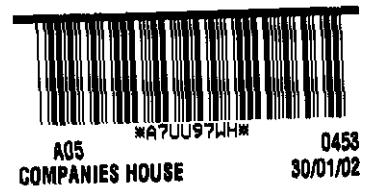


Registered number 1435835

Akhter Group plc

**Directors' report and consolidated
financial statements**

30 June 2001



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 2001.

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

An interim dividend of £nil (2000: £469,000) was paid during the year.

The directors do not recommend the payment of a final dividend for 2001 (2000: nil).

Directors and directors' interests

Directors who served during the year are as follows:

HA Mughal - Chief Executive
AG Laffoley - Group Technical Director
AM Tillbrook - Group Sales and Marketing Director
MS Awan - Group Finance Director

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:

	2001	2000
HA Mughal	3,979,371	3,979,371
AM Tillbrook	30,000	30,000
AG Laffoley	120,000	120,000
MS Awan	230,000	210,000

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 (2000: *£nil*). Charitable donations amounted to £2,538 (2000: £2,873).

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 2001 trade creditors represented approximately 56 days purchases for the group (2000: 42 days). The company did not have any trade creditors at 30 June 2001.

Auditors

In accordance with Section 388 of the Companies Act 1985, Gross Klein & Co were appointed auditors of the company by the directors subsequent to the year end. A resolution for the re-appointment of Gross Klein & Co as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



MS Awan
Secretary

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.

Independent auditors' report to the shareholders of Akhter Group plc

We have audited the financial statements of Akhter Group plc on pages 5 to 24 for the year ended 30 June 2001. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 3 the company's directors are responsible for the preparation of the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and transactions with the Company and other members of the Group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 company'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 Group as at 30 June 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Gross Klein & Company
Chartered Accountants and
Registered Auditor
6 Breams Buildings
London, EC4A 1QL

25 January 2002

Consolidated profit and loss account
 for the year ended 30 June 2001

	Note	2001 £000	2001 £000	2000 £000	2000 £000
Turnover of the group including its share of associate's turnover			20,837		25,617
Share of associate's turnover	10		(1,636)		(2,792)
Group turnover – continuing operations	1-2		19,201		22,825
Cost of Sales			(13,813)		(16,969)
Gross profit			5,388		5,856
Selling and distribution costs			(3,291)		(3,809)
Administrative expenses			(996)		(1,134)
Other operating income	3		-		247
Group operating profit before amortisation of goodwill	3-7		1,101		1,160
Amortisation of capitalised goodwill	11		(394)		(386)
Group operating profit – continuing operations			707		774
Share of operating loss of associate	10		(132)		(100)
Total operating profit			575		674
Loss on sale of fixed assets – group	3		(13)		-
Profit on ordinary activities before interest			562		674
Interest receivable and similar income					
Group	4	100		54	
Associate		-		-	
			100		54
Interest payable and similar charges					
Group	5	(223)		254	
Associate	10	(116)		88	
			(339)		(342)
Profit on ordinary activities before taxation			323		386
Tax on profit on ordinary activities					
Group	8	(65)		(347)	
Associate		-		-	
			(65)		(347)
Profit for the financial year			258		39
Equity dividends	9		-		(469)
Profit/(loss) for the financial year accumulated with reserves	19		258		(430)

Consolidated balance sheet
at 30 June 2001

	Note	2001 £000	2000 £000	2000 £000
Fixed assets				
Investment in associate	10	(1,706)		(1,458)
Intangible assets- goodwill	11	2,981		3,226
Investment in associate			1,275	1,768
Tangible assets	12		3,591	3,766
			4,866	5,534
Current assets				
Stock	13	2,115		2,907
Debtors	14	3,964		2,530
Cash at bank and in hand		76		115
		6,155		5,552
Creditors: amounts falling due within one year	15	(4,053)		(3,949)
Net current assets			2,102	1,603
Total assets less current liabilities			6,968	7,137
Creditors: amounts falling due after one year	16		(1,152)	(1,220)
Provisions for liabilities and charges	17		(151)	(301)
Net assets			5,665	5,616
Capital and reserves				
Called up share capital	18		470	470
Share premium account	19		69	69
Revaluation reserve	19		95	95
Profit and loss account	19		5,031	4,982
Equity shareholders' funds			5,665	5,616

These financial statements were approved by the board of directors on 25 January 2002 and were signed on its behalf by:


HA Mughal
Chief Executive



MS Awan
Group Finance Director

Company balance sheet
at 30 June 2001

	Note	2001 £000	2000 £000	2000 £000
Fixed assets				
Tangible assets	12	763		780
Investments	10	4,617		4,517
		<u>5,380</u>		<u>5,297</u>
Current assets				
Debtors	14	14	5	
Cash at bank and in hand		4	2	
		<u>18</u>	<u>7</u>	
Creditors: amounts falling due within one year	15	<u>(4,760)</u>	<u>(4,667)</u>	
Net current liabilities		<u>(4,742)</u>		<u>(4,660)</u>
Total assets less current liabilities		<u>638</u>		<u>637</u>
Provisions for liabilities and charges	17	<u>(1)</u>		<u>(1)</u>
Net assets		<u>637</u>		<u>636</u>
Capital and reserves				
Called up share capital	18	470		470
Share premium account	19	69		69
Revaluation reserve	19	95		95
Profit and loss account	19	3		2
Equity shareholders' funds		<u>637</u>		<u>636</u>

These financial statements were approved by the board of directors on 25 January 2002 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 2001

	<i>Note</i>	2001 £000	2000 £000
Cash inflow from operating activities	21	257	2,772
Returns on investments and servicing of finance	22	(197)	(145)
Taxation	22	(416)	(234)
Capital expenditure and financial investment	22	(60)	(529)
Acquisitions and disposals	22	(100)	(167)
Equity dividends paid		-	(469)
		<hr/>	<hr/>
Cash (outflow)/inflow before management of liquid resources and financing		(516)	1,228
Financing	22	(366)	(1,014)
		<hr/>	<hr/>
(Decrease)/increase in cash in the year		(882)	214
		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of net cash flow to movement in net debt

	£000	£000
(Decrease)/increase in cash in the year	(882)	214
Cash inflow from increase in debt and lease financing	366	1,014
	<hr/>	<hr/>
Movement in net debt in the year	(516)	1,228
Net debt at the start of the year	(1,536)	(2,764)
	<hr/>	<hr/>
Net debt at the end of the year	23 (2,052)	(1,536)
	<hr/> <hr/>	<hr/> <hr/>

Consolidated statement of total recognised gains and losses
for the year ended 30 June 2001

	2001	2000
	£000	£000
Profit/(loss) for the financial year		
Group	506	227
Share of associates	(248)	(188)
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	258	39
	<hr/> <hr/>	<hr/> <hr/>

Note of consolidated historical cost profits and losses
for the year ended 30 June 2001

	2001	2000
	£000	£000
Reported profit on ordinary activities before taxation	323	386
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	(1)	(1)
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	322	385
	<hr/> <hr/>	<hr/> <hr/>
Historical cost profit/(loss) for the year retained after taxation, minority interests and dividends	257	(431)
	<hr/> <hr/>	<hr/> <hr/>

Consolidated reconciliation of movement in shareholders' funds
for the year ended 30 June 2000

	Group		Company	
	2001	2000	2001	2000
	£000	£000	£000	£000
Profit for the financial year	258	39	1	4
Currency translation differences on foreign currency investments	(209)	-	-	-
Dividends	-	(469)	-	(469)
	<hr/>	<hr/>	<hr/>	<hr/>
Net increase/(reduction) to shareholders' funds	49	(430)	1	(465)
Opening shareholders' funds	5,616	6,046	636	1,101
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	5,665	5,616	637	636
	<hr/> <hr/>	<hr/> <hr/>	<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 2001. The results and interest 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 profit for the financial year dealt with in the accounts of the company is £692 (2000: £4,000).

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.

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Exchange differences arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

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 1999 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:

	2001 £000	2000 £000
Middle East and Asia	2,199	63
United Kingdom	16,756	22,574
Africa	246	188
	<hr/>	<hr/>
Total	19,201	22,825
	<hr/>	<hr/>

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

3 Operating profit

	2001 £000	2000 £000
<i>Operating profit is stated after charging/(crediting)</i>		
Depreciation and other amounts written off tangible fixed assets	267	918
Loss on disposal of fixed assets	13	15
Research and development expenditure	16	24
Auditors' remuneration:		
Audit	11	28
Other services	-	9
Operating lease – land and buildings	12	12
Compensation for trademark infringement	-	(247)
Income from rental of fixed assets	-	(389)
	<hr/>	<hr/>

4 Interest receivable and similar income

	2001 £000	2000 £000
Bank interest	3	28
Loan note interest	21	26
Exchange gain on foreign currency loan	76	-
	<hr/>	<hr/>
	100	54
	<hr/>	<hr/>

Notes (continued)

5 Interest payable and similar charges

	2001 £000	2000 £000
On bank loans and overdrafts	99	124
Other interest payable	22	26
Interest on loan from pension fund	102	104
	<hr/> 223	<hr/> 254
	<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:

