

SUPPLEMENTAL ADMISSION DOCUMENT

Application has been made for these securities to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). It is emphasised that no application is being made for admission of these securities to the Official List.

AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. The London Stock Exchange has not itself examined this document.

This document is supplemental to a prospectus of the Company dated 10th July 1996 ("the Prospectus") and which accompanies this document. A copy of this document has been delivered to the Registrar of Companies in England in accordance with regulation 10(1) of the Public Offers of Securities Regulations 1995. All terms defined in the Prospectus have the same meaning in this document. ✓

**NETWORK TECHNOLOGY PLC** ✓**ADMISSION OF SHARES  
TO THE  
ALTERNATIVE INVESTMENT MARKET**

Application for admission of 31,087,093 Ordinary Shares of 10p each

**Nominated Adviser:****NEILL CLERK CAPITAL LIMITED**

Regulated by the Securities and Futures Authority  
Sponsor Registered with The London Stock Exchange

31 Sackville Street, London W1X 1DB  
Tel: 0171 734 4446 Fax: 0171 434 2185

**Nominated Broker:****BURROUGH JOHNSTONE LIMITED**

Regulated by the Securities and Futures Authority  
Member of The London Stock Exchange

24/25 Cliffe High Street Lewes E Sussex BN7 2AH  
Tel: 01273 486244 Fax: 01273 486225

✓  
Copies of this document which is dated 24 July 1996 and published on 24 July 1996 are available during normal business hours on any weekday (except Saturdays and Public Holidays) from the offices of the Nominated Adviser and of the Nominated Broker at the addresses given above for a period of fourteen days from the date of publication.



This document updates information contained in the Prospectus as follows:

1. **Placing**

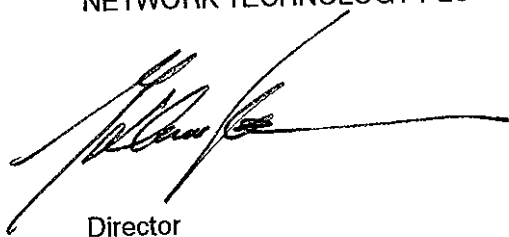
4,406,423 Ordinary Shares of the 4,687,500 Ordinary Shares to be placed pursuant to the Prospectus have been so placed.

2. **Share Capital**

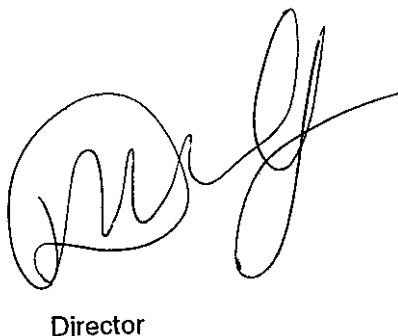
At 30 July 1996 the share capital of the Company will be:

Authorised			Issued	
Number	Amount		Number	Amount
2,631,933	£1,315,967	'A' Preference Shares of 50 p each	2,631,933	£1,315,967
575,000	£ 287,500	'B' Preference Shares of 50p each	575,000	£ 287,500
36,965,335	£3,696,533	Ordinary Shares of 10p each	31,087,093	£3,108,709

24 July 1996  
NETWORK TECHNOLOGY PLC



Director



Director

If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

This document has been drawn up in accordance with The Public Offers of Securities Regulations 1995 and a copy of it has been delivered for registration to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of such Regulations. The Directors of Network Technology PLC, whose names and details appear herein, are the persons responsible for this document. The Directors declare that to the best of their knowledge the information contained herein is in accordance with the facts and that this document makes no omission likely to affect the import of such information.

Following receipt of the minimum subscription under the Placing (£3,431,933; 3,010,468 Ordinary Shares at the Placing Price), application will be made for the Ordinary Shares (including the Placing Shares) to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). It is emphasised that no application is being made for admission of these securities to the Official List. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. The London Stock Exchange has not itself examined this document.

The whole text of this document should be read and in particular your attention is drawn to the section entitled "Risk Factors" on page 17 of this document. It is expected that dealings in the Ordinary Shares will commence on or before 30 July 1996.

## NETWORK TECHNOLOGY PLC

(incorporated in England and Wales under the Companies Act 1985 with Registered Number 3055360)

### PLACING

of  
up to 4,687,500 Ordinary Shares of 10p each at a price of 114p per share  
by

### BURROUGH JOHNSTONE LIMITED

NOMINATED BROKER

Regulated by the Securities and Futures Authority  
Member of the London Stock Exchange

and

### APPLICATION FOR ADMISSION TO THE ALTERNATIVE INVESTMENT MARKET

by

### NEILL CLERK CAPITAL LIMITED

NOMINATED ADVISER

Regulated by the Securities and Futures Authority  
A sponsor registered with the London Stock Exchange

### SHARE CAPITAL FOLLOWING THE PLACING

<u>Authorised</u>		<u>Issued</u>		
		(on the basis that all the Ordinary Shares available for the Placing are placed)		
Number	Amount	Number	Amount	
2,631,933	£1,315,967	"A" Preference Shares of 50p each	2,631,933	£1,315,967
575,000	£287,500	"B" Preference Shares of 50p each	575,000	£287,500
36,965,335	£3,696,533	Ordinary Shares of 10p each	31,368,170	£3,136,817

The subscription lists for the Placing Shares will open at 10am on 10 July 1996 and close at 3pm on 25 July 1996 or later at the Directors' discretion. Share certificates will be issued as soon as possible thereafter.

The Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares and will rank in full for all dividends and other distributions hereafter paid or made.

Neill Clerk Capital Limited, which is regulated by the Securities and Futures Authority Limited, is the Company's nominated adviser for the purpose of the AIM Rules. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his or her decision to acquire Ordinary Shares in reliance on any part of this document. No representation or warranty, expressed or implied, is made by Neill Clerk Capital Limited as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

# CONTENTS

## THE ALTERNATIVE INVESTMENT MARKET

Following a period of consideration and substantial consultation, AIM opened for trading on 19 June 1995. AIM is intended as a securities market for smaller, young and growing companies. Companies admitted to date cover a wide range of activities from property, nursing homes and pubs, through information technology, science, design and manufacture to financial services and corporate capital.

Up to 31 May 1996, a total of 159 companies had been admitted to AIM, with an aggregate market capitalisation (at that date) of approximately £3.4 billion. AIM, however, has only been in existence since 19 June 1995 and its future success and liquidity cannot be guaranteed.

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## KEY POINTS OF THE PLACING

- The Group designs, manufactures and markets Computer Network and Internet products.
- Significant growth in turnover and profitability (see page 19). The forecast pre-tax profit of the Group for the year to 30 September 1996, in the absence of unforeseen circumstances, will be not less than £3.3 million (more than double the 1995 audited pre-tax profits of Group companies).
- Significant range of products for connecting printers to Local Area Networks and the Internet. As a result the Group has a strong customer base including most Japanese and major US printer manufacturers - such as Epson, NEC, Ricoh, Brother, Kyocera, Fujitsu, Mutoh, Konica, Texas Instruments, Xerox and Summagraphics.
- New Network management software provides sophisticated Intranet and Internet supervision and control with a wide range of applications.
- In-house programming and design production facilities, combined with relevant industry market knowledge, allows the Group to react to opportunities to develop new products.
- 14.94% of the Company's enlarged ordinary share capital (assuming maximum subscription) are being placed for £5,343,750. Of this £3,206,933 will be used to redeem the Preference Shares, £1,836,817 for working capital and £300,000 for Placing and Admission expenses.

THIS SUMMARY HAS BEEN DERIVED FROM THE WHOLE OF THIS PROSPECTUS AND IT SHOULD BE READ IN CONJUNCTION WITH THE FULL PROSPECTUS, PARTICULARLY THE SECTION HEADED " RISK FACTORS" ON PAGE 17.

### PLACING STATISTICS

(assuming that all the Ordinary Shares available for the Placing are placed)

Placing Price per new Ordinary Share	114p
Number of new Ordinary Shares being issued	4,687,500
Number of Ordinary Shares in issue following the Placing	31,368,170
Market capitalisation following the Placing at the Placing Price	£35,759,714
Estimated gross proceeds of the Placing	£5,343,750
Estimated net proceeds of the Placing receivable by the Company	£5,043,750



## DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

'A' Preference Shares	'A' cumulative redeemable preference shares of 50p each in the capital of the Company, details of which are set out in paragraph 4 of Section 2 of this document and paragraph 2.4 (o) of Schedule 1.
'B' Preference Shares	'B' cumulative redeemable preference shares of 50p each in the capital of the Company, details of which are set out in paragraph 4 of Section 2 of this document and paragraph 2.4 (o) of Schedule 1.
"AIM"	the Alternative Investment Market of the London Stock Exchange
"the Act"	the Companies Act 1985, as amended
"Admission"	the admission of the Ordinary Shares (including the Placing Shares) to trading on AIM
"the Company"	Network Technology PLC
"the Directors" or "the Board"	the board of directors of the Company
"the Group"	the Company and its subsidiaries or as the Company or the subsidiaries were structured from time to time
"HBM"	H. Bollmann Manufacturers Limited
"the London Stock Exchange"	London Stock Exchange Limited
"Ordinary Shares"	ordinary shares of 10p each in the Company
"the Placing"	the placing of the Ordinary Shares at the Placing Price as described in this document
"the Placing Agreement"	the composite placing and nominated adviser agreement dated 9 July 1996 and made between the Company (1), Burrough Johnstone Limited (2), Neill Clerk Capital Limited (3) and the Directors (4)
"the Placing Price"	114p per Placing Share
"the Placing Shares"	up to 4,687,500 new Ordinary Shares being issued pursuant to the Placing
"the Preference Shares"	the 'A' Preference Shares and the 'B' Preference Shares



## GLOSSARY OF TERMS

CE	Conformité européenne, now used by many manufacturers to signify that products have been verified to conform to European Safety and Emission Standards.
Chip	Also known as Integrated Circuit or IC. Most electronic devices are built from semiconductors which can be used to switch or amplify electrical signals. In order to make electronic circuits which can be used to compute complex algorithms thousands of semiconductor devices are required. Miniaturisation today enables 30,000 or more transistors to be put on a 1mm <sup>2</sup> area. All of the Group's products, other than software, require such chips.
Computer Network or Network	The infrastructure which permits two or more computers to be 'networked' together and networked with all ancillary devices (e.g. scanners, faxes and printers). This enables such items of equipment to communicate. A user can print on any printer. Any user may access information held centrally and any user may send information to another user. It is now the norm for an office computer system to be networked.
FCC	Federal Communication Commission, the US agency responsible for the regulation of the use of the frequency spectrum and the standard to which office and computer equipment has to comply with regarding radio frequency emissions.
Fileservers	A computer on a Network whose function it is to share files of data for other computers, linked to the Network, to access.
HUB	A HUB receives information from one source and transmits the same information to a multiple of destinations. It can receive information from one PC and transmit the data to many PCs. In a large office there will be numerous hubs.
Internet	The Internet is a global Computer Network which provides an online source of information, including bulletin boards, discussion groups, electronic mail and up-to-date news information.
Intranet	Publishing/communications system using Internet protocols for intra-organisation use.

Glossary of terms continued/...

<b>ISDN</b>	Integrated Services Digital Network, a high-speed telephone connection utilising digital data communications to provide a range of services over the public telephone network.
<b>LAN</b>	A Computer Network spanning a small geographical area such as a building, a floor or an office, is called a Local Area Network or LAN.
<b>Node</b>	A node is a device like a workstation, PC, printer, computer, Fileserver or other device directly connected to a Computer Network. In the future, telephones, videophones and even set-top boxes may become nodes, meaning being directly connected to a Computer Network.
<b>OEM</b>	Original Equipment Manufacturers - in the Company's case names such as Epson, NEC, Ricoh, Brother, Kyocera, Fujitsu, Mutoh, Konica, Texas Instruments, Xerox and Summagraphics.
<b>PC</b>	Personal Computer.
<b>Printserver</b>	The equipment required to transform the information from one source into information suitable to be understood or received by a printer. A Printserver can be a small circuit board installed inside the printer or an external device to the printer, which connects directly to a Computer Network.
<b>RISC</b>	Reduced Instruction Set Core, a less complex micro processor instruction core which enables much faster processing of instructions.
<b>WAN</b>	A Computer Network spanning a wide geographical area is called a Wide Area Network or WAN. WANs may be used to network one building with another or one country with another. These may be by telephone line-leased modem lines, ISDN or other WANs.
<b>100base Ethernet or 10base Ethernet or, as the case may be Ethernet</b>	Ethernet is now the main technology used to connect PCs, workstations and central Fileservers as well as peripheral devices such as printers in LAN environments. Currently 10base (10 Megabits per second) is the most common network type. A new standard for 100base (100 Megabits per second) was agreed in 1995 and, due to the ever increasing need for more bandwidth, the 100base has now started to take over the 10base market.





## DIRECTORS, SECRETARY AND ADVISERS

Directors	Graham Geoffrey Woodhead	Non-executive Chairman
	Klaus Bollmann	Managing Director
	Hannelore Erika Schlieker-Bollmann	Financial Director
	David Frederick Mould	Technical Director
	Martin Pollins FCA, ATII	Non-executive Director
	<i>all of HBM House;</i>	
	<i>26 Victoria Way, Burgess Hill,</i>	
	<i>West Sussex, RH15 9NF</i>	
Company Secretary & Registered Office	Hannelore Schlieker-Bollmann	
	HBM House	
	26 Victoria Way	
	Burgess Hill	
	West Sussex RH15 9NF	
Registrar	Mobesco Managers Limited	
	5 Bridge Road Business Park	
	Bridge Road	
	Haywards Heath	
	West Sussex RH16 1TX	
Nominated Adviser	Neill Clerk Capital Limited	
	31 Sackville Street	
	London W1X 1DB	
Nominated Broker	Burrough Johnstone Limited	
	24-25 Cliffe High Street	
	Lewes	
	East Sussex BN7 2AH	
Auditors and Reporting Accountants	BDO Stoy Hayward	
	8 Baker Street	
	London W1M 1DA	
Solicitors to the Company	Donne Mileham & Haddock	
	38-42 High Street	
	Crawley	
	West Sussex RH10 1BW	
Solicitors to the Admission	Nabarro Nathanson	
	50 Stratton Street	
	London W1X 6NX	

# 1 INFORMATION ON THE GROUP

## INTRODUCTION

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.

The Group's core products are currently Printservers, based on Ethernet technology. Printservers represent approximately 90% of the Group's current sales. The Group has developed products using the latest and faster 100base Ethernet technology (which was introduced last year), such as HUBS and Printservers. These new products, together with the Group's new network management software product, should provide the Group with opportunities for growth.

