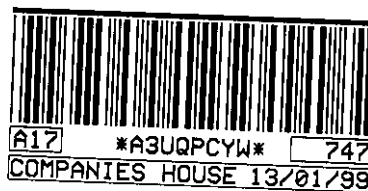


**Akhter Group plc**

**Directors' report and consolidated  
financial statements**

30 June 1998

Registered number 1435835



## **Directors' report and financial statements**

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## Chairman's Statement

Following a number of years of sustained and rapid growth the year ended 30 June 1998 has been a year of consolidation for the Akhter Group.

In the early part of the year the business was preparing for a full listing on the London Stock Exchange. In the event the listing did not go ahead as the Directors did not consider that conditions on the Stock Exchange were right to proceed. This did result in the Group not raising the funds intended by the listing and which would have been used to fund more rapid expansion of the business. Nevertheless the Group's continued profitability has ensured that we remain cash generative and therefore the business has continued to develop and to invest in its future growth, particularly through the recruitment of management and staff to further strengthen the business.

Turnover in the year of £30.9m declined 19% compared to the previous year (1997 £38.2m). This partly reflected the change in government earlier in the year which in turn led to changes in public spending patterns and some uncertainty amongst budget holders within the Ministry of Defence. This particularly affected sales in the Group's busiest quarter to March 1998. In addition the average unit sale price of PCs in the market has fallen significantly compared to the previous year. Therefore although volumes of sales were above the previous year sales were much lower and this has also contributed to the reduction in gross margin.

As a result of this shortfall in turnover, and the increase in staff costs resulting from the recruitment described above, profit on ordinary activities before exceptional items and taxation fell to £2.5m (1997; £6.0m).

The Group has considered its strategy for the future and accordingly we have re-affirmed our direction. Our intention is to continue to expand our skill base to enhance our established position as an IT solutions provider and as a manufacturer of PCs and other IT technology. At the same time we will further build on our success in public sector markets, particularly the Ministry of Defence and Education, and seek to expand our sales into other sectors.

As part of this expansion we have, following the year end, made a strategic investment in Ultima Networks Plc which has a full listing on the London Stock Exchange. We have acquired 27.2% of that Group for an investment of £2.6m. The key purpose of this investment for Akhter is to enable us to jointly exploit commercial opportunities that will be mutually beneficial to both businesses.

We believe that our strong reputation, combined with our flexibility and ability to recognise key technology developments, means that we are well positioned to grasp the opportunities that we believe will arise as a result of the merging of technologies from different areas, such as telecommunications, TV and computing, that is inevitable in the coming years. As a result we approach the future with great optimism for our prospects. The current year has begun well with trading in line with our expectations.

Finally I would like to take this opportunity to thank the Company's staff, many of whom are also shareholders, for their efforts during the year. In any IT company the skills and enthusiasm of the staff are an important strength of the business and Akhter is no exception.

**D Osborne**  
*Chairman*

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 30 June 1998.

### **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 6 and the consolidated balance sheet on page 7.

### **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 propose an interim dividend for the year of 13.6p (net) per ordinary share. This dividend will be paid on 5 January 1999 to ordinary shareholders registered at the close of business on 30 November 1998. The directors do not propose to pay a final dividend.

## **Directors' report** *(continued)*

### **Directors and directors' interests**

Directors who served during the year are as follows:

HA Mughal - Chief Executive  
S Swan - Group Finance Director  
AG Laffoley - Group Technical Director  
AM Tillbrook - Group Sales and Marketing Director  
DF Osborne - Non-Executive Chairman  
Dr B Steiner - Non-Executive Director

MS Awan was reappointed as a director on 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:

	30 June 1998	30 June 1997
HA Mughal	3,900,000	3,900,000
S Swan	15,000	-
AM Tillbrook	60,000	60,000
AG Laffoley	120,000	120,000

Included in the above interests are shares held by spouses and children who are not directors of the company. MS Awan had a beneficial interest in 180,000 ordinary shares in the company at the date of his appointment as a director.

