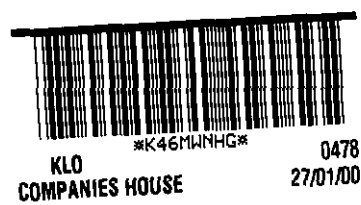


Akhter Group plc

**Directors' report and consolidated
financial statements**

30 June 1999

Registered number 1435835



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 1999.

Principal activities

The group is an established manufacturer, systems integrator and supplier of PC network and database technology to a broad base of predominantly public sector customers in the UK. The group principally serves the networked PC and workstation market offering customers complete turnkey systems solutions, comprising hardware, software, installation, networking, training and after sales support. The group sells mainly into niche markets in which it can differentiate itself and gain a competitive advantage.

The group also assembles branded personal computers for another manufacturer and assembles and distributes switch mode power supply units.

Business review

The group's consolidated profit and loss account is shown on page 5 and the consolidated balance sheet on page 6.

Future developments

The group is continuing to investigate new products and markets and will be endeavouring to expand its trading activities.

The group's management team is dedicated to maintaining and extending the improvements in customer services, quality and productivity.

Research and development

Research and development is an important part of the groups' operations. The directors intend to continue their policy of investment in research and development as an essential aspect of the continuing commitment to product and quality improvements.

Dividend

The directors do not recommend the payment of a dividend for 1999 (1998: £638,000).

Directors and directors' interests

Directors who served during the year are as follows:

HA Mughal - Chief Executive	
S Swan - Group Finance Director	(Resigned 28 May 1999)
AG Laffoley - Group Technical Director	
AM Tillbrook - Group Sales and Marketing Director	
DF Osborne - Non-Executive Chairman	(Resigned 31 July 1999)
Dr B Steiner - Non-Executive Director	(Resigned 31 July 1999)
MS Awan - Group Finance Director	(Appointed 21 October 1998)

The beneficial interests in the ordinary share capital of the company of the persons who were directors at the end of the financial year were as follows:

	1999	1998
HA Mughal	3,915,000	3,900,000
AM Tillbrook	60,000	60,000
AG Laffoley	120,000	120,000
MS Awan	180,000	180,000

Included in the above interests are shares held by spouses and children who are not directors of the company.

Directors' report (continued)

Employee Consultation

The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort will be made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Political and charitable contributions

The group made no political contributions during the year (1998: *£nil*). Charitable donations amounted to £19,585 (1998: £4,272).

Payment policy

It is the group's policy to negotiate terms with its suppliers and to ensure that they know the terms on which payment will be made when business is agreed. It is the director's policy to abide by such terms. The group does not follow any specified code or standard on payment practice due to the diverse nature of its supplier base.

At 30 June 1999 trade creditors represented approximately 28 days purchases for the group (1998: 35 days). The company did not have any trade creditors at 30 June 1999.

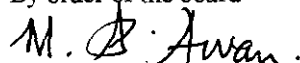
Year 2000 compliance

The directors have been proactively considering and addressing the impact of the Year 2000 problem on the group's internal systems over the past three years. The directors do not feel that Year 2000 compliance poses a significant issue for the group and no additional expenditure over and above that required for the ongoing replacement and enhancement of core systems is expected to be required.

Auditors

In accordance with Section 388 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



MS Awan
Secretary

20 January 2000
Akhter House
Perry Road
Harlow
Essex
CM18 7PN

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Report of the auditors to the members of Akhter Group plc

We have audited the financial statements on pages 5 to 24.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on or audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 June 1999 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