## BUSINESS STRENGTHS

The Directors believe that the main strengths of the Group are:

- close relationships with strong customer base of world leading OEM printer manufacturers including in Japan, Epson, NEC, Ricoh, Brother, Kyocera, Fujitsu, Mutoh, Konica and in the USA, Texas Instruments, Xerox and Summagraphics;
- significant range of products for connecting printers to LANs, WANs and the Internet (see Product Description, Page No.10 "Printservers");
- fast growing business in the new 100base Ethernet HUB technology, hoping to achieve a significant market share (see Product Description, Page No.10 "HUBs");
- recently launched sophisticated network management software (see Product Description, Page No.10 "Network Management Software");
- recently developed three key Chip technologies (see Product Description, Page No.10 "Design and Logistics Management of Chips");
- as OEMs standardise products or the Group's products are increasingly embedded into OEM products, Group sales should increase accordingly;

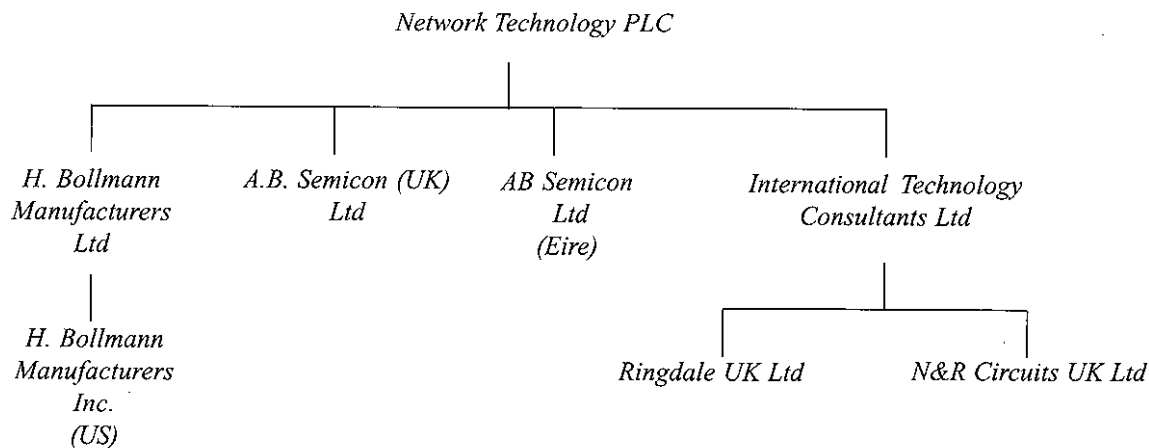


Business strengths continued/...

- in-house programming and design production facilities, combined with industry market knowledge, allows the Group to react to opportunities and to develop new products;
- in-house manufacture of some key components;
- quality systems registered since 1989 by the British Standard Institute, to BS EN ISO 9001;
- strategy of not developing a competing international brand name appeals to the Group's main OEM customer base; and
- to reduce the Group's exposure to the effects of recession, the Group has made a strategic move into HUB manufacture and network management software and maintains a policy of low indebtedness.

## GROUP OPERATING COMPANIES

The Group's operating companies are set out below:



## PRODUCT DESCRIPTION

The Group's principal products comprise:

### Printservers

HBM manufactures hardware and software to connect printers and printing systems to LANs, WANs and the Internet. Since October 1995, HBM has been producing approximately 130,000 units per annum. It primarily supplies OEM printer manufacturers in Japan and the USA. It deals with most of the Japanese and major US OEM printer manufacturers.

### HUBs

HBM also produces, again for OEMs, hardware called HUBs (either with or without management software) for Networks. HUBs are principally supplied to the cabling market to link a number of PCs, printers and Fileservers together. The Directors believe that this market performs better during a recession.

### Network Management Software

Following on from the development of management software for printers, HUBs and other devices connected to Computer Networks, HBM has developed sophisticated software which enables supervisors of LANs and WANs to plan and monitor Network systems through Intranets and the Internet. For example, breakdowns or shortages of supplies can be identified anywhere in the local or worldwide Network. The Directors believe that a major new market for this technology is to monitor vending-machines connected via a Network.

### Design and Logistics Management of Chips

The Group has developed and owns three Chip technologies as follows:

- (a) **100base HUB Chip** - for which the Group designed the silicon and manages the foundry space, to enable the Chip to be manufactured at a cost lower than buying one in.
- (b) **Parallel processing 8-bit RISC** - designed to be code compatible with the existing processor used on the Group's printed circuit boards. Tests carried out by the Group prove that this Chip performs on average ten times faster than previously available technology. This gives the Group's products a lower cost, a higher performance and a longer technological life. The device has been designed in compliance with HBM's ISO 9001 quality procedures.
- (c) **Mac layer chip** - developed for use in both 10 and 100base Ethernet technology. This Chip will be used for all the Group's Printservers, managed HUBs and PCMCIA (Personal Computer Memory Card International Association) cards for connecting to the Network. The Directors believe that this will be a high volume device enabling the Group, through its OEM customers, to achieve a significant share of the approximately 70 million new Nodes per annum market.



## OTHER PRODUCTS AND SERVICES

Group companies provide other products and services, including the following:

- N&R Circuits UK Limited manufactures printed circuit boards primarily for use in the Group's own products.
- Ringdale UK Limited is a catalogue sales company selling HBM's products under the Ringdale brand to distributors and to end users.
- International Technology Consultants Limited has a "G-TEM" test chamber which is used to verify compliance of the Group's products in terms of the FCC and CE standards.
- HBM has new cabling products, in particular a 100base FX (fibre-optic) system, now in Beta testing and a 100base FX card. The 100base FX system will be used for larger Network cabling runs of up to two kilometres. The 100base FX card is designed to be used in conjunction with 100base fibre optic Networks. HBM is expecting to market this product soon.
- HBM has developed a modular technology for all the Group's Printserver products. This modular technology "ModuLAN"<sup>(TM)</sup> enables users, using a variety of PCMCIA cards, to connect to any cable and wireless Networks for which PCMCIA cards are available.

The ModuLAN <sup>(TM)</sup> technology can also convert a printer into a "receive-only fax printer", increasing the flexibility of printer use within a Network.

## INTELLECTUAL PROPERTY

The Group owns or is licensed to use the intellectual property rights in its products. The Group does not own nor has it applied for any patents in connection with its products.

The Group has applied in the UK for trade mark registration for ModuLAN <sup>(TM)</sup>. The Group is the registered proprietor of a number of other trade marks in the UK relating to some of its products.

The Group regards its intellectual property rights as fundamental to its business and endeavors to protect them accordingly.



## COMPANY HISTORY

HBM, for which company Klaus Bollmann developed its first products, started business in 1985. By 1989, it had developed a Wang interface which enabled Wang users to benefit from the then modern print technology.

In 1989, HBM acquired the freehold of 26 Victoria Way, Burgess Hill, West Sussex, which remains the Group's headquarters today. A combination of factors, including the collapse of the property market in 1990 and the effects of the recession, left HBM with insufficient working capital. A corporate restructuring was therefore required in 1992. The unsecured and preferential creditors of HBM agreed to a Company Voluntary Arrangement ("CVA"). The CVA was subject to HBM raising sufficient funds from an investor to ensure that company's recovery. HBM secured the backing of JRL Systems Inc., a US technology company unconnected to the then Group. JRL Systems Inc. invested £125,000 and the CVA commenced. Details of the CVA are set out in Schedule 3 of this document. The CVA was completed in 1995 and the equity stake of JRL Systems Inc. was bought out by the Company in June 1995 with the assistance of 3i Group PLC.

International Technology Consultants Limited, founded in 1990, is the holding company for Ringdale UK Limited and N&R Circuits UK Limited, incorporated respectively in December 1993 and November 1994. It also holds the rights to the Group's intellectual property.

A.B. Semicon (UK) Limited and AB Semicon Limited have been set up to design Chips and to manage their production.



## **FUTURE PROSPECTS**

The Directors believe that the Group's future performance will be influenced by the overall size and growth of the Network market, users of which fall into various categories: large corporate, small office and domestic users and Internet, telephony and multi-media users. The Directors also believe that over the next seven years the number of Networks will at least double for those users and in some categories such as telephony, multi-media and domestic users, the number is likely to multiply by up to eight times.

The Directors consider that the Group is at the forefront of the recently launched 100base Ethernet technology. This should benefit the sales of the Group's HUBs which operate on this new technology. The average price of HUBs range from approximately £400 to £1,300. The Directors are pleased with the increase in demand for HUBs in the last few months. The Directors believe the Group should achieve significant levels of world market share with this technology.

The Directors believe that the Group's other products hold significant potential value for the medium to long term.

The Group's knowledge of the industry in which it operates, its team of programmers, researchers and personnel, lead the Directors to believe that the Group's growth can be sustained in the longer term so as to enhance the existing products as well as the development of new products.



## **DIRECTORS**

The Board comprises:

**GRAHAM WOODHEAD**, age 65, was appointed as non-executive Chairman of the Group in August 1995.

He is a graduate in mechanical and civil engineering with experience in Europe, USA and the Far East, working for UK, American and Japanese companies. He is currently non-executive chairman of two other medium-sized electronics-based companies.

**KLAUS BOLLMANN**, age 40, is Group Managing Director.

In 1982, he developed the hardware, firmware and the wordprocessor for the Screentyper in a company called CVB Mannheim in Germany, which he founded in 1977. In 1987 Mr. Bollmann developed the hardware and firmware for a connectivity product to enable printers to be connected to PCs and interfaces.

Prior to the establishment of HBM, Mr. Bollmann worked in London, for OEM plc implementing a Screen Add On to electronic typewriters, a product which he developed in Germany before moving to the UK. This product was thought to have achieved sales in excess of £20 million.

**HANNELORE ERIKA SCHLIEKER-BOLLMANN**, age 37, is the Group's Financial Director and Company Secretary.

From 1978 to 1983, Hanne Bollmann worked for CVB Mannheim being responsible for management accounts and salaries.

During the period of JRL Systems Inc.'s majority shareholding (from 1992 to 1995) in HBM and International Technology Consultants Limited, Mrs Bollmann remained as Financial Director, assuming additional responsibilities on the acquisition of Ringdale UK Limited and N & R Circuits UK Limited, for financial management and financial planning.

Mrs. Bollmann assists in developing the policies and strategies of the Group with regard to the character and markets it wants to address and how the distribution of its products has to be structured. Mrs. Bollmann implemented from the outset the financial controls, the production of monthly management accounts as well as financial planning and budgeting.





Directors continued/...

**DAVID FREDERICK MOULD**, age 41, is the Group's Technical Director, having joined the Group in 1987.

Mr. Mould was educated at the University College of Bulawayo. He began his career in electronics in 1976 in the research and development department of a military radio communications manufacturer. He was commissioned by Racal Communications (Transvaal) to set up its manufacturing and test facilities for a unit utilising his designs for radio and test programs. In Florida in 1982, Mr. Mould developed a low cost radio-facsimile for use by the yachting and pleasure boat community.

Since joining the Group, Mr. Mould has implemented radical new concepts in interface hardware design and has been responsible for the development of HBM's successful LAN printer interface.

**MARTIN POLLINS FCA ATII**, age 57, joined the Board as a non-executive Director in September 1995.

He is a Chartered Accountant and an associate of the Institute of Taxation. He is a director of several companies (including Mobesco Managers Limited, the Company's Registrars) and is Chairman of Professional Enterprise Group PLC. In private practice as a chartered accountant, he specialises in corporate finance and strategic management matters. He was a council member of the Institute of Chartered Accountants in England and Wales from 1987 to 1996 and has served on several committees including the Audit Committee, Ethics Committee and the Executive Committee of the Faculty of Finance and Management.

## NEW APPOINTMENTS

The Group intends to keep its Board structure under regular review and, when appropriate, will consider the appointment of additional non-executive directors to bring further commercial and non-technical skills to the Group. The Group has recently recruited a qualified accountant who, after a period of working with the Board, will be considered for appointment as the Group's Finance Director, leaving Mrs. Bollmann to move to a strategic financial and commercial role.

## OTHER SENIOR MANAGEMENT

**KEVIN DONNELLY**, age 35, General Manager of HBM, joined the Group in 1993.

During 15 years in the computer industry, he has gained wide experience particularly in the computer printer connectivity arena. After obtaining an OND in electronic engineering in 1980, he began his career as a sales and applications technician with Centronics, a leading printer manufacturer. He was sponsored to attend Brighton Polytechnic and in 1982 obtained an HNC in electronic engineering.

In 1985, he was promoted within that company to European sales and application manager with responsibility for printer distribution within Europe. His duties included product training, product strategy and marketing.

In 1991, Mr Donnelly was the sales and marketing manager for a catalogue sales company. He was responsible for that company's strategy for the sale of printer and connectivity products.

In 1995, Mr Donnelly joined HBM as that company's marketing manager. In January 1996, he was promoted to General Manager.

**RALPH EHLERS**, age 33, Marketing Manager of HBM, joined the Group in May 1995.

Mr. Ehlers was educated at the Ratsgymnasium in Rotenburg and graduated with a degree in Information Technology and Marketing at Munich University in 1988. He began his career with Wimpey Homebuildings (Leisure), at their headquarters in Tenerife. As Marketing Manager he was responsible for the overall strategies and forecasts for four leisure complexes throughout Spain and the Canaries.

In September 1992 he moved to the UK and joined The Decisions Group, then part of American Express. In his capacity as Marketing Executive, he was instrumental in the implementation of a new card registration and information department.

Since joining the Group, Mr. Ehlers has been responsible for product marketing and strategies as well as implementing new campaigns for sales and advertising promotions.

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## CORPORATE GOVERNANCE

The Group intends to comply as far as is practicable with the recommendations of best practice in the corporate governance of public companies as set out in the Cadbury Committee Code of Best Practice. The Board has adopted the AIM Model Code.

## RISK FACTORS

The Directors believe the following are the principal risks associated with the Group's business:-

1. Investment in technology-based companies may be regarded as high risk.
2. The business of the Group may be susceptible, as with other technology-based companies, to risks associated with:-
  - component prices rising sharply or being in short supply if there is a prolonged world-wide shortage; and
  - new technology may overtake the products designed, manufactured and marketed by the Group.
3. The Group's success depends to a certain extent upon its technological expertise and the software technology it has developed. The Group relies upon a combination of factors such as contractual copyright, trade mark and trade secrets laws to establish and protect its intellectual property rights. It may be possible for unauthorised third parties to use or copy property which the Group regards as its own.
4. The main operating subsidiary of the Group is HBM. HBM's main product range is its Printservers, which accounts for a major part of the Group's turnover. Any changes in Network connectivity structures, to which the Group was unable to respond, may make it vulnerable.
5. The Group's business is dependent on certain key personnel.
6. There may be a new ruling by the Monopolies and Mergers Commission which might affect the dynamics of the industry in which the Group operates, although the Directors are not aware of any proposals currently being considered by the Commission which are likely to adversely affect the Group.
7. Changes in legislation, including reviews by the European Commission, may affect the growth of the industry in which the Group operates.
8. An investment in the Company may not be suitable for all recipients of this prospectus. Accordingly, before making any investment decision, investors are advised to consult with an investment adviser authorised under the Financial Services Act 1986 who specialises in advising on investments of this kind.
9. The value of Ordinary Shares in the Company may go down as well as up and investors may not get back their original investment.

