Sept 2001	29th Sept 2008

The mid-market price of the Company's ordinary shares at 31st March 2000 was 26.5 pence. The highest and lowest mid-market prices during the year were 68.5 pence and 11 pence respectively.

Chairman of the Remuneration Committee

Compliance
The Stock Exchange requires, as a continuing obligation of listing, that the company complies with the Combined Code of Best Practice. The Directors consider that, while the Code may be appropriate for larger companies, some of what it contains is not appropriate for a company of our size and nature. However, the Group is committed to high standards of corporate governance. Due to the fact that there have been many Director resignations during the year, there was some non-compliance with the Combined Code during the year. In particular, the Company did not comply with provisions A2.1, A3.1, A5.1, A6.1, B2.2 and D3.1 with regard to the appointment and duties of Non-Executive Directors, and provisions A1.6, B1.5, B1.7 and B3.3 with regard to other matters during the whole year. The Directors intend to rectify this during the current year.

The Board
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.

Audit committee
The audit committee has written terms of reference defining its duties and responsibilities. The committee meets with the auditors at least once a year. During the year to 31st March 2000, the committee was chaired by Martin Pollins, until his resignation, and subsequently by Frederick Klingensmith. Following the resignation of Frederick Klingensmith after the year end, Hanne Schlieker-Bollmann now chairs this committee.

Nomination committee
The nomination committee has written terms of reference defining its duties and responsibilities. During the year ended 31st March 2000, the committee was chaired by the Executive Chairman and consisted of the Executive Chairman and Frederick Klingensmith. The committee meets only as required.

Remuneration committee
The remuneration committee was chaired by Frederick Klingensmith until his resignation after the year end. The committee is now chaired by Klaus Bollmann.

The committee met on several occasions during the year and consulted with the Chief Executive (until his resignation during the year) when necessary. In addition, the committee sought external advice and obtained data on reward schemes for Executive Directors in other companies.

Internal financial control
The Board has adopted the transitional approach for reporting on internal control under the Combined Code set out by the London Stock Exchange in September 1999. The Board has studied the recommendations of the Turnbull Committee on "Internal Control: Guidance for Directors on the Combined Code" and will have procedures in place by March 2001 necessary to implement the guidance. Given the size of the Group, the Board does not consider that an internal audit function can be justified at present. However, this will be reviewed at regular intervals.

The Directors are responsible for the Group's internal financial control system, which incorporates procedures that have been 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 proper 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 Directors have reviewed the effectiveness of the system of internal and financial controls for the year covered by the Financial Statements.

Going concern

Based on the plans for 2001 after making enquires, the Directors have a reasonable expectation that the Group has adequate resources to continue operations 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 website (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 Friday 12th January 2001 will be sent to the shareholders at least 20 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

Company law requires the Directors to prepare Financial Statements for each financial period which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- 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 Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Statement of Auditors' Responsibilities

The responsibilities of the Company's independent auditors are established by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and the accountancy profession's ethical guidance. Their responsibilities in relation to the Annual Report are set out below.

They report to the shareholders their opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. They also report to the shareholders if, in their opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if they have not received all the information and explanations they require for their audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

They review whether the corporate governance statement on pages 32 and 33 reflects the Company's compliance with those provisions of the Combined Code specified for their review by the Listing Rules, and they report if it does not. They are not required to consider whether the Board's statements on internal control cover all risks or controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

They read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. They consider the implications for their report to shareholders if they become aware of any apparent misstatements or material inconsistencies with the financial statements.

We have audited the Financial Statements on pages 36 to 53 which have been prepared in accordance with the accounting policies set out on pages 40-41.

Respective responsibilities of Directors and Auditors

The respective responsibilities of the Company's Directors and Auditors are set out on page 34. As described on page 34, the Company's Directors are responsible for the preparation of the Financial Statements. It is our responsibility to form an independent opinion, based on our audit, on those Financial Statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes the examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence and to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in note 13 of the financial statements concerning the uncertainty as to the ability of the Group to sell its stocks for a least their carrying value. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March 2000 and of the Group's result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

BDO Stoy Hayward
Chartered Accountants and Registered Auditor
London
November 2000