27 January 2000

Consolidated profit and loss account
for the year ended 30 June 1999

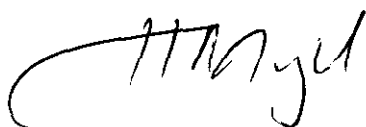
	Note	1999 £000	1999 £000	1998 £000	1998 £000
Turnover of the group including its share of associate's turnover			31,674		30,897
Share of associate's turnover			(2,382)		-
			<hr/>		<hr/>
Group turnover – continuing operations	1-2		29,292		30,897
Cost of Sales			(22,314)		(22,457)
			<hr/>		<hr/>
Gross profit			6,978		8,440
Selling and distribution costs			(4,753)		(4,359)
Administrative expenses			(1,609)		(1,366)
			<hr/>		<hr/>
Group operating profit before amortisation of goodwill	3-7		616		2,715
Amortisation of capitalised goodwill	12		(244)		-
			<hr/>		<hr/>
Group operating profit – continuing operations			372		2,715
Share of operating loss of associate			(470)		-
			<hr/>		<hr/>
Total operating (loss)/profit			(98)		2,715
Profit on sale of fixed assets – group	3		189		-
Net loss on disposal of discontinued operations – associate	8		(42)		-
			<hr/>		<hr/>
Profit on ordinary activities before interest			49		2,715
Interest receivable and similar income					
Group	4	93		67	
Associate		11		-	
		<hr/>	104	<hr/>	67
Interest payable and similar charges					
Group	5	(427)		(322)	
Associate		(78)		-	
		<hr/>	(505)	<hr/>	(322)
			<hr/>		<hr/>
(Loss)/profit on ordinary activities before taxation			(352)		2,460
Tax on (loss)/profit on ordinary activities					
Group	9	(277)		(664)	
Associate		48		-	
		<hr/>	(229)	<hr/>	(664)
			<hr/>		<hr/>
(Loss)/profit for the financial year			(581)		1,796
Equity dividends	10		-		(638)
			<hr/>		<hr/>
(Loss)/profit for the financial year accumulated with reserves	20		(581)		1,158
			<hr/>		<hr/>

Consolidated balance sheet
at 30 June 1999

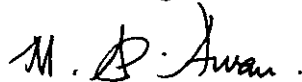
	Note	1999 £000	1998 £000
Fixed assets			
Investment in associate	11	(1,371)	-
Intangible assets- goodwill	12	3,414	-
Investment in associate		2,043	-
Tangible assets	13	4,315	5,929
		6,358	5,929
Current assets			
Stock	14	3,399	3,174
Debtors	15	2,537	3,696
Cash at bank and in hand		278	3,052
		6,214	9,922
Creditors: amounts falling due within one year	16	(4,883)	(8,911)
Net current assets		1,331	1,011
Total assets less current liabilities		7,689	6,940
Creditors: amounts falling due after one year	17	(1,342)	(312)
Provisions for liabilities and charges	18	(301)	(1)
Net assets		6,046	6,627
Capital and reserves			
Called up share capital	19	470	470
Share premium account	20	69	69
Revaluation reserve	20	95	95
Profit and loss account	20	5,412	5,993
Equity shareholders' funds		6,046	6,627

These financial statements were approved by the board of directors on 20 January 2000 and were signed on its behalf by:

HA Mughal
Chief Executive



MS Awan
Group Finance Director

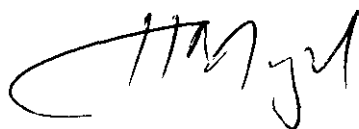


Company balance sheet
at 30 June 1999

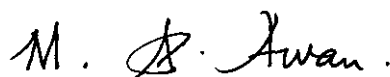
	Note	1999 £000	1998 £000
Fixed assets			
Tangible assets	13	797	813
Investments	11	4,017	1,400
		<hr/> 4,814	<hr/> 2,213
Current assets			
Debtors	15	-	1,123
Cash at bank and in hand		-	1
		<hr/> -	<hr/> 1,124
Creditors: amounts falling due within one year	16	(3,712)	(2,210)
		<hr/> (3,712)	<hr/> (1,086)
Total assets less current liabilities		<hr/> 1,102	<hr/> 1,127
Provisions for liabilities and charges	18	(1)	(1)
		<hr/> (1)	<hr/> (1)
Net assets		<hr/> 1,101	<hr/> 1,126
Capital and reserves			
Called up share capital	19	470	470
Share premium account	20	69	69
Revaluation reserve	20	95	95
Profit and loss account	20	467	492
		<hr/> 1,101	<hr/> 1,126
Equity shareholders' funds		<hr/> 1,101	<hr/> 1,126

These financial statements were approved by the board of directors on 20 January 2000 and were signed on its behalf by:

HA Mughal
Chief Executive



MS Awan
Group Finance Director



Consolidated cash flow statement
for the year ended 30 June 1999

	<i>Note</i>	1999 £000	1998 £000
Cash inflow from operating activities	22	2,665	3,636
Returns on investments and servicing of finance	23	(388)	(180)
Taxation	23	(607)	(1,852)
Capital expenditure and financial investment	23	280	(1,818)
Acquisitions and disposals	23	(2,617)	-
Equity dividends paid		(634)	(1,120)
		<hr/>	<hr/>
Cash outflow before management of liquid resources and financing		(1,301)	(1,334)
Financing	23	1,139	1,200
		<hr/>	<hr/>
Decrease in cash in the year		(162)	(134)
		<hr/>	<hr/>

Reconciliation of net cash flow to movement in net debt

		£000	£000
Decrease in cash in the year		(162)	(134)
Cash inflow from increase in debt and lease financing		(1,139)	(1,200)
		<hr/>	<hr/>
Movement in net debt in the year		(1,301)	(1,334)
Net debt at the start of the year		(1,463)	(129)
		<hr/>	<hr/>
Net debt at the end of the year	24	(2,764)	(1,463)
		<hr/>	<hr/>

Consolidated statement of total recognised gains and losses
for the year ended 30 June 1999

	1999 £000	1998 £000
(Loss)/profit for the financial year		
Group	(50)	1,796
Share of associates	(531)	-
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	(581)	1,796
	<hr/>	<hr/>

Note of consolidated historical cost profits and losses
for the year ended 30 June 1999

	1999 £000	1998 £000
Reported (loss)/profit on ordinary activities before taxation	(352)	2,460
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	(1)	(1)
	<hr/>	<hr/>
Historical cost (loss)/profit on ordinary activities before taxation	(353)	2,459
	<hr/>	<hr/>
Historical cost (loss)/profit for the year retained after taxation, minority interests and dividends	(582)	1,157
	<hr/>	<hr/>

Consolidated reconciliation of movement in shareholders' funds
for the year ended 30 June 1999

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
(Loss)/profit for the financial year	(581)	1,796	(25)	302
Dividends	-	(638)	-	(638)
	<hr/>	<hr/>	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(581)	1,158	(25)	(336)
Opening shareholders' funds	6,627	5,469	1,126	1,462
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	6,046	6,627	1,101	1,126
	<hr/>	<hr/>	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable accounting standards under the historical cost convention modified by the revaluation of certain land and buildings.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings, together with the Group's share of the result and net assets of its associate, made up to 30 June 1999.

The results of the associate undertaking are included using the equity method of accounting.

Goodwill

Goodwill arising on the acquisition of subsidiaries or other businesses, represented by the excess of the fair value of the consideration given over the fair value of the separable net assets acquired, is capitalised and amortised over its useful economic life in accordance with Financial Reporting Standard 10.

Company accounts

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account. The amount of the loss for the financial year dealt with in the accounts of the company is £25,000 (1998: £302,000).

Turnover

Turnover represents the invoiced value of goods sold and services provided and is stated net of value added tax. The turnover is attributable to the principal activities of the group which all represent continuing operations. For equipment supplied under rental agreements, turnover is recognised on an accruals basis.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date and any exchange differences arising are taken to the profit and loss account.

Leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Research and Development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Notes (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

Fixed assets and depreciation

Depreciation is provided on all tangible fixed assets except freehold land, to write off the cost, less estimated residual value, of each asset over its expected useful life on a reducing balance basis, except where stated, as follows:

Fixtures, fittings and equipment	15 per cent, per annum
Motor vehicles	25 per cent, per annum
Buildings	2 per cent, per annum on cost or valuation on a straight line basis
Equipment for rental	On a systematic basis so as to spread profit evenly over the period of the rental agreements.
Leasehold improvements	Over life of lease on a straight line basis
Computer hardware and software	33.3 per cent, per annum on cost on a straight –line basis

With effect from 1 July 1998 the method of providing depreciation on computer hardware and software was changed from 15% per annum reducing balance to 33.3% per annum on cost on a straight-line basis.

Stocks

Stock is valued at the lower of cost, including all relevant overhead expenditure, and net realisable value.

Pensions

The group continues to operate an occupational pension scheme for HA Mughal, his wife and the company secretary. The arrangements for HA Mughal are an approved defined contribution scheme (in which his wife is a member) and a funded unapproved defined contribution scheme. The arrangement for the company secretary is an individual approved defined contribution scheme.

The Group also operates a Group Personal Pension Plan for certain employees and directors, into which it pays contributions. All contributions made by the company are charged to the profit and loss account on an accruals basis.

Notes (continued)

2 Segmental analysis

Turnover is all attributable to the principal activities of the group and arises solely from the UK.

The distribution of external sales by geographic region is as follows:

	1999 £000	1998 £000
Middle East and Asia	195	133
United Kingdom	29,097	30,744
USA	-	20
	<hr/>	<hr/>
Total	29,292	30,897
	<hr/>	<hr/>

The directors believe that the group has only one business segment and accordingly no further segmental analysis is provided.

3 Operating profit

	1999 £000	1998 £000
<i>Operating profit is stated after charging/(crediting)</i>		
Depreciation and other amounts written off tangible fixed assets	1,309	1,491
Loss on disposal of fixed assets	13	10
Research and development expenditure	208	219
Auditors' remuneration:		
Audit	38	38
Other services	9	44
Operating lease – land and buildings	12	12
Income from rental of fixed assets	578	1,037
	<hr/>	<hr/>

£3,000 (1998: £3,000) of the remuneration of the auditors for audit services relates to the audit of the company.

4 Interest receivable and similar income

	1999 £000	1998 £000
Bank interest	78	67
Underwriting Income	15	-
	<hr/>	<hr/>
	93	67
	<hr/>	<hr/>

Notes (continued)

5 Interest payable and similar charges

	1999 £000	1998 £000
On bank loans and overdrafts	294	222
Other interest payable	21	69
Interest on loan from pension fund	112	31
	<hr/> 427 <hr/>	<hr/> 322 <hr/>

6 Staff numbers and costs

The average weekly number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	1999	Number of employees 1998
Administration and technical	65	58
Selling and distribution	143	151
	<hr/> 208 <hr/>	<hr/> 209 <hr/>

The aggregate payroll costs of these persons were as follows:

	1999 £000	1998 £000
Wages and salaries	3,377	2,864
Social security costs	327	314
Other pension costs	53	-
	<hr/> 3,757 <hr/>	<hr/> 3,178 <hr/>

Notes (continued)

7 Remuneration of directors

The remuneration of the directors is as follows:

	1999		1998	
	Directors	Highest Paid director	Director	Highest Paid Director
	£000	£000	£000	£000
Emoluments:				
Salary	384	100	335	107
Benefits in kind	24	8	25	5
Bonus	60	18	-	-
Compensation for loss of office	45	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total emoluments	513	126	360	112
Pension contributions	22	7	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	535	133	360	112
	<hr/>	<hr/>	<hr/>	<hr/>

HA Mughal was the highest paid director in the years ended 30 June 1999 and 1998. Contributions made to money purchase pension schemes in respect of HA Mughal were £7,000, the remaining £15,000 of contributions were made in respect of four other directors.

8 Net loss on disposal of discontinued operations - associate

	1999	1998
	£000	£000
Loss on disposal of discontinued operations	(1,256)	-
Provision for loss on disposal of discontinued operations	1,214	-
	<hr/>	<hr/>
	(42)	-
	<hr/>	<hr/>

The loss on disposal of discontinued operations relates to Akhter Group's share of the loss on disposal of Ultima Network's display division.

9 Taxation

	1999	1998
	£000	£000
UK corporation tax at 30.75% (1998: 31%) on the profit on ordinary activities	277	912
Deferred taxation	-	(5)
Adjustments relating to an earlier year	-	(243)
	<hr/>	<hr/>
	277	664
	<hr/>	<hr/>

The tax charge for the year ended 30 June 1999 and 1998 is higher than the standard UK rate due to certain costs being disallowed for tax purposes.

Notes (continued)

10 Equity dividends

	1999 £000	1998 £000
Adjustment in respect of the period ended 30 June 1998	-	4
Interim dividend paid	-	634
	<u>-</u>	<u>638</u>

11 Fixed asset investments

Group	Investment in associate £000	Loan to associate £000	Total £000
<i>Cost</i>			
At beginning of year	-	-	-
Additions	(1,041)	201	(840)
Group share of post tax losses	(531)	-	(531)
	<u>(1,572)</u>	<u>201</u>	<u>(1,371)</u>
<i>Provisions</i>			
At beginning and end of year	-	-	-
<i>Net book value</i>			
At 30 June 1999	<u>(1,572)</u>	<u>201</u>	<u>(1,371)</u>
At 30 June 1998	<u>-</u>	<u>-</u>	<u>-</u>

The investment in associate consists of a 27.16% holding in Ultima Networks PLC, a company listed on the London Stock Exchange. Akhter Group plc acquired this holding in the issued ordinary share capital of the company on 13 October 1998. Ultima Networks is a group engaged in the design, manufacture, marketing and distribution of networking and computer related products, the development of professional software and the provision of technical networking services.

The results of Ultima Networks included in these consolidated financial statements are based on the audited financial statements of Ultima Networks plc for the year ended 31 December 1998 and the unaudited interim results for the six months to 30 June 1999, as contained in the Ultima Network's Interim Report dated 14 September 1999.

At 30 June 1999 the market value of the investment in Ultima Networks PLC was £1,402,000.

Notes (continued)

11 Fixed asset investments (continued)

The amounts required to be disclosed under Financial Reporting Standard 9 in respect of Ultima Networks PLC are as follows:

	1999 £000	1998 £000
Profit and loss account		
Share of turnover	2,382	-
Share of loss before tax	(579)	-
Share of taxation	48	-
Share of loss after taxation	(531)	-
Balance sheet		
Share of assets		
Share of fixed assets	841	-
Share of current assets	960	-
Share of liabilities		
Share of liabilities due within one year	(2,181)	-
Share of liabilities due after one year	(536)	-

Company	Shares in group undertakings £000	Participating interests £000	Total £000
Cost			
At beginning of year	1,694	-	1,694
Additions	-	2,617	2,617
	1,694	2,617	4,311
Provisions			
At beginning and end of year	294	-	294
Net book value			
At 30 June 1999	1,400	2,617	4,017
At 30 June 1998	1,400	-	1,400

The principal subsidiary undertakings, all of which are wholly owned, have an accounting year end of 30 June and are registered in England and Wales are as follows:

Akhter Computers Limited (issued share capital £1,000,000) - Established manufacturer, system integrator and supplier of PC network and database technology

Microsales Distribution Limited (issued share capital £400,000) - Supply of power supplies and computer peripheral components and the final assembly of power supply products for the electronic manufacturing sector

Micrology Limited (issued share capital £332,500) - designs, assembles and distributes specialist high performance multimedia and CD-ROM products for commercial users and distributors

Notes (continued)

12 Intangible fixed assets - goodwill

Group	£000
Cost	
At beginning and end of year	-
Additions	3,658
	<hr/>
At end of year	3,658
	<hr/>
Amortisation	
At beginning of year	-
Charge for the year	244
	<hr/>
At end of year	244
	<hr/>
Net book value	
At 30 June 1999	3,414
	<hr/>
At 30 June 1998	-
	<hr/>

The goodwill arose on the acquisition of the shareholding in Ultima Networks PLC during the year, see note 11.
The useful economic life adopted for this goodwill is 10 years.

13 Tangible fixed assets

Group	Fixtures and Fittings £000	Computer Equipment £000	Motor Vehicles £000	Equipment for Rental £000	Leasehold Improvements £000	Land and Buildings £000	Total £000
Cost or valuation							
At beginning of year	2,223	-	532	3,273	118	3,405	9,551
Additions	14	81	92	16	-	-	203
Disposals	(27)	-	(70)	(64)	(118)	(333)	(612)
Reclassification	(242)	242	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,968	323	554	3,225	-	3,072	9,142
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation							
At beginning of year	1,077	-	211	2,151	9	174	3,622
Charge for year	143	181	96	832	-	57	1,309
Disposals	(8)	-	(41)	(31)	(9)	(15)	(104)
Reclassification	(53)	53	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,159	234	266	2,952	-	216	4,827
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value							
At 30 June 1999	809	89	288	273	-	2,856	4,315
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1998	1,146	-	321	1,122	109	3,231	5,929
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

13 Tangible fixed assets (continued)

	Fixtures and Fittings £000	Land and Buildings £000	Total £000
Company			
Cost			
At beginning and end of year	49	850	899
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	40	46	86
Charge for year	1	15	16
	<hr/>	<hr/>	<hr/>
At end of year	41	61	102
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 1999	8	789	797
	<hr/>	<hr/>	<hr/>
At 30 June 1998	9	804	813
	<hr/>	<hr/>	<hr/>

The net book value of land and buildings comprises:

	Group		Company	
	1999	1998 £000	1999	1998 £000
Freehold	2,856	2,913	789	804
Long leasehold	-	318	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,856	3,231	789	804
	<hr/>	<hr/>	<hr/>	<hr/>

Land and buildings are carried at cost, with the exception of the Company's freehold property in Burnley which is carried at a revalued amount. The property was revalued by independent valuers at an open market value of £850,000 at January 1995. If land and buildings had not been revalued the following amounts would have been included in the balance sheet:

	Group 1999 £000	Company 1999 £000
Historical cost	3,481	926
Depreciation	(355)	(184)
	<hr/>	<hr/>
Net book value at 30 June 1999	3,126	742
	<hr/>	<hr/>
Net book value at 30 June 1998	3,189	760
	<hr/>	<hr/>

The consolidated depreciation charge for the year, based on the historic cost, would have been £63,000 (1998: £63,000).

Notes (continued)

14 Stocks

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Raw materials and consumables	1,218	1,233	-	-
Finished goods and goods for resale	2,181	1,941	-	-
	<u>3,399</u>	<u>3,174</u>	<u>-</u>	<u>-</u>

15 Debtors

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Trade debtors	2,362	3,066	-	-
Amounts owed by group undertakings	-	-	-	1,115
Prepayments and sundry debtors	175	306	-	-
ACT recoverable	-	160	-	-
Corporation taxation	-	164	-	8
	<u>2,537</u>	<u>3,696</u>	<u>-</u>	<u>1,123</u>

16 Creditors: amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Bank loans and overdrafts and mortgages	500	3,003	-	-
Trade creditors	1,769	2,001	-	-
Corporation tax	136	630	-	-
ACT payable	-	160	-	-
Other taxes and social security	189	366	-	-
Other creditors:				
Other creditors and accruals	2,289	2,117	2	1
Dividends proposed	-	634	-	634
Amounts due to subsidiary undertakings	-	-	3,710	1,575
	<u>4,883</u>	<u>8,911</u>	<u>3,712</u>	<u>2,210</u>

Notes (continued)

17 Creditors: amounts falling due after one year

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Bank mortgage	1,342	312	-	-

The bank mortgages, which are repayable in monthly instalments to 2008, bear interest at 1.25% above LIBOR and are secured by a fixed charge over the company and the group's freehold properties. The other bank facilities are secured by fixed and floating charges over certain of the assets of the company and the group.

18 Provisions for liabilities and charges

	Deferred taxation £000	Other provisions £000	Total £000
Group			
At beginning of year	1	-	1
Charge for the year in the profit and loss account	-	300	300
At end of year	1	300	301

Litigation is in process against the Group relating to a dispute with a third party which alleges that Microsales Distribution entered into a contract which required commission to be paid to that third party based on business introduced by it. The directors are of the opinion that, despite the Court finding in the plaintiff's favour, the claim can be successfully resisted by the Group. The Court has not quantified damages and the case is going to appeal. The provision made represents the director's view of the total cost of settling the dispute, which is likely to occur between one and two years from the balance sheet date.

The amounts provided for deferred tax and the amounts not provided are set out below:

	1999		1998	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	1	(243)	1	(116)

Notes (continued)

18 Provisions for liabilities and charges (continued)

	Deferred taxation £000	Other provisions £000	Total £000
Company			
At beginning of year	1	-	1
Charge for the year in the profit and loss account	-	-	-
	<hr/>	<hr/>	<hr/>
At end of year	1	-	1
	<hr/>	<hr/>	<hr/>

The amounts provided for deferred tax and the amounts not provided are set out below:

	1999		1998	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	1	-	1	-
	<hr/>	<hr/>	<hr/>	<hr/>

19 Called up share capital

	1999 £000	1998 £000
Authorised		
10,000,000 Ordinary shares of 10p each	1,000	1,000
	<hr/>	<hr/>
Allotted, called up and fully paid up	£000	£000
4,695,548 Ordinary shares of 10p each	470	470
	<hr/>	<hr/>

Notes (continued)

20 Reserves

	Share Premium Account £000	Group Revaluation Reserve £000	Profit And loss Account £000
At beginning of year	69	95	5,993
Loss for the financial year accumulated with reserves	-	-	(581)
At end of year	69	95	5,412

	Share Premium Account £000	Company Revaluation Reserve £000	Profit And Loss Account £000
At beginning of year	69	95	492
Loss for the financial year accumulated with reserves	-	-	(25)
At end of year	69	95	467

21 Commitments

The group has no material capital commitments at 30 June 1999.

Annual commitments under non-cancellable operating leases in respect of land and buildings are as follows:

	1999 £000	1998 £000
Operating leases which expire - in more than five years	12	12

22 Reconciliation of operating profit to operating cash flows

	1999 £000	1998 £000
Operating profit	616	2,715
Depreciation charge	1,309	1,491
(Increase)/decrease in stocks	(225)	1,400
Decrease in debtors	819	1,193
Increase/(decrease) in creditors	133	(3,173)
Loss on disposal of fixed assets	13	10
Net cash inflow from operating activities	2,665	3,636

Notes (continued)

23 Analysis of cash flows

	1999 £000	1998 £000
Returns on investment and servicing of finance		
Interest received	109	53
Interest paid	(497)	(233)
Net cash outflow from returns on investment and servicing of finance	(388)	(180)
Taxation		
UK corporation tax paid	(607)	(1,852)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(203)	(1,894)
Sale of tangible fixed assets	684	76
Loan to associate	(201)	-
Net cash inflow/(outflow) from capital expenditure and financial investment	280	(1,818)
Acquisitions and disposals		
Acquisition of shares in associate	(2,617)	-
Financing		
Mortgage advanced	1,520	-
Repayment of mortgage	(381)	-
Pension fund loan advanced (note 24)	-	1,200
Net cash inflow from financing	1,139	1,200

24 Analysis of net debt

	At beginning of year £000	Cash flow £000	Other non- cash changes £000	At end of Year £000
Cash in hand, at bank	3,052	(2,774)	-	278
Bank loans, overdrafts and mortgages	(3,003)	2,503	-	(500)
Pension fund loan (included within other creditors)	(1,200)	-	-	(1,200)
	(1,151)	(271)	-	(1,422)
Debt due after one year	(312)	(1,030)	-	(1,342)
Total	(1,463)	(1,301)	-	(2,764)

Notes (continued)

25 Transactions with directors

On 8 April 1998, a pension fund of which HA Mughal and his wife are trustees and sole beneficiaries advanced £1,200,000 to the Group. This loan, which is interest bearing at 3% above bank base rate and was repayable in full on 7 April 1999, was rolled over for a further year and is now repayable in full on 7 April 2000. In the year to 30 June 1999 interest of £109,551 was charged to the consolidated profit and loss account in respect of this loan and an amount of £24,797 remains unpaid at 30 June 1999. These amounts are included within other creditors and accruals in the consolidated accounts.

26 Related party disclosures

As explained in note 11, Fixed asset investments, Akhter Group acquired a 27.16% holding in Ultima Networks PLC during the year. This investment has been treated as an associate for the purposes of preparing these accounts and hence Ultima Networks is a related party in accordance with the provisions of FRS 8, Related Party Disclosures. Akhter Group and its associates, namely HA Mughal, the Akhter Education Foundation Trust, the Akhter Group plc Directors SSAS Pension Fund and the Akhter Unapproved Pension Fund collectively own 29.05% of the issued ordinary share capital of Ultima Networks PLC at the balance sheet date.

During the year Akhter Group sold goods and services to Ultima Networks to the value of £170,199 and purchased goods and services from Ultima Networks to the value of £9,862. At the balance sheet date Akhter Group was owed £132,111 by Ultima Networks and owed Ultima Networks £1,146.

In addition to the trading activity with Ultima Networks, a loan to Ultima Networks of £201,000 was outstanding at the balance sheet date. This loan was repaid in full on 19 July 1999. A guarantee has also been issued to secure the bank debt of Ultima Networks (see note 27).

During the year the Group sold computer products to Akhter Computers Pakistan, a company owned by HA Mughal's brother. The aggregate value of goods sold was £33,956. At the balance sheet date the Group was owed £15,604.

UK Financial Services Limited is a company registered in England and Wales and under the control of HA Mughal. During the year Akhter Group received £29,805 from UK Financial Services in respect of a refund of monies previously paid to UK Financial Services by the Group. These monies had been paid to UK Financial Services as part of an arrangement whereby UK Financial Services was to provide sick pay to employees of Akhter Group.

27 Contingent liabilities

On 27 May 1999 Akhter Group plc issued a guarantee in Midland Bank plc's favour to the value of £500,000 in order to secure the debt of Ultima Networks PLC.

28 Post balance sheet events

Subsequent to the year end the Company invested a further £499,999 in Ultima Networks PLC through acting as a placee for a placing and open offer. This investment is represented by a mixture of equity shares and loan stock. The value of the Company's total investment was increased to £3,117,236, represented by 54,055,336 ordinary shares of 1p and £333,333 of £1.60 nominal value 8% unsecured loan stock 2000-2003. The Company now holds 28.05% of the enlarged issued ordinary share capital of Ultima Networks PLC.