## **DIVIDEND POLICY**

The Directors intend to recommend payment of dividends commensurate with the growth in earnings per share, subject to the need to retain earnings for future investment.

## **TERMS OF THE PLACING**

The Placing comprises the issue of the Placing Shares, representing 14.94% of the enlarged issued share capital of the Company immediately following the Placing (assuming the Placing Shares are taken up in full).

The Placing is conditional, inter alia, on Admission.

## **MARKETABILITY OF THE COMPANY'S SHARES**

Application will be made for all of the Ordinary Shares (including the Placing Shares) to be admitted to trading on AIM. No application has been made for the Preference Shares to be admitted to trading on AIM. No application is being made for the admission of any Ordinary Shares or Preference Shares to the Official List of the London Stock Exchange.

AIM, which was launched in February 1995 by the London Stock Exchange, commenced trading on 19 June 1995. AIM is intended to give greater exposure to emerging or smaller companies wishing to have their shares traded. Shares of companies admitted to AIM are traded on a segment of the enhanced version of the Stock Exchange Alternative Trading Service, SEATS PLUS, which enables buyers and sellers to trade with each other through the London Stock Exchange's trading system. It is anticipated that one or more market makers will make a market in the Ordinary Shares once trading on AIM commences.

## FINANCIAL INFORMATION

### Historical

The trading record of HBM, the main trading subsidiary of the Group, which has been extracted from the Accountants' report set out in Schedule 1, is summarised below:

	9 months to 30/9/93 £000	Year to 30/9/94 £000	Year to 30/9/95 £000	6 months to 31/3/96 £000
Turnover	1,622	3,854	8,138	6,610
Pre-tax Profit	169	591	1,309	1,450

Interim audited accounts have been prepared by the Group for the six months to 31 March 1996 are set out in the Accountants' Report. Group turnover (which excludes inter-company sales) and pre-tax profit for that period are:

	6 months to 31/3/96 £000
Turnover	6,779
Pre-tax Profit	1,292

### Forecast

The Directors have, upon the principal bases and assumptions set out below, forecast profits before tax for the Group of not less than £3.3 million for the year ending 30 September 1996. The forecast has been made by the Directors after due and careful enquiry.

The Reporting Accountants have in a letter, a copy of which is set out in Schedule 2, reported on the Directors' forecast.

### Bases and assumptions

These forecasts are made on the basis of the audited financial results for the six months ended 31 March 1996 and the unaudited management accounts for the three months ended 30 June 1996 and on the following bases and assumptions:

- there will be no material change in the rates or levels of taxation, inflation and interest, nor any change in International, National or Local Government regulations which will have a material effect on the business of the Group;
- trading results will not be affected by industrial disputes outside the control of the Group; and
- there will be no significant deterioration in the economic climate in the economies in which the Group's main customers operate.

# 2 STATUTORY AND GENERAL INFORMATION

## 1. Responsibility

To the best of the Directors' knowledge the information contained in this document is in accordance with the facts and makes no omission likely to affect the import of such information. All the Directors, whose names, functions and addresses are set out on page 7 of this document, accept responsibility accordingly.

## 2. Corporate History

- (a) The Company was incorporated in England and Wales under the Companies Act 1985 on 11 May 1995 as a private company limited by shares under the name of Matlorill Limited with company registration number 3055360. The Company operates under the Act. Pursuant to a special resolution passed on 20 June 1996, the Company was re-registered as a public limited company under the Act. The name of the Company was changed to Network Technology Group PLC on 21 June 1996 and was renamed Network Technology PLC on 3 July 1996.
- (b) The registered office of the Company is at HBM House, 26 Victoria Way, Burgess Hill, West Sussex RH15 9NF.
- (c) The liability of the members of the Company is limited.
- (d) The Company's principal activity is that of a holding company.

## 3. Subsidiaries

The subsidiary undertakings of the Group, all of which are wholly owned, are:

<u>Name</u>	<u>Nature of Business</u>	<u>Date of Incorporation</u>	<u>Issued Share Capital</u>	<u>Direct Holding Company</u>
International Technology Consultants Ltd.	Intermediate, holding company	4 May 1990	100 Ordinary Shares of £1 each	Network Technology PLC
N&R Circuits UK Ltd.	Manufacturer of printed circuit boards	14 Sept 1994	2 Ordinary Shares of £1 each	International Technology Consultants Ltd.
Ringdale UK Ltd.	Catalogue sales company	2 Dec 1993	2 Ordinary Shares of £1 each	International Technology Consultants Ltd.



The subsidiaries undertakings of the Group continued/...

<u>Name</u>	<u>Nature of Business</u>	<u>Date of Incorporation</u>	<u>Issued Share Capital</u>	<u>Direct Holding Company</u>
Megaswitch Ltd.	Dormant	6 April 1989	2 Ordinary Shares of £1 each	Ringdale UK Ltd.
H. Bollmann Manufacturers Ltd.	Design, manufacture & marketing of computer hardware & software	15 Nov 1985	368 Ordinary Shares of £1 each	Network Technology PLC
A.B. Semicon (UK) Ltd.	Design and production management of Chips (non-trading)	23 Nov 1995	2 Ordinary Shares of £1	Network Technology PLC
AB Semicon Ltd. (incorporated in Eire)	Design and production management of Chips (non-trading)	30 Nov 1995	1 Ordinary Share of IR£1	Network Technology PLC
H. Bollmann Manufacturers Inc.(incorporated in Pennsylvania, USA).	Distributor of Network products	31 Aug 1995	1,000 Shares of US \$1	Network Technology PLC
Matlorill PLC	Non-trading	13 May 1996	2 Ordinary Shares of £1	Network Technology PLC

#### 4. Share Capital and Authority to Allot Shares

- (a) The authorised share capital of the Company on incorporation on 11 May 1995 was £100, divided into 100 Ordinary Shares of £1 each.
- (b) By a special resolution passed on 30 June 1995, the authorised share capital of the Company was increased to £4,831,250 divided into 3,262,500 'A' preference shares of 50 pence each, 600,000 'B' preference shares of 50 pence each, 1,200,000 'A' ordinary shares of £1 each and 1,700,000 ordinary shares of £1 each.

Share Capital and Authority to Allot Shares continued/...

- (c) The authorised, issued, and fully paid share capital of the Company immediately before the passing of the resolutions referred to in paragraphs 4(e) and 4(f) below was as follows:

Class of Shares	Authorised (Number)	Issued (Number)
'A' Preference Shares of 50p	3,262,500	2,631,933
'B' Preference Shares of 50p	600,000	575,000
'A' Ordinary Shares of £1	1,200,000	968,067
Ordinary Shares of £1	1,700,000	1,700,000

- (d) The Preference Shares will on Admission be liable to be redeemed by the Company at the rate of £1 for every one Preference Share. The holders of the Preference Shares have agreed with the Company that those shares will be redeemed out of the Placing proceeds. In addition to the redemption amounts, the Company shall pay any arrears or accruals of the dividend payable on the Preference Shares from the date the dividend was last paid to the date of redemption.

The 'A' ordinary shares of £1 each will on Admission convert into ordinary shares of £1 each at the rate of one ordinary share of £1 for one 'A' ordinary share. From the date of conversion the Ordinary Shares resulting from the conversion, shall rank *pari passu* with the Ordinary Shares in the capital of the Company. On the date of conversion, the Company shall pay to the holders of the 'A' ordinary shares any arrears or accruals of any dividend payable on the 'A' ordinary shares.

- (e) By a special resolution passed on 9 July 1996, the authorised share capital of the Company was increased to £5,300,000 by the creation of 4,687,500 ordinary shares of 10p each.
- (f) By a special resolution passed on 9 July 1996 conditional upon Admission:
- (i) each of the unissued 630,567 'A' preference shares of 50p in the capital of the Company was subdivided into 5 shares of 10p each and each such resulting 10p share was converted into one ordinary share of 10p;
  - (ii) each of the redeemed and unissued 25,000 'B' preference shares of 50p each in the capital of the Company was subdivided into 5 shares of 10p each and each such resulting 10p share was converted into one ordinary share of 10p;



Share Capital and Authority to Allot Shares continued/...

- (iii) each of the unissued 231,933 'A' ordinary shares of £1 each in the capital of the Company was subdivided into 10 shares of 10p each and each such resulting 10p share was converted into one ordinary share of 10p;
- (iv) each of the 968,067 issued 'A' ordinary shares of £1 in the capital of the Company was subdivided into 10 shares of 10p each and each such resulting 10p share was converted into one ordinary share of 10p;
- (v) each of the 1,700,000 issued ordinary shares of £1 each was subdivided into ten ordinary shares of 10p each;
- (vi) on redemption of the issued 2,631,933 'A' preference shares of 50p each, each such share will be subdivided into 5 shares of 10p each and each such resulting share be converted into one ordinary share of 10p and be available for re-issue as such;
- (vii) on redemption of the issued 575,000 'B' preference shares of 50p each, each such share will be subdivided into 5 shares of 10p each and each such resulting share be converted into an ordinary share of 10p and be available for re-issue as such;
- (viii) the directors were generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 to allot relevant securities (as defined in that section) to an aggregate nominal amount of £625,590, such authority to expire on a date falling 15 months after the date of the passing of the special resolution, save that the Company may, before such expiry of the authority, make any offer or agreement which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the expiry of the authority;
- (ix) the directors were empowered (pursuant to Section 95 of the Companies Act 1985) to allot equity securities (as defined in Section 94 (2) of the Companies Act 1985) for cash pursuant to paragraph 4(f) (viii) above as if Section 89 (1) of the Companies Act 1985 did not apply in respect thereof up to an aggregate nominal amount of £625,590, such authority to expire on a date falling 15 months after the date of the passing of the special resolution, save that the Company may, before such expiry of the authority, make any offer or agreement which would or might require equity securities to be allotted after such expiry date and accordingly the directors may allot equity securities pursuant to any such offer or agreement as if such authority had not expired;

Share Capital and Authority to Allot Shares continued/...

- (x) the directors were generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985, to allot relevant securities (as defined in that section) for the purposes of an approved Save As You Earn share option scheme and an approved Executive share option scheme up to an aggregate nominal amount of £94,105, such authority to expire on a date falling 5 years after the date of the passing of the special resolution save that the Company may before such expiry of the authority make any offer or agreement which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the expiry of the authority.
- (xi) the directors were empowered (pursuant to Section 95 of the Companies Act 1985) to allot equity securities (as defined in Section 94 (2) of the Companies Act 1985) for cash pursuant to paragraph 4(f) (x) as if Section 89 (1) of the Companies Act 1985 did not apply in respect thereof up to an aggregate nominal amount of £94,105, such authority to expire on a date falling 5 years after the date of the passing of the special resolution save that the Company may before such expiry of the authority make any offer or agreement which would or might require equity securities to be allotted after such expiry date and accordingly the directors may allot equity securities pursuant to any such offer or agreement as if such authority had not expired.
- (g) The authorised and issued and fully paid share capital of the Company immediately following the Placing (assuming maximum subscription) will be as follows:
- | Class of Shares              | Authorised (Number) | Issued (Number) |
|------------------------------|---------------------|-----------------|
| Ordinary Shares              | 36,965,335          | 31,368,170      |
| 'A' Preference Shares of 50p | 2,631,933           | 2,631,933       |
| 'B' Preference Shares of 50p | 575,000             | 575,000         |
- (h) Assuming all the Ordinary Shares are placed under the Placing, immediately following the Placing:
- (i) 1,568,400 Ordinary Shares will be available for allotment by the Directors;
  - (ii) 941,050 Ordinary Shares will be reserved for issue on the exercise of options to be granted under the proposed share option schemes; and
  - (iii) after the redemption of and subdivision and conversion of the Preference Shares, a further 16,034,665 Ordinary Shares will be available for re-issue.
- (i) Except as set out in paragraph 4 (f), the provisions of Section 89 (1) of the Companies Act 1985 (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in Section 94 (2) of the said Act) which are, or to be paid up in cash) will apply to the authorised but unissued share capital of the Company.
- (j) Except as disclosed above, no share or loan capital of the Company or its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

## 5. Memorandum and Articles of Association

The memorandum of association of the Company provides that the Company's objects are, *inter alia*, to carry on the business of a holding company in all its branches, and to acquire ... or otherwise deal in such businesses ... and other property and rights and interests in property as the Company shall see fit ...".

The objects of the Company are set out fully in Clause 4 of the memorandum of association.

The articles of association of the Company ("the Articles") which were adopted by the Company on 9 July 1996 conditional upon Admission, contain provisions, *inter alia* to the following effect:-

### (a) Voting rights

Subject to the rights or restrictions attached to any shares, on a show of hands every member who is present in person or being a corporation is represented by a duly authorised representative and is entitled to vote shall have one vote and upon a poll every member present in person or by proxy and entitled to vote shall have one vote for every share held by him.

No holder of shares shall, unless the Directors otherwise determine, be entitled (save as proxy for another member) to be present at or vote at a general meeting either in person or by proxy if :-

- (i) any call or any such other sum as is presently payable by him to the Group in respect of that share remains unpaid;
- (ii) he or any other person who appears to be interested in that share has been duly served pursuant to section 212 (1) of the Act or any other statutory provision concerning the disclosure of interests in voting shares with a notice requiring the provision to the Company of information regarding that share, and is in default in complying with such notice.

The holders of the Preference Shares shall be entitled to receive notice of all general meetings of the Company but will not be entitled to vote or attend at such general meetings unless, in the case of the 'A' Preference Shares, the dividend on those preference shares has not been paid within 6 months of the date the preference dividend was due for payment.

### (b) Variation of Class Rights and Changes in Capital

Whenever the share capital is divided into different classes of shares all or any of the rights attached to any class may (unless otherwise provided by the terms of issue of the shares of that class) be modified, varied, extended, or surrendered either in such a manner (if any) as may be provided by such rights or (in the absence of any such provision) with the written consent of the holders of at least three quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of such shares. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply except that:

Memorandum and Articles of Association continued/...

