



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
Turnover – continuing operations	1	602	866	1,906
Cost of sales		(113)	(283)	(544)
Gross profit		489	583	1,362
Selling and administration expenses		(627)	(369)	(843)
(Loss)/profit on ordinary activities before interest	1	(138)	214	519
Net interest payable and similar charges		(104)	(103)	(206)
(Loss)/profit on ordinary activities before taxation		(242)	111	313
Tax on (loss)/profit on ordinary activities		-	-	(28)
(Loss)/profit for the financial period		(242)	111	285
Basic (loss)/earnings per share		(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
Fixed assets				
Tangible fixed assets		4,054	3,036	4,121
Current assets				
Stock		158	222	130
Debtors		330	751	416
Cash at bank and in hand		61	107	237
Creditors - amounts due within one year		549	1,080	783
		(1,667)	(2,006)	(1,576)
Net current liabilities		(1,118)	(926)	(793)
Total assets less current liabilities		2,936	2,110	3,328
Creditors - amounts due after one year		(2,377)	(2,639)	(2,492)
Net assets/(liabilities)		559	(529)	836
Capital and reserves				
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)
Shareholders' funds		559	(529)	791
Minority interest		-	-	45
		559	(529)	836

Consolidated cash flow statement	(Unaudited) First half 2005 £000	(Unaudited) First half 2004 £000	(Audited) Full year 2004 £000
Cash (outflow)/inflow from operating activities	(288)	(42)	301
Returns on investment and servicing of finance	(84)	(103)	(206)
Taxation	-	-	-
Minority interest	(45)	-	45
Capital expenditure and financial investment	(6)	(4)	(63)
Cash (outflow)/inflow before financing	(423)	(149)	77
Financing	(68)	171	75
(Decrease)/increase in cash in the period	(491)	22	152

Notes

1. Segmental reporting

	(Unaudited) First half 2005 £000	(Unaudited) First half 2004 £000	(Audited) Full year 2004 £000
Turnover – continuing operations			
United Kingdom	602	861	1840
North America	-	5	66
Total	602	866	1,906
IT and related services	451	484	1,238
Renewable Energy and other	151	382	668
Total	602	866	1,906
Loss on ordinary activities before interest			
IT and related services	(132)	130	216
Renewable energy and other	(6)	84	303
Total	(138)	214	519

2. Reserves

Profit and Loss Account

	£000
At beginning of period	(15,834)
Loss for the financial period	(242)
Exchange movements	3
At end of period	(16,073)

3. Dividends

The Board is not recommending the payment of an interim dividend at this time.

4. Other information

These interim results are prepared on the basis of accounting policies that are consistent with those set out in the Annual Report for the year ended 31 December 2004. This interim report was neither audited nor reviewed by the auditors. The comparative figures for the year ended 31 December 2004 have been extracted from the Group's statutory accounts for the financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

This Interim Report is also available on the company's website, www.ultima-networks.co.uk