	2001	Number of employees 2000
Administration and technical	74	53
Selling and distribution	75	96
	<hr/> 149	<hr/> 149
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	2001 £000	2000 £000
Wages and salaries	2,233	2,627
Social security costs	217	257
Other pension costs	63	66
	<hr/> 2,513	<hr/> 2,950
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

7 Remuneration of directors

The remuneration of the directors is as follows:

	2001		2000	
	Directors	Highest Paid Director	Director	Highest Paid Director
	£000	£000	£000	£000
Emoluments:				
Salary	288	105	280	104
Benefits in kind	68	64	26	11
	<hr/>	<hr/>	<hr/>	<hr/>
Total emoluments	356	169	306	115
Pension contributions	22	16	28	10
	<hr/>	<hr/>	<hr/>	<hr/>
	378	185	334	125
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

HA Mughal was the highest paid director in the years ended 30 June 2001 and 2000. Contributions made to money purchase pension schemes in respect of HA Mughal were £10,500, the remaining £11,975 of contributions were made in respect of two other directors.

8 Taxation

	2001	2000
	£000	£000
UK corporation tax at 6% (2000: 30%) on the profit on ordinary activities	72	345
Adjustments relating to an earlier year	(7)	2
	<hr/>	<hr/>
	65	347
	<hr/> <hr/>	<hr/> <hr/>

The tax charge for the year has been reduced by the availability of tax losses brought forward within the Group.

Notes (continued)

9 Equity dividends

	2001 £000	2000 £000
Interim dividend paid	-	469
	<u> </u>	<u> </u>

10 Fixed asset investments

Group	Investment in associate £000	Loan notes £000	Total £000
<i>Cost</i>			
At beginning of year	(1,791)	333	(1,458)
Group share of post tax losses	(248)	-	(248)
	<u> </u>	<u> </u>	<u> </u>
At end of year	(2,039)	333	(1,706)
	<u> </u>	<u> </u>	<u> </u>
<i>Provisions</i>			
At beginning and end of year	-	-	-
	<u> </u>	<u> </u>	<u> </u>
<i>Net book value</i>			
At 30 June 2001	(2,039)	333	(1,706)
	<u> </u>	<u> </u>	<u> </u>
At 30 June 2000	(1,791)	333	(1,458)
	<u> </u>	<u> </u>	<u> </u>

The investment in associate consists of a 28.05% holding in Ultima Networks PLC, a company listed on the London Stock Exchange. 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 2000 and the unaudited interim results for the six months to 30 June 2001, as contained in the Ultima Network's Interim Report dated 27 November 2001.

At 30 June 2001 the market value of the investment in Ultima Networks PLC was approximately £1,216,000.

Notes (continued)

10 Fixed asset investments (continued)

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

	2001 £000	2000 £000
Profit and loss account		
Share of turnover	1,636	2,792
Share of loss before tax	(248)	(188)
Share of taxation	-	-
Share of loss after taxation	(248)	(188)
Balance sheet		
Share of assets		
Share of fixed assets	573	756
Share of current assets	535	624
Share of liabilities		
Share of liabilities due within one year	(1,904)	(1,535)
Share of liabilities due after one year	(491)	(874)

Company	Shares in group undertakings £000	Participating interests £000	Total £000
Cost			
At beginning of year	1,694	3,117	4,811
Additions	100	-	100
	<u>1,794</u>	<u>3,117</u>	<u>4,911</u>
Provisions			
At beginning and end of year	294	-	294
Net book value			
At 30 June 2001	<u>1,500</u>	<u>3,117</u>	<u>4,617</u>
At 30 June 2000	<u>1,400</u>	<u>3,117</u>	<u>4,517</u>

The principal subsidiary undertakings, all of which are wholly owned and have an accounting year end of 30 June 2001 are as follows:

Akhter Computers Limited (issued share capital £1,000,000) - established manufacturer, system integrator and supplier of PC network and database technology. Registered in England and Wales.

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. Registered in England and Wales.

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

Akhter Computers Pakistan (Private) Ltd (issued share capital PKR 2,950,000) - established manufacturer, system integrator and supplier of PC network and database technology. Registered in Pakistan.

Notes (continued)

11 Intangible fixed assets - goodwill

Group	£000
Cost	
At beginning of year	3,856
Additions	149
	<hr/>
At end of year	4,005
	<hr/>
Amortisation	
At beginning of year	630
Charge for the year	394
	<hr/>
At end of year	1,024
	<hr/>
Net book value	
At 30 June 2001	2,981
	<hr/>
At 30 June 2000	3,226
	<hr/>

The goodwill at the beginning of the year arose on the acquisition of shares in Ultima Networks PLC in October 1998 and July 1999, see note 10. The useful economic life adopted for this goodwill is 10 years. The goodwill shown as an addition during the year arose on the acquisition of Akhter Computers Pakistan (Private) Ltd in July 2001. The useful economic life adopted for this goodwill is 20 years.