- (i) no member shall be entitled to receive notice of such meeting or to attend it unless he is a holder of shares of the class in question and no vote shall be given except in respect of shares of that class;
- (ii) the necessary quorum shall be two persons present in person and holding or representing by proxy at least one third in nominal amount of the issued shares of the class in question;
- (iii) if any such separate general meeting shall be adjourned by reason of there being no quorum present and at the adjourned meeting a quorum as defined above shall not be present within fifteen minutes after the time appointed for such a meeting, one holder of shares of the class in question present in person or by proxy shall be a quorum;
- (iv) any holder of shares of that class in question who is present or by proxy and entitled to vote may demand a poll;
- (v) on a poll every holder of shares of the class in question who is present in person or by proxy shall have one vote for every share of that class held by him; and
- (vi) the rights attached to a class of shares shall not be deemed to be varied by the creation or issue of further shares ranking *pari passu* with or subsequent to them unless otherwise expressly provided by the Articles or by the right attached to the shares of that class.

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, subdivide shares into shares of smaller amounts and cancel any shares which have not been taken or agreed to be taken by any person.

Subject to the provisions of the Act, the Company may by special resolution reduce its share capital, capital redemption reserve or share premium account.

Subject to the provisions of the Act and to the authority of the Company in general meeting, the Company may purchase its own shares.

(c) **Redemption**

Subject to the provisions of the Act, all the Preference Shares shall be redeemed within seven days of Admission.

On redemption, the Company shall pay to the holders of the Preference Shares the sum of £1 for each Preference Share, together with all arrears and accruals of dividends payable on the Preference Shares.

The Ordinary Shares carry no rights of redemption.

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Memorandum and Articles of Association continued/...

**(d) Dividends**

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends out of the profits of the Company available for distribution, but no dividend shall be payable in excess of the amount recommended by the Directors.

Subject to any preferential or other special rights attached to any shares issued by the Company, the profits of the Company available for distribution and which the Company shall so determine to distribute by way of dividend shall be apportioned and paid to the members entitled there to proportionately to the amount paid upon the shares.

The Directors may retain any dividend payable on or in respect of a share on which the Company has a lien or (except in the circumstances specified in the Articles) if:

- (i) a notice has been duly served in respect of that share pursuant to Section 212(1) of the Act or any other statutory provision concerning the disclosure of interests in voting shares:
- (ii) the share or shares which are the subject of that notice represent in aggregate at least 0.25 per cent of that class of shares; and
- (iii) the notice has been complied with within 14 days.

Any dividend remaining unclaimed after a period of twelve years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

Subject to the Act, the Company shall before paying any dividend to the holders of the Ordinary Shares, apply the profits of the Company available for distribution in payment firstly to the holders of the 'A' Preference Shares and secondly to the holders of the 'B' Preference Shares, of a fixed cumulative preferential cash dividend of 9 pence per annum on each share, such dividend payable half yearly on 1 July and 1 January in each year.

**(e) Distribution of Assets on Winding-up**

Subject to any special rights for the time being attached to any class of shares, on a return of assets on liquidation or otherwise, the surplus assets remaining after payment of all the Company's liabilities shall be distributed in proportion to the amounts paid up or deemed to be paid on the shares of the Company then in issue.

Memorandum and Articles of Association continued/...

On a return of assets on liquidation, capital reduction or otherwise, the assets of the Company remaining after the payment of its liabilities shall before paying or applying the same to the holders of the Ordinary Shares, be applied firstly in paying the holders of the 'A' Preference Shares and secondly in paying the holders of the 'B' Preference Shares, the sum of £1 for each 'A' Preference Share and the sum of £1 for each 'B' Preference Share, together with any arrears or accruals of the dividends payable on the Preference Shares. Subject thereto, the Preference Shares shall not have any further right to participate in the assets of the Company.

(f) **Transfer**

A transfer of the shares shall be effected by transfer in writing in the usual common form or any other form approved by the Directors. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered into the Register of Members in respect thereof.

The Directors may, in their absolute discretion, and without assigning any reason therefore, refuse to register the transfer of any share (which is not fully paid up) upon which the Company has a lien (whether fully paid or not), which is in favour of more than four persons jointly, or where a notice served pursuant to section 212 (1) of the Act has not been complied with.

The Directors may also decline to recognise any instrument of transfer unless it is:

- (a) duly stamped, is deposited at the office of the Company's registrars or such other place as the Directors may appoint, and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer: and
- (b) in respect of only one class of share.

Save as aforesaid, the Articles contain no restrictions as to the free transferability of the fully paid Ordinary Shares.

6. **Board meetings**

The quorum for meetings of the Directors is four, two of whom shall be directors with day-to-day executive responsibility and two of whom shall be non-executive Directors.



## 7. Directors' and Other Interests

- (a) The interests of the Directors and their families in the issued share capital of the Company (all of which are beneficial) shown in the Register of Directors' Interests maintained under the provision of Section 325 of the Act are, and will (on the basis of the following assumptions) be, as set out below. The columns headed "I" show the position as at the date of this document whilst the columns headed "II" assume (1) full subscription pursuant to the Placing, including the re-investment into Ordinary Shares by the shareholders referred to in paragraph 7 (b) below, of monies arising from the redemption of Preference Shares and (2) the redemption of all Preference Shares. Percentages of voting rights are shown in parentheses.

<u>Director</u>	I		II	
	<u>Ordinary</u> £1	<u>'B' Preference</u> <u>Shares</u> 50p	<u>Ordinary</u> 10p	<u>'B' Preference</u> <u>Shares</u>
Mrs H.E. S-Bollmann	1,688,889 (67%)	575,000 (18%)	17,314,329 (55.2%)	- (0%)
Mr D.F. Mould	11,111 (0.44%)	- (0%)	111,110 (0.35%)	- (0%)

In addition, the Directors are aware of two other substantial shareholders as set out below. Maltrace PLC is a company incorporated in England and Wales of which Messrs K. Bollmann and M. Pollins are the directors. Mr G.G. Woodhead, Mr K. Bollmann and Mrs H.E. S-Bollmann hold shares which in aggregate currently represent 3.61% of the voting rights of Maltrace PLC.

<u>Shareholder</u>	I		II	
	<u>Ordinary</u> £1	<u>'A' Preference</u> <u>Shares</u> 50p	<u>Ordinary</u> 10p	<u>'A' Preference</u> <u>Shares</u>
Maltrace PLC	168,067 (6.3%)	456,933 (14.2%)	2,081,488 (6.65%)	- (0%)
3i Group PLC	800,000 (29.98%)	2,175,000 (67.8%)	8,000,000 (25.5%)	- (0%)

- (b) By written authorities to the Company dated 9th July 1996 Mrs H.E. S-Bollmann and Maltrace PLC have each authorised the Company to apply monies arising on the redemption of Preference Shares held by them to subscribe pursuant to the Placing for Ordinary Shares at the Placing Price as follows:-
- |      |                     |   |                         |
|------|---------------------|---|-------------------------|
| (i)  | Mrs H.E. S-Bollmann | - | 425,439 Ordinary Shares |
| (ii) | Maltrace PLC        | - | 400,818 Ordinary Shares |
- (c) Save as set out in paragraph 7 (a) above, the Directors are not aware of any person who immediately following the Placing will be directly or indirectly interested in 3% or more of the Company's issued share capital.
- (d) Save as disclosed in paragraph 7(a) above and in so far as the Company has the information, the Directors are not aware of any person or persons who either alone or, if connected, jointly following the completion of the Placing will (directly or indirectly) exercise or could exercise control over the Company.
- (e) The directorships of the Directors currently held and held over the five years preceding the date of this document are as follows:

## Directors and Other Interests continued /...

### Current Directorships

#### **Klaus Bollmann**

H. Bollmann Manufacturers Ltd  
International Technology Consultants Ltd  
Network Technology PLC  
A.B. Semicon (UK) Ltd  
AB Semicon Ltd  
H. Bollmann Manufacturers Pty. Ltd  
H. Bollmann Manufacturers Inc.  
Matlorill PLC  
Maltrace PLC

#### **Hannelore Erika Schlieker-Bollmann**

H. Bollmann Manufacturers Ltd.  
H. Bollmann Manufacturers Pty. Ltd.  
International Technology Consultants Ltd.  
Network Technology PLC  
Matlorill PLC  
H. Bollmann Manufacturers, Inc.

#### **David Frederick Mould**

H. Bollmann Manufacturers Ltd.  
Network Technology PLC

#### **Graham Geoffrey Woodhead**

The Gambica Association Ltd.  
Surface Electronics PLC  
Network Technology PLC  
Servelec Group PLC

#### **Martin Pollins**

Tax 2000 Ltd.  
Axisdale Ltd.  
H. Bollmann Manufacturers Ltd.  
Network Technology PLC  
Maltrace PLC  
A.B. Semicon (UK) Ltd.  
AB Semicon Ltd.  
My Own BES Company 001 Ltd.  
My Own BES Company 002 Ltd.  
The Chartergroup Partnership Ltd.  
Lawgroup UK Ltd.  
Professional Enterprise Group PLC  
Mobesco Managers Ltd.  
Matlorill PLC

### Past Directorships (marked with an asterisk)

Victor Industries Ltd.\*  
Beama Ltd.\*  
Meggitt PLC\*  
Stoke House Pension Trustees Ltd.\*  
Wallaby Group Ltd.\*

Mobesco Group Ltd.\*  
Security Telesis Ltd.\*

- (f) Save as disclosed in the next following paragraph, none of the Directors has any unspent convictions, was a director of any company at the time of or within the 12 months preceding any bankruptcy, receivership or liquidation of such company, and there have been no public criticisms of any of the Directors by any statutory or regulatory authority. Klaus Bollmann filed bankruptcy proceedings in Germany voluntarily in or about July 1984, at which time he was a sole trader and personally liable for the debts of his business. The business was a brokerage firm involved in integrated circuits. Klaus Bollmann became involved in a very costly legal dispute when a supplier to his business provided poor quality product and Klaus Bollmann refused to pay for the product.





## Directors and Other Interests continued/...

Although the legal action was ultimately successful for Klaus Bollmann, the legal costs, together with increasing non-payment by some of the business' debtors, led to financial difficulties. Klaus Bollmann came to arrangements with his creditors but some creditors nevertheless insisted on full payment, leading to bankruptcy. Klaus Bollmann did, however, pay several of the creditors voluntarily after the bankruptcy. No public record in Germany of this matter can be found.

### 8. Directors' Service and Consultancy Agreements

- (a) Each of the executive Directors, Messrs K Bollmann and D E Mould and Mrs H E S-Bollmann, has a service agreement with the Company which commenced on 9 July 1996. The service agreements can be determined on 12 months notice by either party, provided that such notice cannot be given until 24 months after the agreement commenced.
- (b) Each of the non-executive Directors, Messrs GG Woodhead and M Pollins has an agreement with the Company in relation to his appointment. Both agreements terminate in the event that the non-executive ceases to be a Director.
- (c) The salaries payable to the executive Directors and the fees payable to the non-executive Directors, are as follows:

<u>Name</u>	<u>Annual Salary</u>
K. Bollmann	£85,000
D.E. Mould	£55,000
H. E. S-Bollmann	£45,000
G.G. Woodhead	£12,000
M. Pollins	£10,000

- (d) (i) Mr K Bollmann is in addition to the remuneration set out in paragraph 8(c) above, entitled to an annual bonus of 6% of net profits, provided that the amount of the bonus in any financial year shall not exceed £360,000; and
- (ii) Mr D F Mould is in addition to the remuneration set out in paragraph 8(c) above, entitled to an annual bonus of 5% of net profits, provided that the amount of the bonus in any financial year shall not exceed £300,000.
- (e) The aggregate emoluments of the Directors (including benefits in kind) for the year ended 30 September 1995 amounted to £337,000 and it is estimated that the aggregate emoluments of the Directors (including benefits in kind) under the arrangements in force at the date of this document for the financial year ending 30 September 1996 are estimated to be £422,000.

## 9. Share Option Scheme

The Company proposes within a period of six months to initiate two share option schemes for the benefit of Group employees. The first scheme being an approved SAYE Scheme involving up to 235,262 Ordinary Shares and the second, an approved Executive share option scheme involving up to 705,788 Ordinary Shares.

## 10. Taxation

Under current United Kingdom taxation legislation, the Company is not required to withhold tax at source when paying a dividend. But the Company has to remit to the Inland Revenue an amount of advance corporation tax ("ACT") at a rate of one quarter of the dividend paid. Liability to United Kingdom Income Tax is calculated on the sum of the cash dividend plus the ACT.

For shareholders resident in the United Kingdom for tax purposes, the ACT paid is available as a tax credit equal to 20/80ths of the dividend paid for which individual shareholders who are so resident may set off against their total income tax liability or, in appropriate cases, reclaim in cash. The dividend (together with the associated tax credit) will be treated as the top slice of the shareholder's income for tax purposes. To the extent that this top slice does not exceed the threshold for higher rate tax, income tax will be chargeable on the amount of dividend plus the associated tax credit at the lower rate of 20%. Accordingly, no further tax will be payable in respect of the dividend as the tax credit will equal the income tax liability. To the extent that a dividend (together with the associated tax credit), again treated as the top slice of the shareholder's income, exceeds the threshold for higher rate tax, income tax will be chargeable on the amount of dividend plus the associated tax credit at the higher rate of 40%. After deducting the amount of associated tax credit, this will give rise to additional tax of 20% in respect of the dividend plus the associated tax credit. Where total tax credits exceed the overall income tax liability, an individual shareholder may claim to have the excess repaid to him by the Inland Revenue. A United Kingdom resident corporate shareholder will not be liable to United Kingdom corporation tax on any dividend received and will be able to treat any dividend received and the related tax credit as franked investment income.

Whether holders of shares in the Company who are resident for tax purposes in countries other than the United Kingdom are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on such shares depends in general upon the provisions of any double tax convention or agreement which exists between such countries and the United Kingdom. Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions, the procedure for claiming payment and what relief or credit may be claimed in the jurisdiction in which they are resident for such tax credit.

Shareholders resident or ordinarily resident in the United Kingdom for tax purposes may be liable to tax on any gain arising on a disposal of the Ordinary Shares.

The above statements are intended as a general guide to current United Kingdom law and practice. Any person who is in doubt as to his taxation position or who is subject to taxation in a jurisdiction other than the United Kingdom should consult his professional advisers immediately.



#### 11. Working capital

The Directors are of the opinion that, having made due and careful enquiry and having regard to available facilities and the proceeds of the Placing which are to be received by the Company, the working capital available to the Company and the Group is sufficient for their present requirements.

