



Ultima Networks PLC

Interim Report

30 June 2004

Registered number 1435584

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

Interim Report from the Chairman

I am pleased to report the Group has made good progress in the 6 months 30 June 2004. Sales have increased by 7% to £866,000 (£810,000, H1 2003) and operating profit increased by 128% to £214,000 (£94,000, H1 2003). The Group overheads were reduced by 30% to £369,000 (£531,000, H1 2003). Our objectives for 2004 are to keep the structure of the existing businesses under constant review and focus on opportunities for profitable growth. In addition we are continuing to explore new business opportunities in related fields.

The IT and related services division contributed an operating profit of £130,000 (£33,000, H1 2003), an increase of 294% over the first half of 2003. Cognito Software's turnover increased by 16% and profit increased by 270% and Integrated Publishing's turnover decreased by 32% and profit increased by 17%. Cognito also substantially completed phase 2 development of its Custodian and Probates software, which is scheduled for marketing during the last quarter of 2004. Networking business continued to face difficulties, further cost cutting steps have been taken including relocation of Wireless production facility to Pakistan from Canada. The Research and development of the Wireless products will continue in Canada.

The renewable energy and other products division contributed a profit of £84,000 (£34,000, H1 2003), an increase of 147% over the first half of 2003. The balance of the contract to install "Grid connected Solar Plants" for Hertfordshire County Council was completed in this half generating sales of £192,300.

New business opportunities in the Telecom and Education sectors are being incubated as divisions of the holding company and will be spun out as separate subsidiaries if successful.

Interest payable for the 6 months to June was £103,000 (£109,000, H1 2003). In March 2004 the company repaid £885,000 to 8% loan note holders, being capital of £584,000 and all outstanding interest up to 1 March 2004 of £301,000. Additional loans of £500,000 and £250,000 were arranged with Lloyds Bank Plc and major shareholder Akhter Group Plc respectively. The new financing arrangements are based on variable interest rates and should result in lower interest for the Group depending on movement in base rates.

There is no tax charge as the Group has accumulated losses.

The profits for the six-month period are £111,000 compared with a loss of £15,000 for the same period in 2003.

Financial highlights

- Operating profit increased by 128% to £214,000 (£94,000 for H1 2003)
- Group turnover increased by 7% to £866,000 (£811,000 for H1 2003)
- Profit for the financial period of £111,000 achieved (Loss of £15,000 for H1 2003)
- Group operating expenses reduced by 30% to £369,000 (£531,000 for H1 2003)
- Profit per share of 0.06p (Loss per share of 0.01p for H1 2003)
- 53% of loan notes (£584,000) and all outstanding interest (£301,000) repaid to loan note holders.

Consolidated profit and loss account

	(Unaudited) First half 2004	(Unaudited) First half 2003	(Audited) Full year 2003
	£000	£000	£000
Turnover – continuing operations	866	810	1,770
Cost of sales	(283)	(212)	(657)
Gross profit	583	598	1,113
Operating expenses	(369)	(531)	(925)
Exceptional operating item – gain on approval of cva	-	27	27
Operating profit – continuing operations	214	94	215
Exceptional non-operating item – gain on disposal of freehold	-	-	175
Profit on ordinary activities before interest	214	94	390
Net interest payable	(103)	(109)	(205)
Profit/(loss) on ordinary activities before taxation	111	(15)	185
Tax on profit/(loss) on ordinary activities	-	-	(16)
Profit/(loss) for the financial period	111	(15)	169
Basic earnings per share	0.06p	(0.01)p	0.09p

Consolidated balance sheet

	(Unaudited) 30 June 2004	(Unaudited) 30 June 2003	(Audited) 31 Dec 2003
	£000	£000	£000
Fixed assets			
Tangible fixed assets	3,036	3,233	3,082
Current assets			
Stock	222	301	131
Debtors	751	490	628
Cash at bank and in hand	107	49	85
Creditors - amounts due within one year	(2,006)	(1,612)	(2,583)
Net current liabilities	(926)	(772)	(1,739)
Total assets less current liabilities	2,110	2,461	1,343
Creditors - amounts due after one year	(2,639)	(3,351)	(2,132)
Net liabilities	(529)	(890)	(789)
Capital and reserves			
Called up equity share capital	7,524	7,434	7,434
Share premium account	5,579	5,520	5,520
Revaluation reserve	1,080	1,102	1,080
Acquisition reserve	1,334	1,334	1,334
Profit and loss account	(16,046)	(16,280)	(16,157)
Deficit on shareholders' funds – equity	(529)	(890)	(789)

Consolidated cash flow statement

*Ultima Networks PLC
Interim Report
30 June 2004*

	(Unaudited) First half 2004 £000	(Unaudited) First half 2003 £000	(Audited) Full year 2003 £000
Cash (outflow)/inflow from operating activities	(42)	295	290
Returns on investment and servicing of finance	(103)	(109)	(205)
Taxation	-	-	-
Capital expenditure and financial investment	(4)	(129)	121
	<hr/>	<hr/>	<hr/>
Cash (outflow)/inflow before financing	(149)	57	206
Financing	171	(107)	(220)
	<hr/>	<hr/>	<hr/>
Increase/(decrease) in cash in the period	22	(50)	(14)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes

1. Segmental analysis

	(Unaudited) First half 2004 £000	(Unaudited) First half 2003 £000	(Audited) Full year 2003 £000
Turnover – continuing operations			
United Kingdom	861	807	1,687
North America	5	3	83
	<hr/>	<hr/>	<hr/>
Total	866	810	1,770
	<hr/>	<hr/>	<hr/>
IT and related services	484	542	1,179
Renewable Energy and other	382	268	591
	<hr/>	<hr/>	<hr/>
Total	866	810	1,770
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Profit on ordinary activities before interest			
IT and related services	130	33	75
Renewable energy and other	84	34	113
	<hr/>	<hr/>	<hr/>
Total	214	67	188
	<hr/>	<hr/>	<hr/>
Exceptional operating items	-	27	27
Exceptional non operating items	-	-	175
	<hr/>	<hr/>	<hr/>
	214	94	390
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

2. Reserves

	At beginning of year £000	Profit for the period £000	At end of period £000
Profit and loss account	(16,157)	111	(16,046)

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 2003.

This interim report was neither audited nor reviewed by the auditors.

The comparative figures for the year ended 31 December 2003 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.com