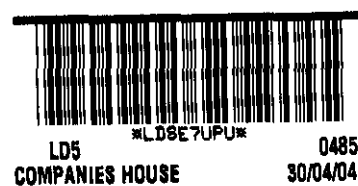


**Registered number 1435835**

**Akhter Group plc**

**Directors' report and consolidated  
financial statements**

*For the year ended 30 June 2003*



## **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 2003.

### **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 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.

### **Euro**

The Euro has had no significant impact on the groups business and operations.

### **Dividend**

No interim dividend (2002: *nil*) was paid during the year. The directors do not recommend the payment of a final dividend for 2003 (2002: *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:

	2003	2002
HA Mughal	3,979,371	3,979,371
AM Tillbrook	30,000	30,000
AG Laffoley	120,000	120,000
MS Awan	210,000	210,000

## 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 (2002: *£nil*). Charitable donations amounted to £4,677 (2002: £12,644).

### 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 2003 trade creditors represented approximately 34 days purchases for the group (2002: 45 days). The company did not have any trade creditors at 30 June 2002.

### Auditors

In accordance with Section 388 of the Companies Act 1985, a resolution for the re-appointment of Gross Klein formerly known as Gross Klein & Co as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors and signed on behalf of the board on 30 April 2004



HA Mughal  
Chief Executive

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 2003. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 10 and 11.

This report is made solely to the Company and Group's members, as a body, in accordance with Section 235 of the Companies Act 1985 and for no other purpose. Our audit work has been undertaken so that we might state to the Company and Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and Group and the Company and Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **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 of the Group as at 30 June 2003 and of its profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



30th April 2004.

**Gross Klein**  
*Chartered Accountants and  
Registered Auditors  
6 Breams Buildings  
London, EC4A 1QL*

## Consolidated profit and loss account

for the year ended 30 June 2003

	Note	2003 £000	2003 £000	2002 £000	2002 £000
Turnover of the group including its share of associate's turnover		17,858		17,951	
Share of associate's turnover	10	(481)		(769)	
		<u>17,377</u>		<u>17,182</u>	
Continuing operations			17,377		17,182
			<u>-</u>		<u>-</u>
Group turnover	1-2		17,377		17,182
Cost of Sales			(11,788)		(12,730)
			<u>-</u>		<u>-</u>
Gross profit			5,589		4,452
Selling and distribution costs			(2,833)		(2,969)
Administrative expenses			(1,186)		(1,061)
			<u>-</u>		<u>-</u>
Group operating profit – continuing operations	3-7		1,570		422
Share of operating profit/(loss) of associate	10		65		428
			<u>-</u>		<u>-</u>
Continuing		1,635		850	
		<u>-</u>		<u>-</u>	
Operating Profit			1,635		850
Exceptional items			(1,594)		(199)
			71		(79)
Exceptional non-operating item of associate – on re-organisation of business			<u>-</u>		<u>-</u>
Profit/loss on ordinary activities before interest			112		572
Interest receivable and similar income Group	4		152		137
			<u>-</u>		<u>-</u>
			264		709
Interest payable and similar charges			<u>-</u>		<u>-</u>
Group	5	(177)		(207)	
Associate	10	(63)		(69)	
		<u>-</u>	(240)	<u>-</u>	(276)
Profit/loss on ordinary activities before taxation			<u>-</u>		<u>-</u>
			24		433
Tax credit / (charge) on profit on ordinary activities			<u>-</u>		<u>-</u>
Group	8	61		(150)	
Associate		10		18	
		<u>-</u>	71	<u>-</u>	(132)
Profit for the financial year accumulated with reserves	19		<u>95</u>		<u>301</u>

There are no gains or losses for the year other than those recognised in the profit and loss account.

All the above relate to continuing operations.