#### 12. Minimum subscription

In the opinion of the Directors, the minimum amount which must be raised from the Placing for the purposes mentioned in paragraph 21 of the Public Offers of Securities Regulations 1995, is £3,431,933 made up as follows:

	£
(a) Purchase of property	NIL
(b) Preliminary expenses and expenses of the Placing (excluding VAT), including commissions	225,000
(c) Redemption of the Preference Shares	3,206,933
(d) Working capital	NIL
	<u>3,431,933</u>

#### 13. Litigation

- (a) There is a contingent liability in respect of a claim against N&R Circuits UK Limited by a former employee who has claimed some £150,000 alleging wrongful dismissal. The Directors, having taken legal advice, are of the opinion that this claim is unlikely to succeed at this level and an appropriate provision has been made by the Group in its accounts. The sum of £6,000 has been paid into Court.
- (b) Save as disclosed in paragraph 13(a) above, there are no litigation or arbitration proceedings, active, pending or (so far as the Directors are aware) threatened against, or being brought by, the Company or any member of the Group which may have a significant effect on the Company's or the Group's financial position.

#### 14. Material Contracts

Members of the Group are party to the following contracts and instruments which are or may be, material to the business of the Group:

- (a) A Composite Placing Agreement and Nominated Adviser Agreement dated 9 July 1996 made between the Company (1), Burrough Johnstone Limited ('BJL') (2), Neill Clerk Capital Limited ('NCC') (3) and the Directors (4):
  - (i) Under the Placing Agreement, BJL has agreed, subject to the conditions specified therein, to procure placees for the Placing Shares. If the relevant conditions are satisfied, BJL will receive a fee of £12,000 per annum (from the anniversary date of this Placing), and a commission of 2% of the aggregate value of the Placing shares at the Placing Price.

Material Contracts continued/...

- (ii) Under the Placing Agreement NCC has agreed to act as Nominated Adviser to the Company. Under the terms of this agreement, NCC is to be paid £40,000 (plus VAT) in respect of its services for acting as Nominated Adviser and thereafter an annual fee of £15,000 (plus VAT).
- (iii) Under the Placing Agreement each of the Directors has undertaken to the Company and to BJL and NCC that he will not, without the prior consent of BJL and NCC, dispose of any Ordinary Shares in which he has a beneficial interest at the time of Admission for a period of 12 months from the date of Admission and for the next 24 and 36 months from such date he will not dispose of more than 5 per cent of such holding in any 12 month period, save for a takeover becoming unconditional or a transfer to members of his family or to trustees of a family trust.
- (iv) Under the Placing Agreement the Company and each of the Directors have given certain warranties and indemnities to BJL and NCC as to the accuracy of the information contained in this document and of other matters relating to the Group and its business.
- (v) The Placing Agreement is conditional, *inter alia*, upon Admission taking place no later than 27 August 1996 and the minimum subscription being achieved.
- (vi) If the Placing does not complete and the Placing is withdrawn, all monies received by BJL from subscribers pursuant to the Placing will be returned to them forthwith.
- (vii) All expenses of the Placing including, *inter alia*, all legal and accountancy expenses, fees and disbursements and all printing, advertising and distribution expenses shall be paid by the Company.
- (b) An investment agreement dated 30 June 1995 between the Company (1), K. Bollmann and others (2), 3i PLC (3) and 3i Group PLC (4) setting out the terms under which 3i Group PLC invested in the Company and the terms upon which other investors could co-invest.
- (c) A deed of adherence dated 14 May 1996 by Maltrace PLC whereby Maltrace PLC invested in the Company and undertook to be bound by the obligations of the investment agreement dated 30 June 1995.
- (d) A lease dated 13 March 1995 between Pointon York Trustees Ltd, K. Bollmann, H.E. S-Bollmann and D. F. Mould as Trustees of Woodgate Trust (1), and HBM (2), whereby HBM leased Ringdale House, 56 Victoria Road, Burgess Hill, West Sussex, for six years from 1 January 1995 at £40,000 per annum subject to review on 1 January 1998 and 31 December 2001.



## Material Contracts continued/...

- (e) A lease dated 18 October 1995 between Pointon York Trustees Ltd, K. Bollmann, H.E. S-Bollmann and D. F. Mould as Trustees of Woodgate Trust (1), and HBM (2), whereby HBM leased HBM House, 26 Victoria Way, Burgess Hill, West Sussex, for six years from 18 October 1995 at £42,500 per annum subject to review on 18 October 1998 and 17 October 2001.
- (f) A letter of appointment dated 30 June 1995 between the Company (1) and Martin Pollins as the principal of PRB Martin Pollins Chartered Accountants (PRB) (2) whereby PRB agreed to provide taxation and other financial advice to the Company for professional fees on an hourly basis, the amount of which is agreed from time to time.
- (g) An agreement dated 9 July 1996 between the Company (1), K Bollmann and others (2), 3i PLC (3), 3i Group PLC (4) and Maltrace PLC (5) under which the document referred to in paragraph 14(b) above was terminated conditional upon Admission.
- (h) An agreement dated 9 July 1996 between the Company (1) and Mobesco Managers Ltd (Mobesco) (2) whereby Mobesco agreed to act as Registrar to the Company on a fee basis linked to time spent but with a minimum annual payment of £10,000.

## 15. General

- (a) The auditors of the Company are BDO Stoy Hayward of 8 Baker Street, London, W1M 1DA. BDO Stoy Hayward have given and not withdrawn their written consent to the inclusion in this document of their reports and their letter and the references thereto and to themselves in the form and context in which they appear.
- (b) The Nominated Adviser of the Company is Neill Clerk Capital Limited, 31 Sackville Street, London, W1X 1DB, regulated by The Securities and Futures Authority Limited.
- (c) The Nominated Broker to the Company is Burrough Johnstone Limited of 24-25 Cliffe High Street, Lewes, East Sussex, BN7 2AH, a member of the London Stock Exchange and regulated by The Securities and Futures Authority Limited.
- (d) Other than those disclosed in this document, there are no significant investments under active consideration.
- (e) The expenses of or incidental to the Placing (assuming maximum subscription) are payable by the Company and are estimated to amount to £300,000 (excluding VAT) and are payable by the Company.
- (f) The Company's accounting reference date is 30 September.
- (g) The Placing Price represents a premium over nominal value of 104 pence per Ordinary Share.

General continued /...

- (h) Other than the current application for admission of the Ordinary Shares to be traded on AIM, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made, nor are there intended to be any other arrangements for there to be dealings in the Ordinary Shares.
- (i) The Directors are unaware of any exceptional factors which have influenced the Group's recent activities.
- (j) Other than as disclosed in this document, there have been no significant recent trends concerning the development of the Group's business nor any significant acquisitions or disposals of assets since 30 September 1995.
- (k) Mr M. Pollins was appointed a Director on 8 September 1995. Mr Pollins is a partner in the firm PRB Martin Pollins. That firm audited the accounts of the Group for certain financial periods ending 30 September 1994.
- (l) Other than as disclosed in this document, there are no licences or contracts which the Directors view as being fundamental to the business of the Group.

#### 16. Availability of prospectus

Copies of this prospectus, which is published on 10 July 1996 are available during normal business hours on any week day (except Saturdays and public holidays) free of charge from the Company's registered office and at the offices of the Nominated Adviser and Nominated Broker and shall remain available for at least fourteen days after the date of admission of the securities to trading on AIM.

Date: 10 July 1996



## SCHEDULE 1

### ACCOUNTANTS' REPORT

The following is the text of a report from BDO Stoy Hayward, Chartered Accountants and Registered Auditors.



**BDO Stoy Hayward**

The Directors  
Network Technology PLC  
26 Victoria Way  
Burgess Hill  
West Sussex  
RH15 9NF

10 July 1996

and

The Directors  
Neill Clerk Capital Limited  
31 Sackville Street  
London  
W1X 1DB

Dear Sirs

#### Network Technology PLC

Network Technology PLC (the "Company") was incorporated on 11 May 1995 under the name of Matlorill Limited. It changed its name to Network Technology Group Limited on 21 June 1996, re-registered as a public limited company on the same date and changed its name to Network Technology PLC on 3 July 1996.

On 30 June 1995 the Company acquired H. Bollmann Manufacturers Limited ("HBM") and International Technology Consultants Limited ("ITC"). At that date ITC had two wholly owned subsidiaries, N&R Circuits UK Limited ("N&R") and Ringdale UK Limited ("Ringdale"). Ringdale has a wholly owned dormant subsidiary, Megaswitch Limited. Both HBM and ITC were controlled by the same shareholders and the acquisitions were achieved by the Company paying cash and issuing shares in exchange for the issued shares in HBM and ITC.

On 25 November 1995 the Company incorporated A.B. Semicon (UK) Limited and on 8 January 1996 also incorporated AB Semicon Limited, a company incorporated in Ireland. Neither of these companies has yet commenced trading.

On 31 August 1995 the Company set up H. Bollmann Manufacturers Inc. ("HBM Inc"), a United States company, which commenced trading on 15 September 1995.

In summary, as at 31 March 1996, the Company had the following wholly owned subsidiaries:

Company	Status	Country of Registration
HBM	Trading	England
ITC	Non-Trading subsidiary holding company	England
N&R	Trading	England
Ringdale	Trading	England
A.B. Semicon (UK) Limited	Dormant	England
AB Semicon Limited	Dormant	Eire
Megaswitch Limited	Dormant	England
HBM Inc	Trading	USA

HBM was incorporated as H. Bollmann Limited on 15 November 1985 which, following a merger with H. Bollmann Marketing Limited, a company incorporated on 17 June 1986, changed its name to H. Bollmann Manufacturers Limited on 14 December 1988. In November 1992 HBM entered into a company voluntary arrangement, which was satisfactorily concluded in June 1995.

ITC was incorporated on 4 May 1990 as Burbur 7 Limited, changing its name to International Technology Consultants Limited on 3 October 1990. It has not traded since that date but does hold the intellectual property rights to the products designed by HBM.

N&R was incorporated on 14 September 1994 as Goalrun Limited, a wholly owned subsidiary of ITC, and on 16 September 1994 acquired the business and assets of N&R Circuits Limited (an unrelated company) from the Receivers of that company. On 20 September 1994, Goalrun Limited changed its name to N&R Circuits UK Limited.

Ringdale was incorporated on 2 December 1993 as Speed 3991 Limited, a wholly owned subsidiary of ITC. On 18 January 1994 Ringdale acquired the business and assets of Ringdale Limited (an unrelated company) from the Receivers of that company. On 21 January 1994 Ringdale changed its name to Ringdale UK Limited.

Megaswitch Limited was incorporated on 6 April 1989 as Millenscope Limited, changing its name to Megaswitch Limited on 4 May 1989. This company was acquired by Ringdale on 15 March 1994.

HBM Inc was incorporated on 31 August 1995 as a wholly owned subsidiary of the Company.

No statutory accounts have been prepared to date for the Company or HBM Inc. There is no obligation to prepare audited accounts for the dormant subsidiaries.



Statutory accounts have been prepared for the following companies in the period 1 January 1993 to 31 March 1996 (the "Period under Review").

HBM	Accounts for the nine months ended 30 September 1993 and the years ended 30 September 1994 and 1995
ITC	Accounts for the 16 months ended 30 September 1994 and the year ended 30 September 1995
N&R	Accounts for the period 14 September 1994 to 30 September 1995
Ringdale	Accounts for the 10 months ended 30 September 1994 and the year ended 30 September 1995

For the purposes of this Accountants' Report audited accounts have also been prepared for the Company for the period 11 May 1995 to 30 September 1995 and audited consolidated accounts for the Company for the 6 months ended 31 March 1996.

The financial information set out below is based on the audited financial statements of the above companies for the Period under Review, together with such adjustments that we considered appropriate. We have examined the audited financial statements of the above companies for the Period under Review.

Our work has been carried out in accordance with the Auditing Guideline: Prospectuses and the Reporting Accountant. No audited financial statements have been prepared by the Company or its subsidiaries subsequent to 31 March 1996.

PRB Martin Pollins, Chartered Accountants and Registered Auditors, were auditors to HBM and ITC and its subsidiaries for the Period under Review for the financial periods up to 30 September 1994. BDO Stoy Hayward have acted as auditors to the Company and its subsidiaries since that date except HBM Inc for which no auditors have yet been appointed.

The audit reports in respect of the statutory accounts prepared during the Period under Review were all unqualified.

Since the Company was not obliged to prepare statutory accounts in the Period under Review, accounts for the Company have been prepared and audited specifically for the purposes of this Accountants' Report, of which only the six months ended 31 March 1996 are consolidated accounts. The audit report on these accounts is also unqualified.

In order to provide further financial information about the trading performance of the Company's subsidiaries, we have also included below, summaries of the audited financial statements of these trading subsidiaries for the Period under Review.

In our opinion, the financial information set out below gives, for the purposes of the document of which this report forms a part, a true and fair view of the results and cash flows of the Company and the subsidiaries included herein for the Period under Review and of the state of affairs at the end of each period and we accept responsibility for this report accordingly.

## 1 ACCOUNTING POLICIES

1.1 The following principal accounting policies have been consistently applied throughout the Period under Review.

(a) ***Basis of accounting***

The financial statements have been prepared under the historical cost convention and are in accordance with the applicable accounting standards.

(b) ***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 financial information.

(c) ***Turnover***

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

(d) ***Depreciation***

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

Freehold properties	2% straight line, commencing from date of use
Motor vehicles	25% per annum
Plant and equipment	25% per annum
Computer equipment	33.3% per annum on a straight line basis
Fixtures and fittings	15% per annum

(e) ***Stock and work in progress***

Stock and work in progress is valued at the lower of cost and net realisable value. Cost includes direct cost of materials and parts but excludes any attributable labour element and is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling prices less additional costs to completion and disposal.

(f) ***Deferred taxation***

Provision is made for deferred taxation to the extent that there is a reasonable probability of the tax falling due for payment in the foreseeable future. Material amounts of tax not provided for are disclosed as a contingent liability.

(g) ***Foreign currencies***

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with through the profit and loss account.

(h) **Goodwill**

Goodwill arising on an acquisition of a subsidiary is the difference between the fair value of the consideration price and the fair value of the assets and liabilities acquired.

Goodwill arising on consolidation is amortised through the profit and loss account over 20 years, being the directors' estimate of its useful economic life.

(i) **Intellectual property costs**

Intellectual property costs are amortised on a straight line basis over 3 years, being the directors' estimate of their useful economic life.

(j) **Office establishment costs**

The Group's strategy is to set up local offices in key markets. Set up costs are usually incurred in the first twelve months of trading and the directors believe that these costs will be recovered in full, out of trading surpluses, in the 24 months following the initial set up period. Hence, office set-up costs are amortised on a straight line basis over a period of 2 years commencing 12 months after the expenditure is incurred.

(k) **Warranties**

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

(l) **Research and Development**

Research and development expenditure is taken to the profit and loss account as and when it is incurred.

(m) **Leased assets**

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balances of capital repayments outstanding. The capital part reduces the amount payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account.

