

23rd June 1998

TADPOLE TECHNOLOGY PLC
Interim Results
For the half year ended 31st March 1998

Summary

	<u>1998</u>	<u>1997</u>
Turnover	£3.9m	£7.4m
Operating loss continuing operations	(£970,000)	(£1,797,000)
Loss before tax	(£994,000)	(£2,461,000)
Loss per share	(1.9p)	(9.4p)

- The new management team has continued to concentrate on tight cost control and cash management whilst investing in new products.
- Turnover was almost entirely derived from the mobile Sparcbook product line as a diverse variety of lower margin inherited products were phased out.
- A substantially more powerful complimentary line of mobile SUN systems, "VoyagerIII", is announced today - the result of a £1 million plus investment.
- In March Tadpole acquired a Java applications partner and is developing a Cartesia mobile Intranet solution for field computing in the Utilities Industry internationally. Field service trials with Bristol Water plc are scheduled for late summer.

Lars Turndal, Chairman, states:

"Your directors remain committed to making this Company a successful and profitable undertaking, and towards that end we are continuing to actively pursue further opportunities which we believe will help us achieve our goals as rapidly as practicable."

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Chairman's Statement

In line with the commitments I made in my last statement, the new management team at Tadpole has continued to concentrate upon tight cost control and cash management, whilst investing in new products for well focused markets. As a result of concentrating on the higher margin mobile SUN computers, first half revenues declined from £7.368m to £3.859m business revenues. The first half of 1998 recorded a significantly reduced loss of £994k compared to a loss of £2.461k during the same period in 1997.

Revenues are now being derived almost entirely from Sparcbook, rather than a diverse variety of products inherited from the previous management's strategy. The Sparcbook product line has continued to satisfy a proportion of the SUN market for mobile users. We have meanwhile developed a substantially more powerful complementary line of mobile SUN systems based on feedback from SUN customers. The result of this £1m+ investment over many months is being announced today with the introduction of the state-of-the-art VoyagerII product line. We now anticipate good revenue growth in the SUN/Solaris market and strong take up by a number of large US-based customers. With our cost base addressed, much of the revenue growth is anticipated to flow through to the bottom line.

I am very pleased to announce that we have made significant progress towards achieving the three major goals outlined in the Chairman's Statement which I issued earlier this year. Let me review these below:

- Establish a reputation as a SUN technology centre of excellence.

We continue to receive plaudits from SUN and are proud to have been cited by the President of SUN Microelectronics, Mel Friedman, for our "*innovative implementation of mobile Solaris and Sparc technologies*" as a result of the work that we have just completed on our new product line.

We also continue to work equally closely with other divisions of SUN that concentrate on Java technologies.

- Introduce new products in order to build sales of our mobile Sparc Solaris business.

Our mobile Sparc/Solaris product line is, today, being greatly strengthened with the introduction of a powerful range of new mobile systems based on the very latest technology from SUN Microsystems. Feedback from customers who have been allowed privileged early access to the new product line has been very encouraging. These brand new systems are scheduled for first customer availability this July and will play a crucial role in building our revenues in the constantly growing SUN Solaris customer base. SUN Microsystems themselves, have applauded us for our new product and have publicly stated that we have created "*a truly leading-edge portable solution*". With potential customers such as Oracle, Bay Networks, Motorola, Nokia and US Federal there is plenty of potential for our new extended family of mobile Sparc/Solaris products.

- Invest in new markets for mobile Java based solutions aimed at Global Utilities

Our new mobile Java strategy in the Global Utilities market is gathering momentum. The Company has acquired a Java applications software partner, SSL, and created a new subsidiary, Tadpole Software Solutions Ltd. We have won our initial order for a field service trial at Bristol Water Plc, one of the largest independent water supply companies in the country, and have also established a partnership in the USA with Geodata, a prestigious specialist integrator in the North American Utilities market.

Tadpole's Cartesia mobile Intranet solution for field computing in the Utilities Industry is designed to fit tightly into the fast growing new world of Java and the Corporate Intranet. The result will be a solution which promises lower costs and faster payback than those which have historically been used by field engineers in the Utilities Industry. We continue to make excellent progress in completing development of the software to be used in the first trials in late summer, we are in discussions with a number of potential partners who will integrate our solution into Utility enterprise systems, and we are preparing the product line for public launch in late 1998.

We continue to receive extremely positive feedback on our solution by those directly involved with Utilities in both the UK and USA and remain convinced that this business represents a profitable high growth opportunity for the company.

In summary, the new management team has made good progress in the execution of its strategy intended to allow the company to grow both revenues and contribution from its Sparc/Solaris business through the introduction of the new VoyagerIII product line. At the same time we are poised for entry into the fast growing Intranet solution-provider market with a unique and innovative Java mobile solution for Utilities.

We remain committed to making this Company a successful and profitable undertaking, and towards that end we are continuing to actively pursue further opportunities which we believe will help us achieve our goals as rapidly as practicable.