Group Profit & Loss Account

	Notes	Year to 31 March 2000 £'000	6 months to 31 March 1999 £'000
Turnover	2	9,488	4,970
Cost of sales		(4,194)	(2,815)
Gross profit		5,294	2,155
Other operating expenses	5	(6,769)	(5,095)
Group operating loss	6	(1,475)	(2,940)
Profit on disposal of investments		59	-
Interest receivable and similar income		7	26
Interest payable and similar charges	8	(122)	(33)
Loss on ordinary activities before taxation	7	(1,531)	(2,947)
Tax on loss ordinary activities	9	(2)	470
Loss on ordinary activities after taxation being loss for the the financial year/period		**(1,533)**	**(2,477)**
Loss per ordinary share	10	(4.24)p	(6.85)p

All amounts relate to continuing activities

Group Balance Sheet

	Notes	Group 31.3.00 £'000	Group 31.3.00 £'000	Group 31.3.99 £'000	Group 31.3.99 £'000
Fixed assets					
Tangible assets	11		3,249		3,959
Investments	12		-		72
			3,249		4,031
Current assets					
Stocks	13	4,830		4,841	
Debtors	14	1,709		2,211	
Cash at bank and in hand		102		803	
		6,641		7,855	
Creditors					
Amounts falling due within one year	15	(3,842)		(4,209)	
Net current assets			2,799		3,646
Total assets less current liabilities			6,048		7,677
Creditors: amounts falling due after more than one year	15		(27)		(67)
Net assets			**6,021**		**7,610**
Capital and reserves					
Called up share capital	17, 18		3,618		3,618
Share premium account	18		8,093		8,093
Capital redemption reserve	18		12		12
Profit and loss account	18		(5,702)		(4,113)
Equity shareholders' funds	19		**6,021**		**7,610**

These Financial Statements were approved by the Board of Directors on 10th November 2000 and were signed on its behalf by:

K. Bollmann

Group Cash Flow Statement

	Notes	Year to 31.3.00 £'000	Year to 31.3.00 £'000	6 months to 31.3.99 £'000	6 months to 31.3.99 £'000
Net cash inflow/(outflow) from operating activities	20		67		(999)
Returns on investments and servicing of finance					
Interest received		7		26	
Interest paid		(118)		(22)	
Interest element of hire purchase payment		(4)		(11)	
Net cash outflow from returns on investments and servicing of finance			(115)		(7)
Taxation					
Corporation tax and overseas tax paid			(2)		(125)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(228)		(791)	
Receipts from sales of investments		131		56	
Receipts from sales of fixed assets		24		-	
Net cash outflow for capital expenditure *and financial investment*			(73)		(735)
Equity dividends paid			-		(198)
Cash outflow before financing			(123)		(2,064)
Financing					
Repayment of debt	21	(81)		(58)	
Capital element of hire purchase payment	21	(4)		-	
Net cash outflow from financing	21		(85)		(58)
Decrease in cash in the year/period	21		**(208)**		**(2,122)**

Statement of total Group recognised gains and losses

	Year to 31.3.00 £'000	6 months to 31.3.99 £'000
Loss for the year/period after taxation	(1,533)	(2,477)
Unrealised loss on foreign exchange	(56)	(1)
Total recognised gains and losses relating to the financial year/period	(1,589)	(2,478)

Company Balance Sheet

		Company 31.3.00		Company 31.3.99	
Fixed assets	Notes	£'000	£'000	£'000	£'000
Tangible assets	11		2		-
Investments	12		2,155		4,489
			2,157		4,489
Current assets					
Debtors	14	6,571		7,544	
Cash at bank and in hand		-		8	
		6,571		7,552	
Creditors					
Amounts falling due within one year	15	(727)		(1,000)	
Net current assets			5,844		6,552
Net assets			**8,001**		**11,041**
Capital and reserves					
Share capital	17, 18		3,618		3,618
Share premium account	18		8,093		8,093
Capital redemption reserve	18		12		12
Merger reserve	18		1,963		1,963
Profit and loss account	18		(5,685)		(2,645)
Equity shareholders' funds	19		**8,001**		**11,041**

These Financial Statements were approved by the Board of Directors on 10th November 2000 and were signed on its behalf by:

K. Bollmann

1. **Accounting policies**

Accounting convention
The Financial Statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation
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.

In accordance with section 230(3) of the Companies Act 1995 the Company is exempt from the requirement to present its own profit and loss account. The amount of loss for the financial year dealt with in the financial statements of Network Technology PLC is disclosed in note 18 to these Financial Statements.