## 2 THE COMPANY AND GROUP

### 2.1 Profit and Loss Accounts

		Company 11 May 1995 to 30 Sept 1995 (audited) £000	Group 6 months ended 31 March 1996 (audited) £000
Turnover	Notes 2.4(a)	-	6,779
Cost of sales		-	(3,681)
<b>Gross Profit</b>		-	<b>3,098</b>
Administrative expenses		(5)	(1,801)
Other operating income		-	3
<b>Operating (loss)/profit</b>	2.4(b)	<b>(5)</b>	<b>1,300</b>
Income from shares in Group undertakings		25	-
Other interest receivable		-	1
Interest payable and similar charges	2.4(e)	(1)	(9)
<b>Profit on ordinary activities before taxation</b>		<b>19</b>	<b>1,292</b>
Tax on profit on ordinary activities	2.4(f)	-	(430)
<b>Profit on ordinary activities after taxation</b>		<b>19</b>	<b>862</b>
Dividends (includes non-equity)	2.4(g)	-	(241)
<b>Retained profit for the period</b>	2.4(p)	<b>19</b>	<b>621</b>

All amounts relate to continuing activities. All recognised gains and losses are included in the profit and loss accounts.

## 2.2 Balance Sheets

		Company As at 30 Sept 1995 (audited) £000	Group As at 31 March 1996 (audited) £000
	Notes		
<b>Fixed assets</b>			
Intangible assets	2.4(h)	-	4,349
Tangible assets	2.4(i)	-	1,335
Investments	2.4(j)	5,450	-
		<u>5,450</u>	<u>5,684</u>
<b>Current assets</b>			
Stock	2.4(k)	-	1,701
Debtors	2.4(l)	21	2,500
Cash at bank and in hand		-	321
		<u>21</u>	<u>4,522</u>
<b>Creditors: amounts falling due within 1 year</b>	2.4(m)	(431)	(4,352)
<b>Net current (liabilities)/assets</b>		<u>(410)</u>	<u>170</u>
<b>Total assets less current liabilities</b>		<u>5,040</u>	<u>5,854</u>
<b>Creditors: amounts falling due after more than 1 year</b>	2.4(m)	-	(152)
<b>Net assets</b>		<u>5,040</u>	<u>5,702</u>
<b>Capital and reserves</b>			
Share capital	2.4(o)	3,875	3,875
Share premium account	2.4(p)	1,158	1,146
Capital redemption reserve	2.4(p)	13	13
Profit and loss account	2.4(p)	(6)	668
<b>Shareholders' funds</b>		<u>5,040</u>	<u>5,702</u>
<b>Equity</b>			
Share capital		2,500	2,500
Share premium account		-	-
Capital redemption reserve		-	-
Profit and loss account		(6)	668
<b>Non Equity</b>		<u>2,494</u>	<u>3,168</u>
Share capital		1,375	1,375
Share premium account		1,158	1,146
Capital redemption reserve		13	13
Profit and loss account		-	-
		<u>2,546</u>	<u>2,534</u>
		<u>5,040</u>	<u>5,702</u>

## 2.3 Cash Flow Statement

	Notes	Group six months ended 31 March 1996 (audited) £000	£000
Net cash inflow from operating activities	2.4(q)		1,009
Returns on investments and servicing of finance			
Interest received		1	
Interest paid		(6)	
Interest element of hire purchase payments		(3)	
Dividend		(136)	
Net cash inflow from returns on investments and servicing of finance			(144)
Taxation			
Corporation tax paid			(57)
Investing activities			
Cost of establishing overseas offices		(113)	
Payments to acquire fixed assets		(623)	
Receipts from sales of fixed assets		434	
Net cash outflow from investing activities			(302)
Net cash inflow before financing			506
Financing			
Expenses set against share premium account		(12)	
Capital element of hire purchase repayments		(67)	
Repayments of bank loan		(400)	
New bank loan		109	
Net cash outflow from financing	2.4(r)		(370)
Increase in cash and cash equivalents	2.4(s)		136

## 2.4 Notes

### (a) *Turnover*

The turnover, profit before taxation and net assets are wholly attributable to the Group's principal activity, which is based in the United Kingdom.

Group  
Six months  
ended  
31 March  
1996  
£000

The analysis of turnover by geographic market is as follows:

United Kingdom	1,394
Other EC countries	426
United States of America	545
Rest of the World (including Japan £4,200,000)	4,414
	<u>6,779</u>

### (b) *Operating (loss)/profit*

Company	Group 11 May 1995 to 30 September 1995 £000	six months ended 31 March 1996 £000
---------	--	---

The operating profit is stated after  
charging/(crediting):

Directors' remuneration	-	323
Depreciation	-	142
Amortisation of intangible assets	-	136
Profit on disposal of fixed assets	-	(17)
Auditors' remuneration	1	13
Income from sale of distribution rights	-	(156)
Income from shares in group undertakings	(25)	-
	<u></u>	<u></u>

(c) *Employees*

	Company 11 May 1995 to 30 September 1995 Number	Group six months ended 31 March 1996 Number
The average monthly number of employees during each period, including directors, was	<u>5</u>	<u>139</u>
	Company 11 May 1995 to 30 September 1995 £000	Group six months ended 31 March 1996 £000
Staff costs for all employees, including directors, consists of:		
Wages	-	1,145
Social Security costs	-	91
Other pension costs	-	62
	<u>Nil</u>	<u>1,298</u>

Pension cost charge represents the contributions payable by the Group to the Woodgate Trust (note 2.4(t)).



(d) *Directors' remuneration*

	Company 11 May 1995 to 30 September 1995 £000	Group Six months ended 31 March 1996 £000
Remuneration for management services	-	311
Fees as directors	2	12
	<hr/> 2	<hr/> 323

Details of individual remuneration excluding pension contributions are as follows:

	Company 11 May 1995 to 30 September 1995 £000	Group Six months ended 31 March 1996 £000
Chairman	<hr/> 1	<hr/> 7
Highest paid director	<hr/> 1	<hr/> 125
Other directors' emoluments fell within the following ranges:		Number
£nil - £5,000	3	1
£15,000 - £20,000	-	1
£100,001 - £105,000	-	1
	<hr/>	<hr/>

(e) *Interest payable*

	Company 11 May 1995 to 30 September 1995 £000	Group six months ended 31 March 1996 £000
Interest payable on:		
Bank loan	1	2
Bank overdraft	-	4
Hire purchase & finance leases	-	3
	<u>1</u>	<u>9</u>

(f) *Tax on profit on ordinary activities*

	Company 11 May 1995 to 30 September 1995 £000	Group six months ended 31 March 1996 £000
UK Corporation tax	-	405
Under provision in respect of previous periods	-	25
	<u>Nil</u>	<u>430</u>

(g) *Dividends*

	Company 11 May 1995 to 30 September 1995 £000	Group six months ended 31 March 1996 £000
Paid:		
'A' Ordinary shares (4.59p)	-	36
'A' Preference shares (4.59p)	-	100
	<hr/> Nil	<hr/> 136
Proposed:		
'A' Ordinary shares (2.16p)	-	17
'A' Preference shares (2.16p)	-	47
'B' Preference shares (7.04p)	-	41
	<hr/> Nil	<hr/> 105
Total	<hr/> Nil	<hr/> 241

The paid and proposed dividends of £241,000 disclosed above include an amount of £80,000 in respect of the period to 30 September 1995. This has not been accrued in the company for the period ended 30 September 1995 as the company had insufficient distributable reserves at that date.

(h) *Intangible fixed assets - Group*

	Goodwill £000	Intellectual Property costs £000	Office establishment costs £000	Total £000
<b>Cost</b>				
At 1 October 1995	4,349	77	-	4,426
Additions	-	-	113	113
At 31 March 1996	4,349	77	113	4,539
<b>Amortisation</b>				
At 1 October 1995	54	-	-	54
Charge for period	109	27	-	136
At 31 March 1996	163	27	-	190
<b>Net Book value</b>				
At 31 March 1996	4,186	50	113	4,349
At 30 September 1995	4,295	77	-	4,372

(i) *Tangible fixed assets - Group*

	Freehold Property £000	Plant and Equipment £000	Fixtures and Fittings £000	Motor Vehicles £000	Total £000
<b>Cost</b>					
At 1 October 1995	408	1,090	104	61	1,663
Additions in period	153	550	-	-	703
Disposals in period	(408)	(9)	-	-	(417)
At 31 March 1996	153	1,631	104	61	1,949
<b>Depreciation</b>					
At 1 October 1995	-	355	73	44	472
Charge for period	-	138	2	2	142
At 31 March 1996	-	493	75	46	614
<b>Net Book value</b>					
At 31 March 1996	153	1,138	29	15	1,335
At 30 September 1995	408	735	31	17	1,191

The net book value of tangible fixed assets includes an amount of £246,771 in respect of assets held under hire purchase agreements. The related depreciation charge for the period was £40,148.

(j) *Investments - Company*

	As at 30 September 1995 £000
Shareholdings in subsidiary companies	5,450

(k) *Stock*

	Company As at 30 September 1995 £000	Group As at 31 March 1996 £000
Raw materials and consumables	-	980
Work in progress	-	454
Finished goods	-	267
	<u>Nil</u>	<u>1,701</u>

(l) *Debtors*

	Company As at 30 September 1995 £000	Group As at 31 March 1996 £000
Trade debtors	-	2,130
Amounts owed by related undertakings	-	69
Other debtors	-	54
Prepayments	-	59
Value Added Tax	21	188
	<u>21</u>	<u>2,500</u>

(m) **Creditors**

	Company As at 30 September 1995 £000	Group As at 31 March 1996 £000
Amounts falling due within one year		
Bank overdraft (secured)	-	557
Bank loans	-	110
Loan from related party	-	219
Amounts owed to Group undertakings	391	-
Trade creditors	13	1,780
Obligations under finance leases and hire purchase contracts	-	77
Corporation tax	-	853
Taxation & social security	-	158
Other creditors	25	67
Proposed dividend	-	105
Accruals	2	426
	<u>431</u>	<u>4,352</u>
Amounts falling due after more than one year		
Hire purchase and finance leases	-	152

The bank overdraft is secured by a fixed charge over debtor balances.

(n) **Deferred taxation**

No provision has been made for accelerated capital allowances of about £32,000, since in the opinion of the directors these allowances will not reverse in the foreseeable future.



(o) *Share capital*

	30 September 1995 £000	As at 31 March 1996 £000
<b>Authorised:</b>		
1,700,000 Ordinary shares of £1 each	1,700	1,700
1,200,000 'A' Ordinary shares of £1 each	1,200	1,200
3,262,500 'A' Preference shares of 50p each	1,631	1,631
600,000 'B' Preference shares of 50p each	300	300
	<u>4,831</u>	<u>4,831</u>
<b>Allotted, issued and fully paid:</b>		
1,700,000 Ordinary shares of £1 each	1,700	1,700
800,000 'A' Ordinary shares of £1 each	800	800
2,175,000 'A' Preference shares of 50p each	1,088	1,088
575,000 'B' Preference shares of 50p each	287	287
	<u>3,875</u>	<u>3,875</u>

**Income rights**

The profits of the Company are applied as follows:

- First in paying the holders of 'A' Preference shares a fixed cumulative preferential net cash dividend of 9 pence per annum.
- Second in paying the holders of 'B' Preference shares a fixed cumulative preferential net cash dividend of 9 pence per annum.
- Third in paying the holders of 'A' Ordinary shares a fixed cumulative preferential net cash dividend of 9 pence per annum.
- Fourth in paying the holders of 'A' Ordinary shares a fixed cumulative preferential net cash dividend which is dependent upon the net profit of the Group.
- Fifth in paying the holders of 'A' Ordinary shares a cumulative preferential net cash dividend, called the "compensatory dividend", which is dependent upon the amount of any ordinary dividend and the amount of directors' remuneration paid.
- Finally the holders of ordinary shares will only receive a dividend if:
  - i) all previous dividends have been paid.
  - ii) all preference shares that have fallen due for redemption have been redeemed.
  - iii) all compensatory dividends have been paid.
  - iv) written consent of 50% of 'A' ordinary shareholders is received.

Any such dividend is dependent on the profits of the Group.

### Rights on a winding up

The rights on a winding up apply in the following order:

- The holders of 'A' Preference shares will receive £1 per share.
- The holders of 'B' Preference shares will receive £1 per share.
- The holders of 'A' Ordinary shares will receive £1 per share.
- The holders of ordinary shares will receive £1 per share.
- Any residue will be shared between the holders of 'A' Ordinary shares and Ordinary shares in proportion to their shareholding.

### Redemption dates

Redemption date	Number of 'A' preference shares redeemable	Number of 'B' preference shares redeemable
31 March 1998	217,500	57,500
30 September 1998	217,500	57,500
31 March 1999	217,500	57,500
30 September 1999	217,500	57,500
31 March 2000	217,500	57,500
30 September 2000	217,500	57,500
31 March 2001	217,500	57,500
30 September 2001	217,500	57,500
31 March 2002	217,500	57,500
30 September 2002	217,500	57,500

### Voting rights

The holders of 'A' Preference shares are not entitled to vote unless the company has not complied with its dividend and redemption liabilities. The holders of 'B' Preference shares are not entitled to vote.

The holders of 'A' Ordinary shares and ordinary shares rank *pari passu* in respect of voting rights.



(p) *Reconciliation of movements in shareholders' funds*

**Company**

	Share capital £000	Share Premium £000	Capital Redemption £000	Profit and loss account £000	Total £000
At 11 May 1995	-	-	-	-	-
Issues of shares	3,888	1,388	-	-	5,276
Issue expenses and stamp duty	-	(230)	-	-	(230)
Redemption of shares	(13)	-	(12)	-	(25)
Transfer to capital redemption reserve	-	-	25	(25)	-
Retained profit for the period	-	-	-	19	19
At 30 September 1995	3,875	1,158	13	(6)	5,040

On 30 June 1995, 1,699,998 ordinary shares of £1 each and 800,000 'A' Ordinary Shares were issued at par, 2,175,000 50p 'A' Preference Shares were issued at £1 each and 600,000 50p 'B' Preference Shares were issued at £1 each. On 11 August 1995 25,000 'B' Preference Shares of 50p each were redeemed for £1 each.