Lars Turndal

Consolidated profit and loss account

For the six months ended 31st March 1998

	Unaudited 6 months ended		Audited Year ended
	31 st March	31 st March	30 th September
	1998	1997	1997
	£'000	£'000	£'000
Turnover			
Continuing operations	3,859	6,943	12,935
Discontinued operations		425	484
	-----	-----	-----
Cost of sales	3,859 (2,542)	7,368 (5,452)	13,419 (9,819)
	-----	-----	-----
Gross profit	1,317	1,916	3,600
Distribution and selling expenses	(1,160)	(2,148)	(3,699)
Administration expenses	(503)	(786)	(1,166)
Research and development costs	(624)	(930)	(1,516)
Operating loss			
Continuing operations	(970)	(1,797)	(2,630)
Discontinued operations		(151)	(151)
	-----	-----	-----
Loss on ordinary activities before interest	(970)	(1,948)	(2,781)
Loss on termination of discontinued operations	-	(120)	(120)
Restructuring costs	-	(320)	(504)
	-----	-----	-----
Net interest payable	(970) (24)	(2,388) (73)	(3,405) (118)
	-----	-----	-----
Loss on ordinary activities before tax	(994)	(2,461)	(3,523)
Tax on loss on ordinary	-	-	75
	-----	-----	-----
Retained loss for the financial period	(994)	(2,461)	(3,448)
	=====	=====	=====
Loss per share	(1.9p)	(9.4p)	(10.3p)

Consolidated balance sheet

As at 31st March 1998

	Unaudited 6 months ended 31st March 1998 £'000	Unaudited 6 months ended 31 st March 1997 £'000	Audited 30th September 1997 £'000
Fixed assets			
Intangible assets	8	3	-
Tangible assets	702	883	766
	----- 710	----- 886	----- 766
Current assets			
Stocks	727	1,944	1,407
Debtors	1,168	2,767	2,577
Cash at bank and in hand	859	503	887
	----- 2,754	----- 5,214	----- 4,871
Creditors: Amounts falling due within one year	(2,421)	(5,722)	(4,010)
	----- 333	----- (508)	----- 861
Net current assets			
Total assets less current liabilities	1,043	378	1,627
Creditors: Amounts falling due after more than one year	-	-	-
	----- 1,043	----- 378	----- 1,627
Net assets			
Capital and reserves			
Called-up share capital	5,410	2,628	5,154
Share premium account	17,853	18,008	17,700
Accumulated deficit	(22,220)	(20,258)	(21,227)
	----- 1,043	----- 378	----- 1,627
Total capital employed			
	=====	=====	=====

Notes to the accounts:

1. After making enquiries, and taking into account current losses, management's estimate of future business, and the matters described below, the directors have a reasonable expectation that the Company has adequate financial resources to continue in operations for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the interim financial information.

The Company has an overdraft facility of up to \$4 million, which is secured over 80% of trade debtors, and 40% of eligible inventory held by Tadpole Technology Inc. On the basis of projections showing sales for existing product lines, plus the introduction of the new Voyager product line, the directors expect the Group to operate within the banking facility currently agreed, and within that expected to be agreed in September 1998, when the Group's bankers are due to consider its renewal for a further year.

2. In February, the Group acquired the exclusive rights to the use of all of the assets and Intellectual Property Rights ("IPR's) of a Java-software development house, in exchange for meeting certain of that Company's debts. The Group also holds an option to buy the company outright at any time within three years of the date of the agreement, for a price of £200,000.

Research and Development expenditure includes costs amounting to £153,600 which relate to the Group's move into the Java arena.

3. Discontinued operations in 1997 relate to the French subsidiary, which was closed during that year as part of the Group's cost reduction programme.
4. Cost of Sales is stated net of the following transactions
 - Satisfactory settlement of repair and warranty issues with an OEM customer resulted in recovered costs of £108,000.
 - Warranty provisions that are no longer required have been released, to the value of £100,000.
5. Taxation is calculated on the loss before taxation at the anticipated rate for the current year taking into account available tax losses.
6. Basic loss per share is based on a Group loss of £994,000 (March 1997 £2,461,000) and on the weighted average number of ordinary shares in issue and ranking for dividend during the period of March 1998 of 52,207,599 (March 1997 26,280,936). No fully diluted loss per share is shown in accordance with Standard Statement of Accounting Practice No.3, Earnings per Share.
7. The comparative figures for the year to 30th September 1997 do not constitute full statutory accounts within the meaning of Section 240 of the Companies Act 1985. Full statutory accounts for that period, which received an unqualified audit report, have been delivered to the Registrar of Companies.

Review report

by the Auditors to Tadpole Technology plc

We have reviewed the interim financial information for the six months ended 31st March 1998 set out above which is the responsibility of, and has been approved by, the directors. Our responsibility is to report on the results of our review.

Our review was carried out having regard to the Bulletin 'Review of Interim Financial Information', issued by the Auditing Practices Board. This review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied, and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and verification of assets and liabilities, and was therefore substantially less in scope than an audit performed in accordance with Auditing Standards. Accordingly, we do not express an audit opinion on the interim financial information.

On the basis of our review:

- in our opinion the interim financial information has been prepared using accounting policies consistent with those adopted by Tadpole Technology plc in its financial statements for the year ended 30th September 1997; and
- we are not aware of any material modifications that should be made to the interim financial information as presented.

Arthur Andersen
Chartered Accountants