Turnover
Turnover is the net amount receivable for goods supplied and services provided, excluding VAT and trade discount.

Depreciation
Depreciation is calculated to write down the cost less the estimated residual value of tangible fixed assets over their expected useful lives, using the reducing balance method (unless otherwise stated), at the following annual rates:

Freehold Buildings	2% commencing from the date of use
Freehold Improvements	2% straight line
Leasehold Improvements	15% straight line
Computer Software	20% straight line
Motor Vehicles	25%
Plant and Equipment	25%
Computer Equipment	33.3% straight line
Fixtures and Fittings	15%

Stock and work in progress
Stock and work in progress is valued at the lower of cost and net realisable value. Cost includes direct costs of materials and parts together with any attributable overheads.

Deferred taxation
Provision is made for deferred taxation to the extent that there is a reasonable probability that a liability or asset will crystallise.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

For consolidation purposes, the assets and liabilities of overseas subsidiaries are translated at the closing exchange rate. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Exchange differences arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Pension scheme
Pension contributions are made for certain key executives and are charged to the profit and loss account in the accounting period in which the entitlement occurs. The contributions are administered by trustees in a fund independent from the Group's assets.

Goodwill
Goodwill arising on the acquisition of a subsidiary is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired and will be capitalised and amortised over its estimated useful life. Goodwill arising on previous acquisitions has been written to reserves and in accordance with FRS 10 will only be reinstated in the event of a disposal of the relevant subsidiary.

Warranties
The Group gives a warranty period of up to 13 months on its products. Warranty costs are written off to the profit and loss account as and when they are incurred.

Research and development
All expenditure on pure and applied research and development is charged to the profit and loss account in the year in which it is incurred.

Intellectual property costs
Intellectual property costs are amortised on a straight line basis over their estimated useful life of 3 years.

Office establishment costs
All expenditure on setting up new offices is charged to the profit and loss account in the year in which it is incurred.

Financial instruments
In relation to the disclosures made in notes 14 and 15, short term debtors and creditors are not treated as financial assets or financial liabilities.

Leased assets
Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors.

Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are treated as operating leases, the rentals of which are charged to the profit and loss account as incurred.

2. ***Segmental information***

The turnover and loss before taxation are attributable to the Group's principal activity. The analysis of turnover by geographical market of destination is as follows:

Turnover by destination	**year to 31.3.00 £'000**	**6 months to 31.3.99 £'000**
United Kingdom	1,285	1,550
Other EC Countries	1,555	801
United States of America	3,800	1,598
Japan	2,563	999
Rest of the world	285	22
	9,488	**4,970**

Analysis of results by origin of supply:

	year to 31:3.00		**6 months to 31.3.99**	
	Europe £'000	**USA £'000**	**Europe £'000**	**USA £'000**
Turnover	5,451	4,037	3,421	1,549
Operating loss	(668)	(807)	(2,108)	(832)
Net assets/(liabilities)	7,093	(1,072)	7,937	(327)

3. Staff costs	year to 31.3.00 £'000	6 months to 31.3.99 £'000
Salaries and wages	3,523	2,619
Social security costs	340	218
Other pension costs	2	71
	3,865	**2,908**

The average monthly number of employees during the year, including Directors, was 161 (6 months to 31st March 1999: 280).

Analysed by category	year to 31.3.00 number	6 months to 31.3.99 number
Production	77	134
Distribution	18	31
Management and administration	34	59
Research, development and technical support	32	56
	161	**280**

4. **Directors' remuneration**

Details of Directors' remuneration and share options are shown in the Remuneration Report on pages 29 to 31, including details of the highest paid director.

5. Other operating expenses	year to 31.3.00 £'000	6 months to 31.3.99 £'000
Research and development expenses	468	787
Sales, marketing and distribution expenses	705	1,286
Administrative expenses including exceptional item (note 6)	5,603	3,025
Other operational income	(7)	(3)
	6,769	**5,095**

6. **Exceptional item**

The arrangement reached with creditors referred to in note 26 to the financial statements, resulted in an exceptional gain of £759,000 which has been set off against the related exceptional costs of £446,000 within other operating expenses.