**Group**

	Share capital £000	Share Premium £000	Capital Redemption £000	Profit and loss account £000	Total £000
At 30 September 1995	3,875	1,158	13	47	5,093
Expenses written off	-	(12)	-	-	(12)
Retained profit for the period	-	-	-	621	621
At 31 March 1996	3,875	1,146	13	668	5,702

(q) *Reconciliation of operating profit to net cash outflow from operating activities.*

	Group six months ended 31 March 1996 £000
Operating profit	1,300
Depreciation and amortisation charges	278
Profit on sale of tangible fixed assets	(17)
(Increase) in stocks	(100)
(Increase) in debtors	(1,073)
Increase in creditors	621
Net cash inflow from operating activities	1,009

(r) <i>Analysis of changes in financing - Group</i>			
	Share premium account £000	Hire purchase agreements and loans £000	Total £000
Balance at 30 September 1995	1,158	616	1,774
Net cash outflow from financing	(12)	(358)	(370)
Inception of hire purchase agreements	-	80	80
Balance at 31 March 1996	<u>1,146</u>	<u>338</u>	<u>1,484</u>

(s) <i>Analysis of cash and cash equivalents - Group</i>			
	Cash at bank £000	Bank overdrafts £000	Total £000
Balance at 30 September 1995	63	(435)	(372)
Net cash inflow/(outflow)	258	(122)	136
Balance at 31 March 1996	<u>321</u>	<u>(557)</u>	<u>(236)</u>

(t) *Related party transactions*

During the period beginning 1 October 1995 and ending 31 March 1996 ("the period") the Group made payments of £62,000 to the directors' executive pension scheme, The Woodgate Trust, in respect of pension contributions. During the period, The Woodgate Trust purchased HBM's freehold property (net book value £425,000) for £425,000.

In addition, H. Bollmann Manufacturers Pty Limited ("HBM Pty Ltd"), a company registered in Australia, was considered to be a related party as it was controlled by H Bollmann. During the period, sales amounting to £11,877 were made to HBM Pty Ltd. The balance outstanding to the Group at the end of the period was £68,686. HBM Pty Ltd is no longer controlled by H Bollmann.

During the period, sales amounting to £5,460 were made to Messe and Weberservice GmbH. Messe and Weberservice GmbH is a company registered in Germany in which K. Bollmann has a substantial interest. The balance outstanding to the Group at the period end was £5,460.

PRB Martin Pollins, chartered accountants is considered to be a related party as it is controlled by M. Pollins who is a director of the Group. During the period £14,015 was paid to PRB Martin Pollins in respect of taxation, accountancy and corporate finance advice. The balance outstanding from the Group at the end of the period was £3,674.

Maltrace Plc, a company registered in England, is considered to be a related party as it is controlled by the directors of the Group. During the period, a loan of £219,161 (note 2.4(m)) was made to the Group. No repayments were made during the year. Following the year end further monies were loaned. The full amount was then repaid by the issue of share capital in the Group (note 2.4(u)).

(u) *Post balance sheet events*

On 17 May 1996, the Company issued 456,933 'A' Preference shares and 168,067 Ordinary shares for consideration of £625,000, to Maltrace Plc, an investment company in which K. Bollmann, H. Bollmann and G. Woodhead are shareholders, and K. Bollmann and M. Pollins are directors.

### 3 HBM

#### 3.1 Profit and Loss Accounts

		Nine months ended 30 September 1993 £000	Year ended 30 September 1994 £000	Year ended 30 September 1995 £000
	Notes			
Turnover	3.4(a)	1,622	3,854	8,138
Cost of sales		(897)	(2,142)	(5,147)
Gross profit		725	1,712	2,991
Administrative expenses		(535)	(1,063)	(1,652)
Other operating income		7	4	16
Operating profit	3.4(b)	197	653	1,355
Other interest receivable		-	-	5
Interest payable and similar charges	3.4(e)	(28)	(62)	(51)
Profit on ordinary activities before taxation		169	591	1,309
Tax on profit on ordinary activities	3.4(f)	(6)	(149)	(432)
Profit on ordinary activities after taxation		163	442	877
Dividends	3.4(g)	-	-	(25)
Retained profit for the period/year	3.4(n)	163	442	852

All amounts relate to continuing activities. All recognised gains and losses are include in the profit and loss accounts.

### 3.2 Balance Sheets

			As at 30 September		
	Notes	1993 £000	1994 £000	1995 £000	
<b>Fixed assets</b>					
Tangible assets	3.4(h)	<u>539</u>	<u>681</u>	<u>1,084</u>	
<b>Current assets</b>					
Stock	3.4(i)	442	584	1,469	
Debtors	3.4(j)	333	819	1,955	
Cash at bank and in hand		<u>21</u>	<u>117</u>	<u>58</u>	
		796	1,520	3,482	
<b>Creditors: amounts falling due within 1 year</b>	3.4(k)	<u>(864)</u>	<u>(1,288)</u>	<u>(2,651)</u>	
<b>Net current (liabilities)/assets</b>		<u>(68)</u>	<u>232</u>	<u>831</u>	
<b>Total assets less current liabilities</b>		471	913	1,915	
<b>Creditors: amounts falling due after more than 1 year</b>	3.4(k)	<u>(400)</u>	<u>(400)</u>	<u>(550)</u>	
<b>Net assets</b>		<u>71</u>	<u>513</u>	<u>1,365</u>	
<b>Capital &amp; reserves</b>					
Share capital	3.4(m)	-	-	-	
Share premium account		249	249	249	
Profit & loss account		<u>(178)</u>	<u>264</u>	<u>1,116</u>	
<b>Shareholders' funds</b>	3.4(n)	<u>71</u>	<u>513</u>	<u>1,365</u>	

### 3.3 Cash Flow Statements

	Notes	Nine months ended 30 September 1993 £000	Year ended 30 September 1994 £000	Year ended 30 September 1995 £000
Net cash inflow from operating activities	3.4(o)	184	337	171
Returns on investments and servicing of finance				
Interest received		-	-	5
Interest paid		(27)	(50)	(31)
Interest element of hire purchase payments		-	(9)	(10)
Dividend		-	-	(25)
		(27)	(59)	(61)
Taxation				
Tax paid		-	(2)	(90)
Investing activities				
Payments to acquire fixed assets		(48)	(228)	(323)
Receipts from sales of fixed assets		2	3	8
Net cash outflow from investing activities		(46)	(225)	(315)
Net cash inflow/(outflow) before financing		111	51	(295)
Financing				
Repayment of bank loan		(75)	(50)	-
Capital element of hire purchase repayments		(41)	(31)	(18)
Net cash outflow from financing	3.4(p)	(116)	(81)	(18)
Decrease in cash & cash equivalents	3.4(q)	(5)	(30)	(313)

### 3.4 Notes

The turnover and profit before taxation are attributable to the company's principal activity.

The analysis of turnover by geographical market is as follows:

(a) *Turnover*

	Nine months ended 30 September 1993 £000	Year ended 30 September 1994 £000	Year ended 30 September 1995 £000
By destination:			
United Kingdom	823	1,977	2,805
Other EC Countries	522	1,039	1,391
United States of America	126	365	777
Japan	5	212	2,994
Rest of the World	146	261	171
	<u>1,622</u>	<u>3,854</u>	<u>8,138</u>

(b) *Operating profit*

	Nine months ended 30 September 1993 £000	Year ended 30 September 1994 £000	Year ended 30 September 1995 £000
This is arrived at after charging/(crediting):			
Directors' remuneration	121	245	337
Depreciation	37	85	143
Auditors' remuneration	5	6	11
Profit on disposal of tangible fixed assets	-	(4)	-
Hire of plant and equipment	4	5	12
	<u></u>	<u></u>	<u></u>

(c) *Employees*

	Nine months ended 30 September 1993 Number	Year ended 30 September 1994 Number	Year ended 30 September 1995 Number
The average weekly number of employees during each period, including directors, was	<u>27</u>	<u>41</u>	<u>71</u>

(c)	<i>Employees (continued)</i>	Nine months ended 30 September 1993 £000	Year ended 30 September 1994 £000	Year ended 30 September 1995 £000
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Staff costs for all employees,  
including directors, consists of:

Wages and salaries	334	759	1,155
Social security costs	34	75	108
Other pension costs	-	-	120
	<u>368</u>	<u>834</u>	<u>1,383</u>

The pension scheme cost charge represents the contributions payable by the company to The Woodgate Trust (Note 3.4t)

(d) *Directors' remuneration*

Details of individual remuneration excluding pension contributions are as follows:

	Nine months ended 30 September 1993 £000	Year ended 30 September 1994 £000	Year ended 30 September 1995 £000
Chairman and highest paid director	<u>54</u>	<u>111</u>	<u>100</u>
Other directors	Number	Number	Number
emoluments to fall within the following ranges:			
£Nil - £5,000	-	2	1
£15,001 - £20,000	1	-	-
£20,001 - £25,000	-	1	1
£35,001 - £40,000	1	-	-
£85,001 - £90,000	-	1	-
£100,001 - £105,000	-	-	1
	<u>          </u>	<u>          </u>	<u>          </u>

(e) *Interest payable and similar charges*

	Nine months ended 30 September 1993 £000	Year ended 30 September 1994 £000	Year ended 30 September 1995 £000
Interest payable on:			
Bank loan	25	40	41
Hire purchase agreements	3	9	10
Interest paid to group undertakings	-	1	-
Other	-	10	-
Corporation tax	-	2	-
	<u>28</u>	<u>62</u>	<u>51</u>

(f) *Tax on profit on ordinary activities*

	Nine months ended 30 September 1993 £000	Year ended 30 September 1994 £000	Year ended 30 September 1995 £000
Corporation tax	6	139	402
Under provision in prior year	-	10	30
	<u>6</u>	<u>149</u>	<u>432</u>

(g) *Dividends*

	Nine months ended 30 September 1993 £000	Year ended 30 September 1994 £000	Year ended 30 September 1995 £000
Final paid £67.93 per ordinary share	-	-	25
	<u>-</u>	<u>-</u>	<u>25</u>



(h) *Tangible fixed assets*

	Motor Vehicles £000	Plant & equipment £000	Fixtures & fittings £000	Freehold Property £000	Total £000
<b>Cost or valuation</b>					
At 1 October 1994	99	425	104	400	1,028
Additions in year	-	546	-	8	554
Disposals in year	(41)	-	-	-	(41)
At 30 September 1995	<u>58</u>	<u>971</u>	<u>104</u>	<u>408</u>	<u>1,541</u>
<b>Depreciation</b>					
At 1 October 1994	71	208	68	-	347
Disposals	(33)	-	-	-	(33)
Charge for year	5	133	5	-	143
At 30 September 1995	<u>43</u>	<u>341</u>	<u>73</u>	<u>-</u>	<u>457</u>
<b>Net Book value</b>					
At 30 September 1995	<u>15</u>	<u>630</u>	<u>41</u>	<u>408</u>	<u>1,084</u>
At 30 September 1994	<u>28</u>	<u>217</u>	<u>36</u>	<u>400</u>	<u>681</u>

The net book value of tangible fixed assets includes an amount of £227,242 in respect of assets held under hire purchase agreements. The related depreciation charge for the period was £32,993.

After the year ended 30 September 1995 the freehold property was purchased by The Woodgate Trust, the directors' pension scheme (note 3.4(t)).

(i) *Stock*

	1993 £000	As at 30 September 1994 £000	1995 £000
Raw materials and consumables	337	451	742
Work in progress	105	133	727
	<u>442</u>	<u>584</u>	<u>1,469</u>

(i) *Debtors*

	As at 30 September		
	1993 £000	1994 £000	1995 £000
Amounts falling due within one year			
Trade debtors	329	557	977
Amounts owed by related undertakings (note 3.4t) -		75	93
Amounts owed by group undertakings	-	150	816
Other debtors	-	7	6
Prepayments	-	-	5
Value Added Tax	4	30	58
	<u>333</u>	<u>819</u>	<u>1,955</u>

(k) *Creditors*

	As at 30 September		
	1993 £000	1994 £000	1995 £000
Amounts falling due within one year			
Bank overdraft	-	125	380
Bank loan	50	-	-
Directors loan account	9	28	-
Trade Creditors	597	775	1,406
Amounts owed to group undertakings	17	-	-
Obligations under finance leases and hire purchase contracts	31	-	63
Corporation tax	3	139	480
Taxation & social security	89	41	65
Accruals	68	180	257
	<u>864</u>	<u>1,288</u>	<u>2,651</u>

Amounts falling due after more than one year

Bank loan account	400	400	400
Hire purchase creditors	-	-	150
	<u>400</u>	<u>400</u>	<u>550</u>

The bank loan was secured by a legal mortgage providing a fixed charge over the freehold property of HBM and an unlimited debenture providing a fixed and floating charge over all the assets of HBM. Following the year end the bank loan was repaid out of the proceeds of the sale of the freehold property (see note 3.4(t)). The bank overdraft is secured by a fixed charge over debtors balances.

(l) *Deferred taxation*

	As at 30 September 1994		As at 30 September 1995	
	Unprovided in accounts £000	Provided £000	Unprovided in accounts £000	Provided £000
Accelerated capital allowances	23	-	25	-

(m) *Share capital*

	Ordinary shares of £1 each As at 30 September		
	1993 £	1994 £	1995 £
Authorised	50,000	50,000	50,000
Allotted, called up & full paid	368	368	368

(n) *Reconciliation of movements in shareholders' funds*

	Nine months ended 30 September 1993 £000	Year ended 30 September 1994 £000	Year ended 30 September 1995 £000
Opening shareholders' funds	(92)	71	513
Profit for the period	163	442	877
Dividends	-	-	(25)
Closing shareholders' funds	71	513	1,365

(o) *Reconciliation of operating profit to net cash inflow from operating activities*

	Nine months ended 30 September 1993 £000	Year ended 30 September 1994 £000	Year ended 30 September 1995 £000
Operating profit	196	653	1,355
Depreciation charges	37	85	143
(Profit) on sale of fixed assets	-	(4)	-
(Increase) in stocks	(138)	(142)	(885)
(Increase) in debtors	(154)	(486)	(1,136)
Increase in creditors	243	231	694
Net cash inflow from operating activities	<u>184</u>	<u>337</u>	<u>171</u>

(p) *Analysis of changes in financing*

	Hire purchase agreements & loans As at 30 September		
	1993 £000	1994 £000	1995 £000
Balance at 1 October	597	481	400
Cash outflow from financing	(116)	(81)	(18)
Inception of hire purchase agreements	-	-	231
Balance at 30 September	<u>481</u>	<u>400</u>	<u>613</u>

(q) *Analysis of changes in cash and cash equivalents during the year*

	As at 30 September		
	1993 £000	1994 £000	1995 £000
Balance brought forward	26	21	(9)
Net cash outflow	(5)	(30)	(313)
Balance carried forward	<u>21</u>	<u>(9)</u>	<u>(322)</u>



(r) *Analysis of cash and cash equivalents as shown in the balance sheet*

	As at 30 September		
	1993 £000	1994 £000	1995 £000
Cash at bank and in hand	21	116	58
Bank overdraft	-	(125)	(380)
Net cash and cash equivalents	21	(9)	(322)

(s) *Ultimate holding company*

During the Period under Review, HBM was initially ultimately controlled by another company and later became a wholly owned subsidiary of the Company. Amounts owed by group undertakings relate to moneys due from fellow group companies at the balance sheet date.