There has been no change to the above holdings from the balance sheet date to the date of this report.

### **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 (1997: *£nil*). Charitable donations amounted to £4,272 (1997: £700).

### **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 1998 trade creditors represented approximately 35 days purchases for the group (1997: 38 days). The company did not have any trade creditors at 30 June 1998.

## **Directors' report** *(continued)*

### **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

*M. A. Awan.*

**MS Awan**  
*Secretary*

23 December 1998

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 6 to 24.

**Respective responsibilities of directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our 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 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

*23 December 1998*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*



**Consolidated profit and loss account**  
*for the year ended 30 June 1998*

Note

		Year to 30 June 1998 £000	15 months to 30 June 1997 £000	Year to 30 June 1997 £000 (Non-statutory)
<b>Turnover</b> - Continuing operations	1-2	30,897	42,238	38,209
Cost of Sales		(22,457)	(29,162)	(26,189)
<b>Gross profit</b>		8,440	13,076	12,020
Selling and distribution costs		(4,359)	(5,089)	(4,413)
Administrative expenses				
Excluding exceptional items		(1,366)	(1,836)	(1,426)
Exceptional items	8	-	(1,815)	(938)
		(1,366)	(3,651)	(2,364)
<b>Operating profit</b> - continuing operations	3-8			
Excluding exceptional items		2,715	6,151	6,181
Exceptional items	8	-	(1,815)	(938)
		2,715	4,336	5,243
Interest receivable and similar income	4	67	58	46
Interest payable and similar charges	5	(322)	(232)	(213)
<b>Profit on ordinary activities before taxation</b>				
Excluding exceptional items		2,460	5,977	6,014
Exceptional items	8	-	(1,815)	(938)
		2,460	4,162	5,076
<b>Tax on profit on ordinary activities</b>	9			
Excluding exceptional items		(664)	(2,162)	(2,175)
Exceptional items	8	-	319	310
		(664)	(1,843)	(1,865)
<b>Profit on ordinary activities after taxation</b>		1,796	2,319	3,211
Equity minority interests	20	-	140	140
<b>Profit for the financial year</b>		1,796	2,459	3,351
Equity dividends	10	(638)	(1,856)	(1,856)
<b>Retained profit for the financial year</b>	19	1,158	603	1,495

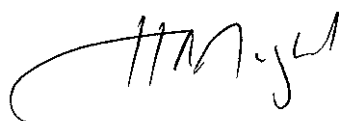
Following the change in the year end from 31 March 1997 to 30 June 1997, a profit and loss account for the year ended 30 June 1997 has been provided for illustrative purposes.

**Consolidated balance sheet**  
*at 30 June 1998*

	Note	1998 £000	1997 £000
<b>Fixed assets</b>			
Tangible assets	11	5,929	5,612
<b>Current assets</b>			
Stocks	13	3,174	4,574
Debtors	14	3,696	5,038
Cash at bank and in hand		3,052	659
<b>Creditors: amounts falling due within one year</b>	15	9,922 (8,911)	10,271 (10,107)
<b>Net current assets</b>		1,011	164
<b>Total assets less current liabilities</b>		6,940	5,776
<b>Creditors: amounts falling due after one year</b>	16	(312)	(302)
<b>Provisions for liabilities and charges</b>	17	(1)	(5)
<b>Net assets</b>		6,627	5,469
<b>Capital and reserves</b>			
Called up share capital	18	470	470
Share premium account	19	69	69
Revaluation reserve	19	95	95
Profit and loss account	19	5,993	4,835
<b>Equity shareholders' funds</b>		6,627	5,469

These financial statements were approved by the board of directors on 23 December 1998 and were signed on its behalf by:

**HA Mughal**  
Chief Executive



**S Swan**  
Group Finance Director



**Company Balance sheet**  
*at 30 June 1998*

	Note	1998 £000	1997 £000
<b>Fixed assets</b>			
Tangible assets	11	813	830
Investments	12	1,400	1,694
		<u>2,213</u>	<u>2,524</u>
<b>Current assets</b>			
Debtors	14	1,123	3,014
Cash at bank and in hand		1	-
		<u>1,124</u>	<u>3,014</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(2,210)</u>	<u>(4,073)</u>
<b>Net current liabilities</b>		<u>(1,086)</u>	<u>(1,059)</u>
<b>Total assets less current liabilities</b>		<u>1,127</u>	<u>1,465</u>
<b>Provisions for liabilities and charges</b>	17	<u>(1)</u>	<u>(3)</u>
<b>Net assets</b>		<u>1,126</u>	<u>1,462</u>
<b>Capital and reserves</b>			
Called up share capital	18	470	470
Share premium account	19	69	69
Revaluation reserve	19	95	95
Profit and loss account	19	492	828
<b>Equity shareholders' funds</b>		<u>1,126</u>	<u>1,462</u>

These financial statements were approved by the board of directors on 23 December 1998 and were signed on its behalf by:

**HA Mughal**  
*Chief Executive*



**S Swan**  
*Group Finance Director*



**Consolidated cash flow statement**  
*for the year ended 30 June 1998*

	<i>Note</i>	12 months to 30 June 1998 £000	15 months to 30 June 1997 £000
<b>Cash flow statement</b>			
Cash inflow from operating activities	22	3,636	339
Returns on investments and servicing of finance	23	(180)	(174)
Taxation		(1,852)	(873)
Capital expenditure and financial investment	23	(1,818)	(3,060)
Acquisitions and disposals	23	-	(100)
Equity dividends paid		(1,120)	(1,109)
		<hr/>	<hr/>
Cash outflow before management of liquid resources and financing		(1,334)	(4,977)
Financing	23	1,200	759
		<hr/>	<hr/>
Decrease in cash in the year/period		(134)	(4,218)
		<hr/>	<hr/>

**Reconciliation of net cash flow to movement in net debt**

	£000	£000
Decrease in cash in the year/period	(134)	(4,218)
Cash inflow from increase in debt and lease financing	(1,200)	(302)
	<hr/>	<hr/>
Movement in net debt in the year/period	(1,334)	(4,520)
Net (debt)/funds at the start of the year/period	(129)	4,391
	<hr/>	<hr/>
Net debt at the end of the year/period	24	(129)
	<hr/>	<hr/>

**Consolidated statement of total recognised gains and losses**  
*for the year ended 30 June 1998*

	12 months to 30 June 1998 £000	15 months to 30 June 1997 £000
Profit for the financial year/period	1,796	2,319
Total recognised gains relating to the financial year/period	<u>1,796</u>	<u>2,319</u>
Prior year adjustments		(260)
Total gains and losses recognised since last annual report		<u>2,059</u>

**Note of consolidated historical cost profits and losses**  
*for the year ended 30 June 1998*

	12 months to 30 June 1998 £000	15 months to 30 June 1997 £000
Reported profit on ordinary activities before taxation	2,460	4,162
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	(1)	(1)
Historical cost profit on ordinary activities before taxation	<u>2,459</u>	<u>4,161</u>
Historical cost profit for the year retained after taxation, minority interests and dividends	<u>1,157</u>	<u>1,693</u>

**Reconciliation of movement in shareholders' funds**  
*for the year ended 30 June 1998*

	Group 1998 £000	1997 £000	Company 1998 £000	1997 £000
Profit for the financial year/period	1,796	2,459	302	1,445
Dividends	(638)	(1,856)	(638)	(1,856)
New share capital subscribed	-	106	-	68
Goodwill arising on acquisition written off	-	(140)	-	-
Net addition/(reduction) to shareholders' funds	<u>1,158</u>	<u>569</u>	<u>(336)</u>	<u>(343)</u>
Opening shareholders' funds	<u>5,469</u>	<u>4,900</u>	<u>1,462</u>	<u>1,805</u>
Closing shareholders' funds	<u>6,627</u>	<u>5,469</u>	<u>1,126</u>	<u>1,462</u>

## **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 made up to 30 June 1998.

#### ***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 profit for the financial year dealt with in the accounts of the company is £302,000 (1997: £1,445,000).