7. Loss on ordinary activities before taxation

The operating loss is stated after charging:

	year to 31.3.00 £'000	6 months to 31.3.99 £'000
Depreciation of tangible assets (note 11)	925	501
Auditors' remuneration - audit services (Company £10,000, 1999: £9,000)	49	47
Other fees paid to auditors	15	-
Operating lease costs - land and buildings	103	-
- other assets	9	7

8. Interest payable and similar charges

	year to 31.3.00 £'000	6 months to 31.3.99 £'000
Bank loan and overdraft interest	118	21
Other interest including finance leases	4	12
	122	**33**

9. Taxation

	year to 31.3.00 £000	6 months to 31.3.99 £'000
UK corporation tax @ 30% (1999: 31%)		470
Overseas taxes	(2)	-
	(2)	**470**

10. Loss per ordinary share

Loss per ordinary share have 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 36,180,981 (1999: 36,180,981) and the "loss", being loss after tax, is £1,533,000 (6 months to 31 March 1999: loss £2,477,000). Diluted loss per share is not given as the effect of all potential ordinary shares is antidilutive.

11. Tangible fixed assets

Group	31.3.99 £'000	Additions £'000	Exchange Difference £'000	Disposals £'000	31.3.00 £'000
Cost					
Freehold & leasehold property improvements	365	-	5	-	370
Freehold property	480	35	-	-	515
Plant and equipment	4,475	193	15	(30)	4,653
Computer software & licences	831	-	3	-	834
Motor vehicles	208	-	-	(76)	132
Fixtures and fittings	514	-	-	-	514
	6,873	**228**	**23**	**(106)**	**7,018**

Depreciation	31.3.99 £'000	Charge £'000	Exchange Difference £'000	Disposals £'000	31.3.00 £'000
Freehold & leasehold property improvements	58	8	2	-	68
Freehold property	21	52	-	-	73
Plant and equipment	2,063	789	7	(28)	2,831
Computer software & licences	430	39	2	-	471
Motor vehicles	76	27	-	(53)	50
Fixtures and fittings	266	10	-	-	276
	2,914	**925**	**11**	**(81)**	**3,769**

Net book value	31.3.99 £'000	31.3.00 £'000
Freehold & leasehold property improvements	307	302
Freehold property	459	442
Plant and equipment	2,412	1,822
Computer software & licences	401	363
Motor vehicles	132	82
Fixtures and fittings	248	238
	3,959	**3,249**

The net book value of tangible fixed assets includes an amount of £48,000 (1999:£67,000) in respect of assets held under hire purchase agreements. The related depreciation charge for the year was £16,000 (1999:£10,000). There is no disclosed depreciation charge in the year on freehold property since this materially is represented by freehold land.

11. Tangible fixed assets (continued)

Company:	**31.3.99**	**Additions**	**Disposals**	**31.3.00**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
Plant and equipment	-	2	-	2
Depreciation				
Plant and equipment	-	-	-	-

	31.3.99	**31.3.00**
	£'000	**£'000**
Net book value		
Plant and equipment	-	**2**

12. Fixed asset investments

Group	**Other investments**	**Total**
	£'000	**£'000**
At 1st April 1999 - Cost	322	322
At 1st April 1999 - Provision for diminution in value	(250)	(250)
	72	72
Disposals during the year	(72)	(72)
At 31st March 2000	-	-

Company	**Other investments**	**Subsidiary undertakings**	**Total**
	£'000	**£'000**	**£'000**
At 1st April 1999	72	4,417	4,489
Provision for diminution in value	-	(2,262)	(2,262)
Disposals	(72)	-	(72)
At 31st March 2000	-	**2,155**	**2,155**

13. Stocks

Group (Company £Nil)

	31.3.00 £'000	31.3.99 £'000
Raw materials and consumables	2,673	1,412
Work in progress	205	1,339
Finished goods	1,952	2,090
	4,830	**4,841**

Due to the difficult trading conditions the Group has experienced recently, in particular the significant decline in its Far East market, some of the Group's stock lines have become slow moving. The Directors have reviewed the Group's stocks and remain confident that they will all be sold for at least their book value. Accordingly, no provision has been made against the carrying value of stocks in these financial statements. In reaching their conclusion, the Directors have given due consideration to the rapid rate of technological change in the Group's principal markets, and the possibility of stock items becoming obsolete before they are sold. However, in view of the current state of the market there must be a level of uncertainty surrounding our ability to realise certain items of stock at greater or equal to book value.