(t) *Related party transactions*

During the year ended 30 September 1995, HBM made payments to the Directors' Executive pension scheme, The Woodgate Trust, in respect of pension contributions of £120,316. After 30 September 1995 The Woodgate Trust purchased the freehold property of HBM for £425,000 (see note (3.4(h); 3.4(k)).

In addition, HBM Pty Ltd, was considered to be a related party as it was controlled by the directors of HBM. During the year ended 30 September 1995, sales amounting to £91,261 were made to HBM Pty Ltd. The balance outstanding, to HBM, as at 30 September 1995 was £92,475 (1994:£75,415, 1993: £Nil).

Following the appointment of M Pollins as a director on 8 September 1995, PRB Martin Pollins was considered to be a related party. The balance outstanding at 30 September 1995 was £5,946 (1994 (£2,809), 1993 £NIL).

During the year ended 30 September 1995, K Bollmann took a substantial interest in Messe Weberservice GmbH, a company registered in Germany. During the year ended 30 September 1995, an advance of £5,050 was made to this company which was due to HBM at 30 September 1995 and subsequently invoiced in the six months ended 31 March 1996.

4      N&R

4.1    Profit and Loss Account

		14 September 1994 to 30 September 1995 £000
	Note	
Turnover	4.3(a)	435
Cost of sales		(358)
		<hr/>
Gross profit		77
Administrative expenses		(241)
		<hr/>
Operating loss	4.3(b)	(164)
Interest payable and similar charges		(6)
		<hr/>
Loss on ordinary activities before taxation		(170)
Tax on loss on ordinary activities	4.3(e)	-
		<hr/>
Loss on ordinary activities after taxation and retained loss for the period		(170)
		<hr/>

All amounts relate to continuing activities. All recognised gains and losses are included in the profit and loss account.

## 4.2 Balance Sheet

	Note	As at 30 September 1995 £000
<b>Fixed assets</b>		
Intangible assets	4.3(f)	50
Tangible assets	4.3(g)	87
		<hr/>
<b>Current assets</b>		
Stock	4.3(h)	42
Debtors	4.3(i)	66
Cash at bank and in hand		1
		<hr/>
		109
<b>Creditors</b>		
Amounts falling due within 1 year	4.3(j)	(414)
		<hr/>
<b>Net current liabilities</b>		(305)
		<hr/>
<b>Total assets less current liabilities</b>		(168)
		<hr/>
<b>Creditors</b>		
Amounts falling due after more than 1 year	4.3(j)	(2)
		<hr/>
<b>Net assets</b>		(170)
		<hr/>
<b>Capital and reserves</b>		
Share capital	4.3(k)	-
Profit and loss account		(170)
		<hr/>
<b>Shareholders' funds</b>		(170)
		<hr/>

#### 4.3 Notes

(a) *Turnover*

The turnover and loss before taxation are attributable to the company's principal activity.

(b) *Operating loss*

14 September 1994 to  
 30 September 1995  
 £000

This is arrived at after charging:

Directors' remuneration	1
Depreciation of owned assets	6
Depreciation of assets held under finance leases	1
Amortisation of intangible assets	8
Auditors' remuneration	1
	<hr/>

(c) *Employees*

The average weekly number of employees during the period, including directors, was 19.

14 September 1994 to  
 30 September 1995  
 £000

Staff costs for all employees, including directors, consists of:

Wages and salaries	257
Social security costs	21
	<hr/>
	278
	<hr/>

The directors' remuneration was paid to I. A Nicholson.



14 September  
1994 to  
30 September  
1995  
£000

Interest payable on:	
Loans	5
Finance leases	1
	<hr/>
	6

There is no corporation tax charge due to the losses during the period.

	Goodwill £000	Intellectual Property £000	Research & Development £000	Total £000
<b>Cost</b>				
Additions in period	20	13	25	58
At 30 September 1995	20	13	25	58
<b>Depreciation</b>				
Charge for period	(4)	(4)	-	(8)
At 30 September 1995	(4)	(4)	-	(8)
<b>Net Book Value</b>				
At 30 September 1995	16	9	25	50

(g) *Tangible fixed assets*

	Plant & Equipment £000	Computer Equipment £000	Total £000
<b>Cost</b>			
Additions in period	86	8	94
At 30 September 1995	86	8	94
<b>Depreciation</b>			
Charge for period	(5)	(2)	(7)
At 30 September 1995	(5)	(2)	(7)
<b>Net Book Value</b>			
At 30 September 1995	81	6	87

The net book value of tangible fixed assets includes an amount of £2,791 in respect of assets held under finance leases. The related depreciation charge for the period was £931.

(h) *Stock*

	As at 30 September 1995 £000
Raw materials and consumables	25
Work in progress	17
	42

The directors consider that the replacement cost of stock is not materially different to the amount included above.

(i) *Debtors*

As at  
30 September  
1995  
£000

Amounts falling due within 1 year

Trade debtors	58
Value Added Tax	8
	<hr/>
	66

(j) *Creditors*

As at  
30 September  
1995  
£000

Amounts falling due within 1 year

Bank overdraft (secured)	55
Finance lease	1
Trade creditors	166
Amounts owed to group undertakings	139
Other taxation and social security	20
Accruals	6
Other creditors	27
	<hr/>
	414

Amounts falling due after more than 1 year

Finance lease	2
	<hr/>

(k) *Share capital*

Ordinary  
shares  
of £1 each  
£

Authorised	1,000
	<hr/>
Allotted, called up and fully paid	2
	<hr/>

(l) *Ultimate holding company*

During the Period under Review N&R was initially ultimately controlled by another company and later became a wholly owned subsidiary of the Company. Amounts owed by group undertakings relate to moneys due from fellow group companies at the balance sheet date.

## 5 RINGDALE

### 5.1 Profit and Loss Accounts

	Notes	Ten months ended 30 September 1994 £000	Year ended 30 September 1995 £000
Turnover	5.3(a)	207	557
Cost of sales		(84)	(354)
<b>Gross profit</b>		<b>123</b>	<b>203</b>
Administrative expenses		(95)	(197)
<b>Operating profit</b>	5.3(b)	<b>28</b>	<b>6</b>
Interest payable & similar charges	5.3(d)	(4)	(6)
<b>Profit on ordinary activities before taxation</b>		<b>24</b>	<b>-</b>
Taxation on profit on ordinary activities	5.3(e)	(10)	-
<b>Profit on ordinary activities after taxation</b>	5.3(f)	<b>14</b>	<b>-</b>

All amounts relate to continuing activities. All recognised gains and losses are included in the profit and loss account.

## 5.2 Balance Sheets

	Notes	As at 30 Sept 1994 £000	As at 30 Sept 1995 £000
<b>Fixed Assets</b>			
Intangible assets	5.3(f)	34	27
Tangible assets	5.3(g)	15	11
		<u>49</u>	<u>38</u>
<b>Current assets</b>			
Stocks	5.3(h)	33	90
Debtors	5.3(i)	72	155
Cash at bank and in hand		-	4
		<u>105</u>	<u>249</u>
<b>Creditors: amount falling due within one year</b>	5.3(j)	<u>(85)</u>	<u>(273)</u>
<b>Net current assets/(liabilities)</b>		<u>20</u>	<u>(24)</u>
<b>Total assets less current liabilities</b>		69	14
<b>Creditors: amount falling due after more than one year</b>	5.3(j)	<u>(55)</u>	<u>-</u>
<b>Net assets</b>		<u>14</u>	<u>14</u>
<b>Capital and reserves</b>			
Share capital	5.3(k)	-	-
Profit and loss account	5.3(l)	14	14
<b>Shareholders' funds</b>		<u>14</u>	<u>14</u>

### 5.3 Notes

(a) *Turnover*

The turnover and profit before taxation are attributable to the Company's principal activity and wholly attributable to the United Kingdom.

(b) *Operating profit*

	Ten months ended 30 September 1994 £000	Year ended 30 September 1995 £000
This is arrived at after charging:		
Depreciation	20	24
Auditors' remuneration	5	2
Operating lease rentals	1	8
	<u>26</u>	<u>34</u>

(c) *Employees*

	Ten months ended 30 September 1994 £000	Year ended 30 September 1995 £000
The average monthly number of employees during each period, including directors, was	2	4

	Ten months ended 30 September 1994 £000	Year ended 30 September 1995 £000
Staff costs for all employees, including directors, consists of:		
Wages and salaries	26	83
Social security costs	2	8
	<u>28</u>	<u>91</u>

The directors' remuneration (excluding pension contributions) was nil during both periods.

(d) *Interest payable and similar charges*

	Ten months ended 30 Sept. 1994 £000	Year ended 30 Sept. 1995 £000
Interest payable on:		
Bank loan	4	6
Overdraft	-	-
Corporation tax	-	-
	<u>4</u>	<u>6</u>

(e) *Taxation on profit on ordinary activities*

	Ten months ended 30 Sept. 1994 £000	Year ended 30 Sept. 1995 £000
UK Corporation tax	10	-

(f) *Intangible fixed assets*

	Intellectual Property £000	Goodwill £000	Total £000
<b>Cost</b>			
At 1 October 1994	45	5	50
Additions in year	<u>13</u>	<u>-</u>	<u>13</u>
At 30 September 1995	<u>58</u>	<u>5</u>	<u>63</u>
<b>Amortisation</b>			
At 1 October 1994	15	1	16
Amortisation for year	<u>19</u>	<u>1</u>	<u>20</u>
At 30 September 1995	<u>34</u>	<u>2</u>	<u>36</u>
<b>Net Book Value</b>			
At 30 September 1995	<u>24</u>	<u>3</u>	<u>27</u>
At 30 September 1994	<u>30</u>	<u>4</u>	<u>34</u>

(g) *Tangible Fixed Assets*

	Motor Vehicles £000	Plant & Equipment £000	Total £000
<b>Cost</b>			
At 1 October 1994 and 30 September 1995	3	16	19
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 October 1994	1	3	4
Charge for year	1	3	4
	<hr/>	<hr/>	<hr/>
	2	6	8
	<hr/>	<hr/>	<hr/>
<b>Net Book Value</b>			
At 30 September 1995	1	10	11
	<hr/>	<hr/>	<hr/>
At 30 September 1994	2	13	15
	<hr/>	<hr/>	<hr/>

(h) *Stock*

	As at 30 September 1994 £000	As at 30 September 1995 £000
Raw Materials and Consumables	5	-
Work in Progress	-	3
Finished Goods and Goods for Resale	28	87
	<hr/>	<hr/>
	33	90
	<hr/>	<hr/>



(i) <i>Debtors</i>	As at	As at
	30 September 1994 £000	30 September 1995 £000

Amounts falling due within one year

Trade debtors	67	151
Prepayments	5	4
	<hr/>	<hr/>
	72	155
	<hr/>	<hr/>

(j) <i>Creditors</i>	As at	As at
	30 September 1994 £000	30 September 1995 £000

Amounts falling due within one year

Bank overdraft (secured)	1	-
Trade creditors	12	25
Amounts owed to group undertakings	42	231
Corporation tax	10	-
Taxation and social security	9	6
Accruals	10	5
Valued Added Tax	1	6
	<hr/>	<hr/>
	85	273
	<hr/>	<hr/>

Amounts falling due after more than one year

Amounts owed to group undertakings	55	-
	<hr/>	<hr/>

(k) *Share Capital*

	Ordinary Shares of £1 each	
	As at 30 September 1994 £000	As at 30 September 1995 £000
Authorised	1	1
Allotted, called up and fully paid	-	-

(l) *Reconciliation of movements in shareholders' funds*

	Period ended 30 September 1994 £000	Year ended 30 September 1995 £000
Profit for the period/year	14	-
Opening shareholders' funds	-	14
Closing shareholders' funds	14	14

(m) *Commitments under operating leases*

The company had annual commitments under non-cancellable operating leases as set out below:

	Motor Vehicles	
	As at 30 September 1994 £000	As at 30 September 1995 £000
Operating leases which expire:		
Within one year	-	6
In two to five years	7	3
	7	9

(n) *Ultimate holding company*

During the Period under Review, Ringdale was initially ultimately controlled by another company and later became a wholly owned subsidiary of the Company. Amounts owed to group undertakings relate to moneys due to fellow group companies at the balance sheet date.

## 6.      AUDITED   FINANCIAL STATEMENTS

The financial information contained in this report does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985, as amended.

Yours faithfully,

**BDO Stoy Hayward**  
Chartered Accountants and Registered Auditors

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**SCHEDULE 2**

**PROFIT FORECAST LETTER**



**BDO Stoy Hayward**

10th July 1996

The Directors  
Network Technology PLC  
26 Victoria Way  
Burgess Hill  
West Sussex RH15 9 NF

The Directors  
Neill Clerk Capital  
31 Sackville Street  
London W1X 1DB

Dear Sirs

**Network Technology PLC: Document to be dated 10 July 1996**

We have reviewed the accounting policies and calculations adopted in arriving at the profit forecast of Network Technology PLC and its subsidiary companies (together "the Group") for the year ending 30 September 1996, included in the document to be dated 10 July 1996 and for which the Directors of Network Technology PLC are solely responsible.

The profit forecast of the Group is based on the audited financial results for the six months ended 31 March 1996, the unaudited management accounts of the Group for the three months ended 30 June 1996 and the Directors' forecast for Network Technology PLC for the three months ending 30 September 1996.

In our opinion the forecast, so far as the accounting policies and calculations concerned, has been properly compiled on the basis of the assumptions made by the Directors set out in the document to be dated 10 July 1996 and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully

BDO Stoy Hayward



## SCHEDULE 3

### CVA ARRANGEMENTS

As part of the CVA, HBM's bankers who, at the time of the CVA were owed approximately £1.1 million, agreed to write off part of their loan so that £150,000 was secured against HBM's book debts and £400,000 against HBM's freehold property at 26 Victoria Way, Burgess Hill, West Sussex

The bank:.

- took an option over HBM's freehold property at 26 Victoria Way at a fixed price of £400,000 with the right to call on HBM in a ten year period from December 1992 to transfer the property to the bank;
- received interest on the residual mortgage of £400,000 which was fixed at £40,000 a year;
- took an option over 15% of the 42% of Mrs Bollmann's at an option price of £1; Subsequently she has repurchased that option; and
- received a debenture to secure the book debts in the amount of £150,000 (which was repaid as to £25,000 in December 1992 and thereafter at £25,000 a quarter); the debenture has been discharged;

Arrangements with creditors were such that:

- unsecured creditors were paid 30p in the £;
- preferential creditors were paid in full;
- payments to the creditors commenced shortly after the CVA commenced.

The final payment to the CVA creditors was made in June 1995, at which time the CVA was completed.



Notes: