



# **Interim Report June 2005**

Registered office: Ultima Networks plc, Akhter House, Perry Road, Harlow, Essex CM18 7PN

Registered number: 1435584

## Chairman's Statement

The 6 months to 30 June 2005 has been a difficult period. Sales have decreased by 30% to £602,000 (2004 unaudited 6 months: £866,000) whilst selling and administration expenses increased by 70% to £627,000 (2004 unaudited 6 months: £369,000) as a result of the investment in C2 Communications Limited, resulting in a loss on ordinary activities before interest of £138,000 (2004 unaudited 6 months: profit £214,000)

The IT and Related Services Division contributed a loss on ordinary activities before interest of £132,000 (2004 unaudited 6 months: profit £130,000).

Cognito Software Limited and Integrated Publishing Systems Limited suffered from decreases in sales, but both remained profitable. Cognito is generating much interest in its fully integrated trust and probate software solution which is very encouraging and so the second half results are expected to improve.

The research and development of wireless networking products continues in Canada with a production facility established in Pakistan. However, no sales have been generated in the period and this business continues to be the subject of review by the Board.

C2 Communications Limited has been much slower than expected in establishing itself in its chosen markets and has produced an operating loss. The operations of C2 have been reviewed and changes implemented. Opportunities remain good and C2 is now expected to make positive progress.

The Renewable Energy and Other Products Division contributed a loss on ordinary activities before interest of £6,000 (2004 unaudited 6 months: profit £84,000). Unfortunately, all opportunities for the sale and installation of grid connected solar plants have been frustrated, largely as a consequence of the continuing difficulties in the availability of the supply of solar panels.

The pre and post tax losses for the six-month period are £242,000 compared with a pre and post tax profit of £111,000 for the same period in 2004. There is no tax charge due to the losses.

In February 2005 the Company arranged an additional loan of £80,000 with Lloyds TSB Bank Plc based on a variable interest rate. The funds were used to purchase the minority shareholding in C2 Communications Limited and for working capital. Interest payable for the 6 months to June was £104,000 (2004 unaudited 6 months: £103,000).

Our objectives for 2005 are still to increase the market share of the established IT and related services businesses and build the new telecoms business profitably. In June 2005, as part of these objectives, the Board moved the Company's listing from the Official List of the UK Listing Authority to the Alternative Investment Market of the London Stock Exchange Plc where the transaction costs for acquisitions and disposals are significantly lower. Therefore, new business opportunities via acquisition in the Group's chosen software markets are being actively pursued.



Humayun A Mughal  
Chairman

September 2005

## Consolidated profit and loss account

	Note	(Unaudited) First half 2005 £000	(Unaudited) First half 2004 £000	(Audited) Full year 2004 £000
<b>Turnover – continuing operations</b>	1	602	866	1,906
<b>Cost of sales</b>		(113)	(283)	(544)
<b>Gross profit</b>		489	583	1,362
Selling and administration expenses		(627)	(369)	(843)
<b>(Loss)/profit on ordinary activities before interest</b>	1	(138)	214	519
Net interest payable and similar charges		(104)	(103)	(206)
<b>(Loss)/profit on ordinary activities before taxation</b>		(242)	111	313
<b>Tax on (loss)/profit on ordinary activities</b>		-	-	(28)
<b>(Loss)/profit for the financial period</b>		(242)	111	285
<b>Basic (loss)/earnings per share</b>		(0.12)p	0.06p	0.14p

## Consolidated balance sheet

	Note	(Unaudited) 30 June 2005 £000	(Unaudited) 30 June 2004 £000	(Audited) 31 Dec 2004 £000
<b>Fixed assets</b>				
Tangible fixed assets		4,054	3,036	4,121
<b>Current assets</b>				
Stock		158	222	130
Debtors		330	751	416
Cash at bank and in hand		61	107	237
		549	1,080	783
<b>Creditors - amounts due within one year</b>		(1,667)	(2,006)	(1,576)
<b>Net current liabilities</b>		(1,118)	(926)	(793)
<b>Total assets less current liabilities</b>		2,936	2,110	3,328
<b>Creditors - amounts due after one year</b>		(2,377)	(2,639)	(2,492)
<b>Net assets/(liabilities)</b>		559	(529)	836
<b>Capital and reserves</b>				
Called up equity share capital		7,554	7,524	7,551
Share premium account		5,602	5,579	5,598
Revaluation reserve		2,142	1,080	2,142
Acquisition reserve		1,334	1,334	1,334
Profit and loss account	2	(16,073)	(16,046)	(15,834)
<b>Shareholders' funds</b>		559	(529)	791
<b>Minority interest</b>		-	-	45
		559	(529)	836