14. Debtors

Group

	31.3.00 £'000	31.3.99 £'000
Amounts falling due within one year		
Trade debtors	995	1,320
Other debtors	436	312
Value added tax	88	124
Corporation tax refund	50	33
Prepayments	140	422
	1,709	**2,211**

Company **Amounts falling due within one year**	31.3.00 £'000	31.3.99 £'000
Amounts owed by subsidiary undertakings	6,397	7,422
Other debtors	45	45
Value added tax	55	53
Corporation tax recoverable	50	-
Prepayments	24	24
	6,571	**7,544**

15. Creditors

Group

	31.3.00 £'000	31.3.99 £'000
Amounts falling due within one year		
Bank loans and overdrafts (includes £742,000 denominated in US $)	764	1,051
Trade creditors	1,360	2,392
Hire purchase and contracts	14	22
Taxation	54	-
Other taxation and social security	400	161
Other creditors	1,023	167
Accruals	227	416
	3,842	**4,209**

Amounts falling due after more than one year	31.3.00 £'000	31.3.99 £'000
Bank loans (repayable within one to two years)	-	39
Hire purchase contracts	27	23
Other creditors	-	5
	27	**67**

Obligations under finance leases and hire purchase contracts are due as follows:

	31.3.00 £'000	31.3.99 £'000
In more than one year but not more than two years	14	17
In more than two years but not more than five years	13	6
	27	**23**

A bank loan made to a subsidiary undertaking is secured on the company's freehold property and current assets. The loan is due for repayment within one year. The interest rate applying to this loan is the Wall Street Journal Prime Rate plus 0.5%.

The fair value of financial liabilities included above is not materially different from that shown. The Group has no material foreign currency exposure on monetary assets and liabilities not denominated in the operating currency of the relevant Group company.

As regards liquidity, the Group's policy throughout the year has been to ensure that the Group has continuity of funding for its day to day operations, flexibility being achieved through overdraft facilities and factoring trade debts.

Further disclosures on the Group's policy for managing financial risk are given in the Directors' report.

Company

	31.3.00 £'000	31.3.99 £'000
Amounts falling due within one year		
Bank overdraft	14	195
Trade creditors	324	167
Amounts owed to group undertakings	304	472
Other taxation and social security	51	18
Accruals	34	148
	727	**1,000**

16. Provisions for liabilities and charges

There was no unprovided deferred taxation in either the Company or the Group (31st March 1999: £Nil).

17. Called up share capital

	31.3.00 £'000	31.3.99 £'000
Authorised		
53,000,000 Ordinary Shares of 10p each	5,300	5,300
Allotted, issued and fully paid		
36,180,981 (1999: 36,180,981) Ordinary Shares of 10p each	3,618	3,618

18. Reserves

	Share Capital £'000	Share Premium £'000	Capital Redemption £'000	Merger Reserve £'000	P & L Account £'000	Total £'000
Group						
At 1.4.99	3,618	8,093	12	-	(4,113)	7,610
Exchange difference	-	-	-	-	(56)	(56)
Retained loss for the year	-	-	-	-	(1,533)	(1,533)
At 31.3.00	**3,618**	**8,093**	**12**	**-**	**(5,702)**	**6,021**

	Share Capital £'000	Share Premium £'000	Capital Redemption £'000	Merger Reserve £'000	P & L Account £'000	Total £'000
Company						
At 1.4.99	3,618	8,093	12	1,963	(2,645)	11,041
Retained loss for the year	-	-	-	-	(3,040)	(3,040)
At 31.3.00	**3,618**	**8,093**	**12**	**1,963**	**(5,685)**	**8,001**

The merger reserve arises under S131 Companies Act 1985 and is a non-distributable reserve against which the Group can write off goodwill. The cumulative amount of goodwill resulting from acquisitions in earlier financial years which has been written off on consolidation is £6,981,000 (1999: £6,981,000).

The Group loss for the year includes a loss after tax of £277,000 (6 months ended 31 March 1999:£334,000), excluding intercompany transactions eliminated on consolidation, which is dealt with in the financial statements of the parent company.

19. Reconciliation of movements in shareholders' funds

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Loss for the financial year/period	(1,533)	(2,477)	(3,040)	(5,415)
Issue of share capital	-	148	-	148
Exchange difference	(56)	(1)	-	-
Net reduction in shareholders' funds	**(1,589)**	**(2,330)**	**(3,040)**	**(5,267)**
Opening shareholders' funds	7,610	9,940	11,041	16,308
Closing shareholders' funds	**6,021**	**7,610**	**8,001**	**11,041**

20. Reconciliation of operating loss to net cash *flow from operating activities*

	year to 31.3.00	6 months to 31.3.99
	£'000	£'000
Operating loss	(1,475)	(2,940)
Depreciation and amortisation charges	925	501
Decrease/(increase) in stocks	11	(465)
Decrease in debtors	519	1,249
Increase in creditors	87	258
Provision for diminution in value of investment	-	250
Shares issued as deferred consideration	-	148
Net cash inflow/(outflow) from operating activities	**67**	**(999)**

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

	At 1.4.99 £'000	Cash flow £'000	At 31.3.00 £'000
Cash at bank and in hand	803	(701)	102
Overdrafts	(515)	493	(22)
	288	(208)	80
Debt due after one year	(40)	40	-
Debt due within one year	(41)	41	-
Hire purchase contracts due after one year	(27)	-	(27)
Hire purchase contracts due within one year	(18)	4	(14)
	(126)	85	(41)
Total	**162**	**(123)**	**39**

22. Commitments under operating leases

At the year end, the Group had annual commitments under non-cancellable operating leases as set out below:

	31.3.00 Land & buildings £'000	Other £'000	31.3.99 Land & buildings £'000	Other £'000
Operating leases which expire:				
- within one year	-	-	28	16
- in the second to fifth years inclusive	85	-	98	-
- over 5 years	-	-	12	-
	85	**-**	**138**	**16**

23. Share option schemes

Under the share option schemes operated by the Company, at 31st March 2000, the following options were outstanding:

	Date of grant of Option	Number of Ordinary shares	Period of Exercise	Price per share
Share option plan				
	Nov 1996	15,000	Nov1999 to Nov 2006	£1.635
	Dec 1996	28,402	Dec 1999 to Dec 2006	£1.725
	Apr 1997	22,275	Apr 2000 to Apr 2007	£2.160
	Nov 1997	10,000	Nov 2000 to Nov 2007	£1.260
	Dec 1997	28,750	Dec 2000 to Dec 2007	£1.260
	Feb 1998	7,500	Feb 2001 to Feb 2008	£1.250
	Jun 1998	76,456	Jun 2001 to Jun 2008	£1.640
	Jul 1998	35,600	Jul 2001 to Jul 2008	£0.945
	Aug 1998	36,930	Aug 2001 to Aug 2008	£0.790
	Sep 1998	149,046	Sep 2001 to Sep 2008	£0.435
	Dec 1998	60,000	Dec 2001 to Dec 2008	£0.350
		469,959		
Saving related option scheme				
	Feb 1997	10,706	Apr 2000 to Oct 2004	£1.920
	July 1998	11,050	Sept 2001 to Oct 2005	£1.200
		21,756		

24. Related party transactions

During the year, the Group made or proposed payments of £Nil (including salary sacrifice) (6 months to 31st March 1999: £63,000) to the Directors' Executive Pension Scheme (Woodgate Trust) in respect of pension contributions. During the year, Woodgate Trust received £82,500 (6 months to 31st March 1999: £41,000) in respect of rent from H. Bollmann Manufacturers Limited. At 31st March 2000 £3,294 (31st March 1999:£Nil) was due to the Group from Woodgate Trust.

Messe and Weberservice GmbH, a company registered in Germany, is considered to be a related party as K. Bollmann has a substantial interest in the company. During the year, purchases of £100,614 (6 months ended 31st March 1999: £1,000) were made from this company. At 31st March 2000 £72,043 (31st March 1999: £Nil) was outstanding from Messe and Weberservice GmbH.

PRB Martin Pollins, Chartered Accountants, is considered to be a related party as it is controlled by M. Pollins who was a Director of the Group during the year. During the year, fees of £127,637 (6 months ended 31st March 1999: £3,350) were paid to PRB Martin Pollins in respect of professional fees. During the year sales of £12,000 (6 months ended 31st March 1999: £Nil) were made to PRB Martin Pollins. At 31st March 2000, £57,357 (1999: £2,587) was outstanding to PRB Martin Pollins.

