



Ultima Networks plc

**Interim Report
30 June 2006**

Registered number 1435584

Chairman's Statement

I am pleased to report that in the six months to 30 June 2006 the Group returned to profitability with an operating profit of £105,000 (H1 2005: loss £138,000) and increased Group sales of £654,000 (H1 2005: £475,000). All of the continuing businesses reported operating profits.

The IT and related services division made an operating profit of £95,000 (H1 2005: loss £137,000) on sales of £345,000 (H1 2005: £349,000). This division now comprises Cognito Software and Integrated Publishing Systems after C2 Communications and SilCom, the two unprofitable businesses, were sold in November 2005 and closed in December 2005 respectively. Cognito Software, the provider of application software and services to the legal profession, was the major contributor to this division with a much improved performance over the first half of 2005.

The other products division contributed an operating profit of £10,000 (H1 2005: loss £1,000) on sales of £309,000 (H1 2005: £126,000). This division comprises UTN Solutions (North) and the holding company. The holding company does not generate any sales, but contributes the property rental income reported as other operating income. UTN Solutions (North) has found success with its PowaCycle branded range of electric bicycles and is looking to build upon this success with the launch of a new bicycle battery based on polymer technology, which is lighter in weight and has a larger capacity than that currently offered.

Pre-tax profit of the group was £3,000 (H1 2005: loss £242,000). The taxation charge of £23,000 (H1 2005: £nil) has been calculated at the current estimated tax rate of 19% and comprises deferred tax charges of £14,000 and corporation tax charges of £9,000. The loss for the financial period after taxation is £20,000 (H1 2005: loss £242,000).

In July 2006, the holding company announced it had exchanged contracts for the sale, to an unconnected third party, of its freehold property in Bradford for a cash sum of £4.2m. The sale is expected to be completed on 29 September 2006. The proceeds from the sale will be applied primarily in repaying the loans to Lloyds TSB Bank plc and Akhter Group plc, which are both secured on the property as well as repayment of the outstanding 8% unsecured loan notes and accrued interest. The balance remaining after these repayments will be used for working capital purposes and to fund investment in the profitable expansion of the Group when appropriate opportunities become available.

Humayun Akhter Mughal
Executive Chairman

28 September 2006

Consolidated balance sheet
At 30 June 2006

	Note	Half year 2006 £000	Half year 2005 £000	Full year 2005 £000
Fixed assets				
Tangible assets	3	3,864	4,054	3,907
Current assets				
Stocks		99	158	114
Debtors		204	330	232
Cash at bank and in hand		14	61	4
		<hr/>	<hr/>	<hr/>
Creditors: amounts falling due within one year	4	(1,804)	549	350
		<hr/>	<hr/>	<hr/>
Net current liabilities		(1,487)	(1,118)	(1,324)
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Total assets less current liabilities		2,377	2,936	2,583
Creditors: amounts falling due after more than one year	5	(2,009)	(2,377)	(2,195)
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Net assets		368	559	388
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Capital and reserves				
Called up share capital		7,554	7,554	7,554
Share premium account		5,602	5,602	5,602
Revaluation reserve		2,071	2,142	2,071
Other reserves		1,334	1,334	1,334
Profit and loss account	2	(16,193)	(16,073)	(16,173)
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		368	559	388
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Consolidated cash flow statement
Six months ended 30 June 2006

Cash flow statement

	<i>Note</i>	Half year 2006 £000	Half year 2005 £000	Full year 2005 £000
Cash inflow / (outflow) from operating activities	6	183	(288)	56
Returns on investment and servicing of finance	7	(81)	(84)	(169)
Taxation		-	-	-
Acquisitions and disposals		-	(45)	(45)
Capital expenditure and financial investment	7	(17)	(6)	(8)
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Cash inflow / (outflow) before financing		85	(423)	(166)
Financing	7	(176)	(68)	(251)
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Decrease in cash in the period		(91)	(491)	(417)
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Reconciliation of net cash flow to movement in net debt

	<i>Note</i>	Half year 2006 £000	Half year 2005 £000	Full year 2005 £000
Decrease in cash in the period		(91)	(491)	(417)
Cash outflow from decrease in debt financing		176	75	258
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Decrease / (increase) in net debt from cashflows		85	(416)	(159)
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Movement in net debt in the period		85	(416)	(159)
Net debt at the start of the period		(3,248)	(3,089)	(3,089)
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Net debt at the end of the period	8	(3,163)	(3,505)	(3,248)
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Notes

1. Segmental reporting

	Half year 2006 £000	Half year 2005 Restated £000	Full year 2005 £000
Turnover			
United Kingdom	654	475	1,067
North America	-	-	7
Total	654	475	1,074
IT and related services	345	349	745
Other products	309	126	329
Total	654	475	1,074
Profit / (loss) on ordinary activities before interest			
IT and related services	95	(137)	(206)
Other products	10	(1)	91
Total	105	(138)	(115)

2. Profit and loss account

	£000
At 1 January 2006	(16,173)
Loss for the financial period	(20)
At 30 June 2006	(16,193)

3. Tangible Fixed Assets

	Freehold land and buildings £000	Plant and machinery £000	Total £000
Cost or valuation			
At 1 January 2006	4,020	118	4,138
Additions	-	17	17
At 30 June 2006	4,020	135	4,155
Depreciation			
At 1 January 2006	118	113	231
Charge for period	58	2	60
At 30 June 2006	176	115	291
Net book value			
At 30 June 2006	3,844	20	3,864
At 1 January 2006	3,902	5	3,907