#### ***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

### ***Stocks***

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

### ***Pensions***

The group does not operate any occupational pension schemes other than for HA Mughal, his wife and the company secretary. The arrangements for Mr 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.

Contributions are made to personal pension plans for certain employees and directors.

All contributions are paid on an agreed basis as an alternative to salary and 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:

	1998 £000	1997 £000
Africa	-	72
Middle East and Asia	133	38
Europe	-	47
United Kingdom	30,744	42,081
USA	20	-
	<hr/>	<hr/>
Total	30,897	42,238
	<hr/>	<hr/>

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

### 3 Operating profit

	1998 £000	1997 £000
<i>Operating profit is stated after charging/(crediting)</i>		
Depreciation and other amounts written off tangible fixed assets	1,491	1,098
Loss on disposal of fixed assets	10	-
Research and development expenditure	219	176
Auditors' remuneration:		
Audit	38	25
Other services	44	391
Income from rental of fixed assets	1,037	(1,113)
	<hr/>	<hr/>

£3,000 (1997: £5,000) of the remuneration of the auditors for audit services relates to the audit of the company. £377,000 of the £391,000 charged by KPMG Audit Plc for other services in the period ended 30 June 1997 has been charged within exceptional administration costs.

### 4 Interest receivable and similar income

	1998 £000	1997 £000
Bank interest	67	56
Rental income	-	2
	<hr/>	<hr/>
	67	58
	<hr/>	<hr/>



**Notes (continued)**

**5 Interest payable and similar charges**

	1998 £000	1997 £000
On bank loans and overdrafts	222	69
Other interest payable	69	126
Interest on loan from pension fund	31	25
Interest paid to related party (note 26)	-	12
	<hr/> 322	<hr/> 232
	<hr/> <hr/>	<hr/> <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:

	1998	Number of employees 1997
Administration and technical	58	56
Selling and distribution	151	123
	<hr/> 209	<hr/> 179
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	1998 £000	1997 £000
Wages and salaries	2,864	2,944
Social security costs	314	463
Other pension costs	-	416
Exceptional profit related pay	-	964
	<hr/> 3,178	<hr/> 4,787
	<hr/> <hr/>	<hr/> <hr/>

The Group cancelled its profit related pay scheme with effect from 1 April 1997. Exceptional profit related pay relates to amounts paid in the period ended 30 June 1997 which, by virtue of the cancellation of the scheme, are non-recurring.

## Notes (continued)

### 7 Remuneration of directors

The remuneration of the directors is as follows:

	1998		1997	
	Directors	Highest Paid director	Directors	Highest Paid Director
	£000	£000	£000	£000
Emoluments:				
Salary	335	107	293	91
Benefits in kind	25	5	-	-
Bonus	-	-	519	431
Exceptional payments under PRP scheme	-	-	139	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total emoluments	360	112	951	522
Pension contributions	-	-	416	416
	<hr/>	<hr/>	<hr/>	<hr/>
	360	112	1,367	938
	<hr/>	<hr/>	<hr/>	<hr/>

Mr Mughal was the highest paid director in the year ended 30 June 1998 and the period ended 30 June 1997.

General discretionary bonuses were provided in the year ended 31 March 1996. £743,000 of the remuneration of Mr Mughal paid in the period ended 30 June 1997 was allocated against the general discretionary bonuses charged to profit in the year ended 31 March 1996.

### 8 Exceptional items

	1998 £000	1997 £000
Exceptional profit related pay	-	964
Non-recurring advisory costs	-	851
	<hr/>	<hr/>
	-	1,815
	<hr/>	<hr/>

The group cancelled its profit related pay scheme with effect from 1 April 1997. Exceptional profit related pay relates to amounts paid in the period ended 30 June 1997 which, by virtue of the cancellation of the scheme, are non-recurring.

Non-recurring advisory costs represents costs incurred by the group, including accounting and taxation advice, in relation to the proposed flotation of the group and other business development opportunities.

**Notes (continued)**

**9 Taxation**

	1998 £000	1997 £000
UK corporation tax at 31% (1997: 32.6%) on the profit on ordinary activities		
- excluding exceptional items	912	2,060
- tax on exceptional items	-	(319)
Deferred taxation		
- excluding exceptional items	(5)	115
- deferred tax on exceptional items	-	-
Adjustments relating to an earlier year	(243)	(13)
	<u>664</u>	<u>1,843</u>

The tax charge for the year ended 30 June 1998 is higher than the standard UK rate due to certain costs being disallowed for tax purposes. The tax charge for the period ended 30 June 1997 is higher than the standard UK rate due to the incomplete utilisation of initial trading losses at Micrology Limited.

Tax on exceptional items has been calculated at the effective rate for each period in line with the requirements of FRS3.

**10 Equity dividends**

	1998 £000	1997 £000
Adjustment in respect of the period ended 30 June 1998	4	-
Interim dividend paid	634	740
Final dividend proposed	-	1,116
	<u>638</u>	<u>1,856</u>

The final dividend paid in respect of the period ended 30 June 1997 was £1,119,382 as compared to the amount accrued in the accounts at 30 June 1997 of £1,115,807. The difference is due to more shares qualifying for the dividend payment at the date the payment was made than at the date the accounts were approved.

**Notes (continued)**

**11 Tangible fixed assets**

	<b>Fixtures and fittings £000</b>	<b>Motor vehicles £000</b>	<b>Equipment for rental £000</b>	<b>Leasehold improvements £000</b>	<b>Land and buildings £000</b>	<b>Total £000</b>
<b>Group</b>						
<b>Cost or valuation</b>						
At beginning of year	2,059	481	1,690	118	3,405	7,753
Additions	179	132	1,583	-	-	1,894
Disposals	(15)	(81)	-	-	-	(96)
At end of year	2,223	532	3,273	118	3,405	9,551
<b>Depreciation</b>						
At beginning of year	870	112	1,043	4	112	2,141
Charge for year	209	107	1,108	5	62	1,491
Disposals	(2)	(8)	-	-	-	(10)
At end of year	1,077	211	2,151	9	174	3,622
<b>Net book value</b>						
At 30 June 1998	1,146	321	1,122	109	3,231	5,929
At 30 June 1997	1,189	369	647	114	3,293	5,612
				<b>Fixtures and fittings £000</b>	<b>Land and Buildings £000</b>	<b>Total £000</b>
<b>Company</b>						
<b>Cost</b>						
At beginning and end of year				49	850	899
<b>Depreciation</b>						
At beginning of year				38	31	69
Charge for year				2	15	17
At end of year				40	46	86
<b>Net book value</b>						
At 30 June 1998				9	804	813
At 30 June 1997				11	819	830

## Notes (continued)

### 11 Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	Group		Company	
	1998	1997	1998	1997
	£000	£000	£000	£000
Freehold	2,913	2,969	804	819
Long leasehold	318	324	-	-
	<u>3,231</u>	<u>3,293</u>	<u>804</u>	<u>819</u>

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	Company
	1998	1998
	£000	£000
Historical cost	3,481	926
Depreciation	(292)	(166)
	<u>3,189</u>	<u>760</u>
Net book value at 30 June 1998	3,189	760
	<u>3,252</u>	<u>778</u>
Net book value at 30 June 1997	3,252	778

The consolidated depreciation charge for the year, based on the historic cost, would have been £63,000 (1997: £36,000).

### 12 Fixed asset investments – Investments in subsidiaries

<b>Company</b>	
<b>Cost</b>	<b>£000</b>
At beginning and end of year	1,694
	<u>1,694</u>
<b>Provisions</b>	
At beginning of year	-
Provided in year	294
	<u>294</u>
At end of year	294
	<u>294</u>
<b>Net book value</b>	
At 30 June 1998	1,400
	<u>1,400</u>
At 30 June 1997	1,694
	<u>1,694</u>

## Notes (continued)

### 12 Fixed asset investments – Investments in subsidiaries (continued)

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

### 13 Stocks

	Group		Company	
	1998 £000	1997 £000	1998 £000	1997 £000
Raw materials and consumables	1,233	1,331	-	-
Work in progress	-	1	-	-
Finished goods and goods for resale	1,941	3,242	-	-
	<u>3,174</u>	<u>4,574</u>	<u>-</u>	<u>-</u>

### 14 Debtors: due within one year

	Group		Company	
	1998 £000	1997 £000	1998 £000	1997 £000
Trade debtors	3,066	4,010	-	-
Amounts owed by group undertakings	-	-	1,115	2,712
Prepayments and sundry debtors	306	541	-	-
ACT recoverable	160	464	-	279
Corporation taxation	164	23	8	23
	<u>3,696</u>	<u>5,038</u>	<u>1,123</u>	<u>3,014</u>

The ACT recoverable shown above is recoverable after more than one year.

## Notes (continued)

### 15 Creditors: amounts falling due within one year

	Group		Company	
	1998 £000	1997 £000	1998 £000	1997 £000
Bank loans and overdrafts	3,003	486	-	-
Trade creditors	2,001	3,195	-	-
Corporation tax	630	1,673	-	-
ACT payable	160	464	-	279
Other taxes and social security	366	687	-	-
Other creditors:				
Final payments under profit related pay scheme	-	1,183	-	-
Other creditors and accruals	2,117	1,303	1	658
Dividends proposed	634	1,116	634	1,116
Amounts due to subsidiary undertakings	-	-	1,575	2,020
	<u>8,911</u>	<u>10,107</u>	<u>2,210</u>	<u>4,073</u>

### 16 Creditors: amounts falling due after one year

	Group		Company	
	1998 £000	1997 £000	1998 £000	1997 £000
Bank loan	<u>312</u>	<u>302</u>	<u>-</u>	<u>-</u>

The bank loan, which is repayable in monthly instalments to 2011, bears interest at 1.75% over the Barclays Bank Plc base rate and is secured by a fixed charge over Micrology House, Egham. The other bank facilities are secured by fixed and floating charges over certain of the assets of the company and the group.

### 17 Provisions for liabilities and charges - deferred taxation

	Group		Company	
	1998 £000	1997 £000	1998 £000	1997 £000
<b>Group</b>				
At beginning of year/period	5	94	3	-
Utilised during year/period	(4)	(89)	(2)	-
Charge for the year/period	-	-	-	3
	<u>1</u>	<u>5</u>	<u>1</u>	<u>3</u>

**Notes (continued)**

**17 Provisions for liabilities and charges - deferred taxation (continued)**

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

	1998		1997	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	1	(116)	5	-
	<u>1</u>	<u>(116)</u>	<u>5</u>	<u>-</u>

**18 Called up share capital**

	1998 £000	1997 £000
<i>Authorised</i>		
10,000,000 Ordinary shares of 10p each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid up</i>		
4,695,548 Ordinary shares of 10p each	470	470
	<u>470</u>	<u>470</u>

**19 Reserves**

	Revaluation Reserve £000	Group Profit And loss Account £000	Share premium account £000
At beginning of year	95	4,835	69
Retained profit for the financial year	-	1,158	-
	<u>95</u>	<u>5,993</u>	<u>69</u>
At end of year	95	5,993	69



## Notes (continued)

### 19 Reserves (continued)

	Share premium account £000	Company Revaluation Reserve £000	Profit and loss account £000
At beginning of year	69	95	828
Loss for the financial year	-	-	(336)
At end of year	69	95	492

### 20 Minority interests

	Group	
	1998 £000	1997 £000
At beginning of year	-	-
Investment in subsidiary by minority interest	-	140
Share of loss for the period	-	(140)
At end of year	-	-

### 21 Commitments

The group has no material capital commitments at 30 June 1998.

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

	1998 £000	1997 £000
Operating leases which expire - in more than five years	12	12

### 22 Reconciliation of operating profit to operating cash flows

	1998 £000	1997 £000
Operating profit	2,715	4,336
Depreciation charge	1,491	1,098
Decrease/(increase) in stocks	1,400	(717)
Decrease/(increase) in debtors	1,193	(986)
Decrease in creditors	(3,173)	(3,392)
Loss on disposal of fixed assets	10	-
Net cash inflow from operating activities	3,636	339

## Notes (continued)

### 23 Analysis of cash flows

	1998 £000	1997 £000
<b>Returns on investment and servicing of finance</b>		
Interest received	53	58
Interest paid	(233)	(232)
<b>Net cash outflow from returns on investment and servicing of finance</b>	(180)	(174)
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(1,894)	(3,060)
Sale of tangible fixed assets	76	-
<b>Net cash outflow from capital expenditure and financial investment</b>	(1,818)	(3,060)
<b>Acquisitions and disposals</b>		
Purchase of minority interest in subsidiary	-	(100)
<b>Financing</b>		
Issue of ordinary share capital	-	317
Funds invested by minority interest	-	140
Debt due after more than one year:		
New secured loan	-	302
Pension fund loan (note 25)		
Advanced	1,200	500
Repaid	-	(500)
<b>Net cash inflow from financing</b>	1,200	759

### 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	659	2,393	-	3,052
Bank loans and overdrafts	(486)	(2,527)	10	(3,003)
Pension fund loan (included within other creditors)	-	(1,200)	-	(1,200)
	173	(1,334)	10	(1,151)
Debt due after one year	(302)	-	(10)	(312)
<b>Total</b>	(129)	(1,334)	-	(1,463)

## **Notes (continued)**

### **25 Transactions with directors**

On 9 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, is repayable in full on 7 April 1999. In the year to 30 June 1998 interest of £30,750 was charged to the consolidated profit and loss account in respect of this loan and this amount remains unpaid at 30 June 1998. These amounts are included within other creditors and accruals in the consolidated accounts.

### **26 Related party disclosures**

During the financial year ended 31 March 1996 UK Financial Services Limited, a company registered in England and Wales, became under the control of HA Mughal. At times during the year ended 31 March 1996 and the period ended 30 June 1997 funds were advanced, under interest bearing arrangements, to group companies by UK Financial Services Limited. In addition the group entered into car leasing arrangements with UK Financial Services Limited on an arm's length basis. These arrangements ceased on 3 June 1997 when the cars leased under the arrangements were purchased by group companies from UK Financial Services Limited for their open market value of £143,000. A summary of the amounts involved are set out below:

	1998 £000	1997 £000
Amounts charged to group companies in relation to car leasing arrangements	-	88
Interest charged to group companies on funds advanced	-	12
	<hr/>	<hr/>
Maximum amount owed by group companies at any point during financial year	-	314
Maximum amount owed to group companies at any point during financial year	-	191
	<hr/>	<hr/>

All commercial arrangements between UK Financial Services Limited and group companies had ceased at 30 June 1997.

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 £36,000 at a 4% gross margin. At the balance sheet date the Group was owed £29,000.

### **27 Contingent liabilities**

Legal action has been brought against Akhter Group plc, Akhter Computers Limited and Microsales Distribution Limited as joint defendants, by a company that is claiming that it is entitled to 50% of the profits generated by the sale of components to a particular customer. That company is claiming that this entitlement to share in profits arises as the result of an agreement signed between Akhter Computers Limited and that company. The claim is being vigorously defended.

The Directors do not consider that the outcome of the action is sufficiently probable that it is necessary to accrue in the financial statements for the loss that would arise if the case were lost. In view of the uncertainty surrounding the outcome of the case the Directors do not feel that it is practicable to estimate the financial impact of the litigation as at the date of these financial statements.

### **28 Post balance sheet events**

As discussed in the Chairman's statement, subsequent to the year end the Group acquired a 27.2% holding in the issued ordinary share capital of Ultima Networks plc, a company listed on the London Stock Exchange. These shares were acquired for a total consideration of £2.6 million. The Group and its related parties hold a total of 29.1% of the issued ordinary share capital of Ultima Networks plc as at the date of these accounts.