Web Page-Marketing.Com Ltd 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 £57,942 (6 months ended 31st March 1999: £9,205) were made from this company and sales of £1,304 (6 months ended 31st March 1999: £13,000) were made to this company. At 31st March 2000 £5,192 (1999: £3,466) was outstanding to Web Page-Marketing.Com Ltd.

25. **Group companies**

The following were the subsidiary undertakings of the Company at 31st March 2000. The subsidiaries operate in their country of incorporation and unless otherwise stated are incorporated in England and Wales. With the exception of Prestcity™ Limited in which the Company holds 85% of the issued share capital, all other subsidiaries are 100% owned.

Name	**Principal activity**
H. Bollmann Manufacturers Limited	Network connectivity products
H. Bollmann Manufacturers Inc. (Incorporated in the USA)	Network connectivity products
AB Semicon (UK) Limited	Design of Integrated circuits
International Technology Consultants Limited	Intermediate holding company and holder of intellectual property rights
Ringdale UK Limited	Network connectivity products
N & R Circuits UK Limited	Printed Circuit Board Manufacturer
JRL Systems Inc. (Incorporated in the USA)	Design & manufacture of printers
Nextus Inc (Incorporated in the USA)	Printed Circuit Board Manufacturer
Bits Per Second Limited	In liquidation
Ringdale Inc (incorporated in the USA)	Network connectivity products
Ringdale GmbH (incorporated in Germany)	Network connectivity products
Prestcity Limited	Software developer
AB Semicon Limited (Incorporated in Ireland)	Dormant
Megaswitch Limited	Dormant
Ncryption PLC	Dormant
AB Components Limited	Dormant
AB Semicon Inc. (Incorporated in the USA)	Dormant
PC Card Technology PLC	Dormant
Ringdale Instruments Limited	Dormant
Bits International Limited	Dormant

26. **Administration orders**

On 11th October 1999 it was announced that, at the request of the Directors, an Administration Order had been granted over four of the company's UK subsidiary undertakings. Three of these companies have now reached agreement with their creditors and have therefore come out of administration. The fourth company, Bits Per Second Ltd is now in liquidation.

NOTICE IS HEREBY GIVEN that an ANNUAL GENERAL MEETING of the Company will be held at The Priory, Haywards Heath, West Sussex on Friday 12th January 2001 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. THAT the reports of the Directors and Auditors, the audited profit and loss account of the Company for the year ended 31st March 2000 and the balance sheet of the company as at 31 March 2000 be received and each of them is hereby adopted.

2. THAT BDO Stoy Hayward be and they are hereby appointed as Auditors to the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company, and the Directors be and they are hereby authorised to fix the Auditor's remuneration.

3. THAT the Directors be and they are hereby generally and unconditionally authorised pursuant to and in accordance with section 80 of the Companies Act 1985 ("The Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal value of £355,204 PROVIDED THAT:

   (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 for any such earlier authority to the extent unused.

Special Resolution

4. THAT the Directors, pursuant to section 80 of the Act, are hereby given power to allot equity securities (within the meaning of section 94 of the Act) for cash as if sub-section 89 (1) of the Act did not apply to any such allotment, PROVIDED THAT the power conferred hereby shall:

   (i) Be limited to the allotment of equity securities up to an aggregate nominal amount of £355,204 (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
November 2000
Registered Office: HBM House, 26 Victoria Way, Burgess Hill, West Sussex, RH15 9HF

Notes:

1. A member entitled to vote at the Meeting convened by the Notice set out above is entitled to appoint a proxy to attend, and in a poll, vote in his place. A proxy need not be a member of the Company. A form of appointment of proxy is enclosed. Completion and return of a form of proxy does not prevent a member from attending and voting at this meeting.

2. To be effective, the form of appointment of proxy, duly completed and executed, together with any power of attorney or other authority under which it is signed, must be lodged at the offices of the registrars of the Company - Exchange Registrars Ltd, at 18 Park Place Cardiff CF1 3PD no later than 48 hours before the meeting to be valid.

3. Directors service contracts will be available for inspection for at least 15 minutes prior to the commencement of the meeting.

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. All proxy holders must register at the door before 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 Exchange Registrars Ltd. (18 Park Place, Cardiff, CF1 3PD), 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 2000 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 BDO Stoy Hayward. In accordance with common practice, the resolution also authorises the Directors to fix the Auditors' remuneration.

Resolution 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 2000 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.