12 Tangible fixed assets

	Fixtures and Fittings	Computer Equipment	Motor Vehicles	Equipment for rental	Freehold Land & Buildings	Total
Group	£000	£000	£000	£000	£000	£000
Cost or valuation						
At beginning of year	1,976	363	495	3,515	3,072	9,421
Additions	22	31	34	-	4	91
Acquisitions	30	-	-	-	34	64
Exchange differences	(3)	-	-	-	(4)	(7)
Disposals	-	-	(165)	(3,515)	-	(3,680)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	2,025	394	364	-	3,106	5,889
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation						
At beginning of year	1,280	305	284	3,515	271	5,655
Charge for year	107	53	47	-	60	267
Disposals	-	-	(109)	(3,515)	-	(3,624)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,387	358	222	-	331	2,298
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value						
At 30 June 2001	638	36	142	-	2,775	3,591
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2000	696	58	211	-	2,801	3,766
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

12 Tangible fixed assets (continued)

	Fixtures and Fittings	Freehold Land and Buildings	Total
	£000	£000	£000
Company			
Cost			
At beginning and end of year	49	850	899
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	43	76	119
Charge for year	1	16	17
	<hr/>	<hr/>	<hr/>
At end of year	44	92	136
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 2001	5	758	763
	<hr/>	<hr/>	<hr/>
At 30 June 2000	6	774	780
	<hr/>	<hr/>	<hr/>

The net book value of land and buildings comprises:

	Group		Company	
	2001	2000	2001	2000
	£000	£000	£000	£000
Freehold	2,775	2,801	758	774
	<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	Company
	2001	2001
	£000	£000
Historical cost	3,481	926
Depreciation	(472)	(220)
	<hr/>	<hr/>
Net book value at 30 June 2001	3,009	706
	<hr/>	<hr/>
Net book value at 30 June 2000	3,070	724
	<hr/>	<hr/>

The consolidated depreciation charge for the year, based on the historic cost, would have been £61,000 (2000: £56,000).

Notes (continued)

13 Stocks

	Group		Company	
	2001	2000	2001	2000
	£000	£000	£000	£000
Raw materials and consumables	570	1,149	-	-
Finished goods and goods for resale	1,545	1,758	-	-
	<u>2,115</u>	<u>2,907</u>	<u>-</u>	<u>-</u>

14 Debtors

	Group		Company	
	2001	2000	2001	2000
	£000	£000	£000	£000
Trade debtors	3,203	2,216	-	-
Corporation tax	144	-	-	-
Prepayments and sundry debtors	617	314	14	5
	<u>3,964</u>	<u>2,530</u>	<u>14</u>	<u>5</u>

Trade debtors provide security for a cash advance facility. As at the year end the amount drawn down was £108,000 (2000: £nil).

15 Creditors: amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	£000	£000	£000	£000
Bank loans and overdrafts and mortgages	985	131	-	-
Obligations under finance leases	3	-	-	-
Trade creditors	1,992	1,878	-	-
Corporation tax	42	249	3	-
Other taxes and social security	354	182	-	-
Other creditors:				
Other creditors and accruals	677	1,509	-	-
Amounts due to subsidiary undertakings	-	-	4,757	4,667
	<u>4,053</u>	<u>3,949</u>	<u>4,760</u>	<u>4,667</u>

Notes (continued)

16 Creditors: amounts falling due after one year

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Bank mortgage				
Instalments payable within five years	665	606	-	-
Instalments payable after five years	441	614	-	-
Obligations under finance leases	37	-	-	-
Other creditors:				
Other creditors and accruals	9	-	-	-
	<u>1,152</u>	<u>1,220</u>	<u>-</u>	<u>-</u>

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.

17 Provisions for liabilities and charges

	Deferred taxation £000	Other provisions £000	Total £000
Group			
At beginning of year	1	300	301
Utilised during the year	-	(150)	(150)
	<u>1</u>	<u>150</u>	<u>151</u>

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 Court found in the claimant's favour but damages have not yet been quantified. 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:

	2001		2000	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances (asset)/liability	<u>1</u>	<u>(180)</u>	<u>1</u>	<u>(279)</u>

Notes (continued)

17 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:

	2001		2000	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	1	-	1	-
	<hr/>	<hr/>	<hr/>	<hr/>

18 Called up share capital

	2001 £000	2000 £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)

19 Reserves

	Share Premium Account £000	Group Revaluation Reserve £000	Profit And loss Account £000
At beginning of year	69	95	4,982
Exchange movements	-	-	(209)
Profit for the financial year	-	-	258
	<hr/>	<hr/>	<hr/>
At end of year	69	95	5,031
	<hr/>	<hr/>	<hr/>
	Share Premium Account £000	Company Revaluation Reserve £000	Profit And Loss Account £000
At beginning of year	69	95	2
Profit for the financial year accumulated with reserves	-	-	1
	<hr/>	<hr/>	<hr/>
At end of year	69	95	3
	<hr/>	<hr/>	<hr/>

20 Commitments

The group has no material capital commitments at 30 June 2001.

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

	2001 £000	2000 £000
Operating leases which expire - in more than five years	12	12
	<hr/>	<hr/>

21 Reconciliation of operating profit to operating cash flows

	2001 £000	2000 £000
Operating profit	1,101	1,160
Depreciation charge	267	918
Decrease in stocks	792	492
(Increase)/decrease in debtors	(1,272)	7
(Decrease)/increase in creditors	(441)	167
Exchange differences	(203)	-
Loss on disposal of fixed assets	13	28
	<hr/>	<hr/>
Net cash inflow from operating activities	257	2,772
	<hr/>	<hr/>

Notes (continued)

22 Analysis of cash flows

	2001 £000	2000 £000
Returns on investment and servicing of finance		
Interest received	86	54
Interest paid	(281)	(199)
Interest element of finance lease rental payments	(2)	-
	<u>(197)</u>	<u>(145)</u>
Taxation		
UK corporation tax paid	(416)	(234)
	<u>(416)</u>	<u>(234)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(91)	(438)
Sale of tangible fixed assets	31	41
Loan to associate repaid	-	201
Loan notes from associate subscribed	-	(333)
	<u>(60)</u>	<u>(529)</u>
Acquisitions and disposals		
Acquisition of shares in associate	-	(167)
Purchase of subsidiary undertaking	(100)	-
Net cash acquired with subsidiary	-	-
	<u>(100)</u>	<u>(167)</u>
Net cash outflow from acquisitions and disposals	<u>(100)</u>	<u>(167)</u>
Financing		
Mortgage advanced	-	-
Repayment of mortgage	(103)	(114)
Pension fund loan repaid (note 25)	(275)	(900)
Capital element of finance lease rental payments	12	-
	<u>(366)</u>	<u>(1,014)</u>
Net cash outflow from financing	<u>(366)</u>	<u>(1,014)</u>

23 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	115	(39)	-	76
Bank loans, overdrafts and mortgages	(131)	(854)	-	(985)
Finance leases	-	(12)	-	(12)
Pension fund loan (included within other creditors)	(300)	275	-	(25)
	<u>(316)</u>	<u>(630)</u>	<u>-</u>	<u>(946)</u>
Debt due after one year	(1,220)	114	-	(1,106)
Total	<u>(1,536)</u>	<u>(516)</u>	<u>-</u>	<u>(2,052)</u>

Notes (continued)

24 Purchase of subsidiary undertaking

	£000
Net assets acquired	
Tangible fixed assets	64
Other debtors	4
Other creditors and accruals	(117)
	<hr/>
	(49)
Goodwill	149
	<hr/>
	100
	<hr/>
Satisfied by	
Cash	100
	<hr/>

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 is interest bearing at 3% above bank base rate and was repayable in full on 7 April 1999. However the repayment date has been rolled over for three years and the loan is now repayable in full on 7 April 2002. During the year £274,799 of capital was repaid, interest of £16,071 was charged to the profit and loss account and interest of £16,071 remains unpaid at 30 June 2001. These amounts are included within other creditors and accruals in the consolidated accounts. The loan and the interest were fully repaid on 15 August 2001.

26 Related party disclosures

As explained in note 10, Fixed asset investments, Akhter Group has a 28.05% holding in Ultima Networks PLC. 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 47.56% 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 the Ultima Networks Group to the value of £963,784 and purchased goods and services from the Ultima Networks Group to the value of £755,343. At the balance sheet date Akhter Group was owed £1,310,022 by the Ultima Networks Group and owed the Ultima Networks Group £350,751.

27 Contingent liabilities

On 27 May 1999 Akhter Group plc issued a guarantee in HSBC Bank plc's favour to the value of £500,000 in order to secure the debt of Ultima Networks PLC. This guarantee was released by HSBC on 9 November 2001.