**Consolidated balance sheet**  
**at 30 June 2003**

	Note	2003 £000	2002 £000
<b>Fixed assets</b>			
Intangible assets	11	2,193	2,587
Tangible assets	12	3,203	3,355
		<hr/>	<hr/>
Investments	10	5,396 (502)	5,942 (516)
		<hr/>	<hr/>
		4,894	5,426
<b>Current assets</b>			
Stock	13	2,157	1,748
Debtors	14	2,701	2,893
Short-Term investments		550	1,191
Cash at bank and in hand		71	12
		<hr/>	<hr/>
Creditors: amounts falling due within one year	15	5,479 (3,318)	5,844 (3,373)
		<hr/>	<hr/>
<b>Net current assets</b>		2,161	2,471
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		7,055	7,897
		<hr/>	<hr/>
Creditors: amounts falling due after one year	16	(862)	(1,403)
Provisions for liabilities and charges	17	(186)	(316)
		<hr/>	<hr/>
<b>Net assets</b>		6,007	6,178
		<hr/>	<hr/>
<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	5,373	5,544
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		6,007	6,178
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 30 April 2004 and were signed on its behalf by:

  
**HA Mughal**  
*Chief Executive*



**Company balance sheet**  
**at 30 June 2003**

	Note	2003 £000	2002 £000
<b>Fixed assets</b>			
Tangible assets	12	731	746
Investments	10	5,440	5,509
		<hr/> 6,171	<hr/> 6,255
<b>Current assets</b>			
Debtors	14	72	41
Cash at bank and in hand		-	-
		<hr/> 72	<hr/> 41
<b>Creditors: amounts falling due within one year</b>	15	(5,496)	(5,574)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(5,424)	(5,533)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		747	722
<b>Provisions for liabilities and charges</b>	17	-	-
		<hr/>	<hr/>
<b>Net assets</b>		747	722
		<hr/>	<hr/>
<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	113	88
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		747	722
		<hr/>	<hr/>

These financial statements were approved by the board of directors on its behalf by:

30 April 2004

and were signed on

  
**HA Mughal**  
*Chief Executive*

**Consolidated cash flow statement**  
 for the year ended 30 June 2003

	Note	2003 £000	2002 £000
Cash inflow from operating activities	21	1,169	2028
Returns on investments and servicing of finance	22	(56)	(146)
Taxation (paid) / received	22	(95)	102
Capital expenditure and financial investment	22	(524)	(2104)
Acquisitions and disposals	22	-	-
Equity dividends paid		-	-
		<hr/>	<hr/>
Cash inflow / (outflow) before management of liquid resources and financing		494	(120)
Financing	22	(435)	249
		<hr/>	<hr/>
Increase in cash in the year		59	129
		<hr/>	<hr/>

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

	£000	£000
Increase in cash in the year	59	129
Cash outflow / (inflow) from increase in debt and lease financing	435	(249)
	<hr/>	<hr/>
Movement in net debt in the year	494	(120)
Net debt at the start of the year	(2,172)	(2,052)
	<hr/>	<hr/>
Net debt at the end of the year	23	(2,172)
	<hr/>	<hr/>

**Consolidated statement of total recognised gains and losses**  
*for the year ended 30 June 2003*

	2003 £000	2002 £000
<b>Profit for the financial year</b>		
Group	12	3
Share of associate	83	298
	<hr/>	<hr/>
<b>Total recognised gains relating to the financial year</b>	<b>95</b>	<b>301</b>
	<hr/>	<hr/>

**Note of consolidated historical cost profits and losses**  
*for the year ended 30 June 2003*

	2003 £000	2002 £000
<b>Reported profit on ordinary activities before taxation</b>	<b>24</b>	<b>433</b>
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	-	-
	<hr/>	<hr/>
<b>Historical cost profit on ordinary activities before taxation</b>	<b>24</b>	<b>433</b>
	<hr/>	<hr/>
<b>Historical cost profit for the year retained after taxation, minority interests and dividends</b>	<b>95</b>	<b>301</b>
	<hr/>	<hr/>

**Consolidated reconciliation of movement in shareholders' funds**  
*for the year ended 30 June 2003*

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
<b>Profit for the financial year</b>	<b>95</b>	<b>301</b>	<b>25</b>	<b>85</b>
Currency translation differences on foreign currency investments	(266)	212	-	-
Dividends	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net increase/(reduction) to shareholders' funds</b>	<b>(171)</b>	<b>513</b>	<b>25</b>	<b>85</b>
				637
<b>Opening shareholders' funds</b>	<b>6,178</b>	<b>5,665</b>	<b>722</b>	<b>722</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>6,007</b>	<b>6,178</b>	<b>747</b>	<b>722</b>
	<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 2003. 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. Goodwill is amortised over a period of not more than twenty years.

#### ***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 £42,000 (2002: £85,000).

#### ***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 where appropriate.

#### **Deferred taxation.**

The accounting policy in respect of deferred tax complies with the requirements of FRS19. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

### ***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
Computer hardware and software	33.3 per cent, 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. The pension cost changes represent contributions payable by the group.

## 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:

	2003 £000	2002 £000
Middle East and Asia	364	1,427
United Kingdom	16,900	15,660
Africa	113	95
	<hr/>	<hr/>
Total	17,377	17,182
	<hr/>	<hr/>

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

### 3 Operating profit

	2003 £000	2002 £000
<i>Operating profit is stated after charging/(crediting)</i>		
Depreciation and other amounts written off tangible fixed assets	183	213
Loss on disposal of fixed assets	12	43
Research and development expenditure	-	-
Auditors' remuneration:		
Audit	18	18
Other services	-	-
Operating lease – land and buildings	12	12
Investment write-off	1,191	
Pension Costs	53	55
Amortisation of goodwill	394	394

### 4 Interest receivable and similar income

	2003 £000	2002 £000
Bank interest	30	5
Loan note interest	31	21
Other interest receivable	91	111
	<hr/>	<hr/>
	152	137
	<hr/>	<hr/>

## Notes (continued)

### 5 Interest payable and similar charges

	2003 £000	2002 £000
On bank loans and overdrafts	90	116
Other interest payable	87	-
Interest on loan from pension fund	-	91
	<hr/> 177	<hr/> 207
	<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:

	2003	Number of employees 2002
Administration and technical	73	82
Selling and distribution	59	70
	<hr/> 132	<hr/> 152
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	2003 £000	2002 £000
Wages and salaries	2,235	2,004
Social security costs	208	187
Other pension costs	53	55
	<hr/> 2,496	<hr/> 2,246
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 7 Remuneration of directors

The remuneration of the directors is as follows:

	2003		2002	
	Directors	Highest Paid Director	Directors	Highest Paid Director
	£000	£000	£000	£000
Emoluments:				
Salary	324	112	494	121
Benefits in kind	-	-	15	6
	<hr/>	<hr/>	<hr/>	<hr/>
Total emoluments	324	112	509	127
Pension contributions	25	11	25	-
	<hr/>	<hr/>	<hr/>	<hr/>
	349	123	534	127
	<hr/>	<hr/>	<hr/>	<hr/>

During the year ended 30th June 2003, J Oakley was the highest paid director.

### 8 Taxation

#### a) Analysis of charge in year for group

	2003 £000	2002 £000
UK corporation tax at 19% (2002: 30%) on the profit on ordinary activities	(12)	(132)
Adjustments relating to an earlier year	77	(19)
	<hr/>	<hr/>
	65	151
Deferred tax	(4)	1
	<hr/>	<hr/>
	61	(150)
	<hr/>	<hr/>

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

#### b) Factors affecting tax charge in year for group

	2003 £000
Profit on ordinary activities	24
	<hr/>
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 19%	5
Effects of:	
Expenses not deductible for tax purposes -mainly goodwill amortisation	73
Adjustment related to last year	(25)
Capital Allowances in excess of depreciation	(4)
Utilisation of tax losses	16
	<hr/>
Current tax charge for the year	65
	<hr/>



## Notes (continued)

### 9 Equity dividends

	2003 £000	2002 £000
Interim dividend paid	-	-

### 10 Fixed asset investments

Group	Investment in associate	Loan notes	Secured loan	Total
Cost	£000	£000	£000	£000
At beginning of year	(1,741)	333	892	(516)
Group share of post tax profits	83	-	-	83
Loan advanced	-	-	-	-
Loan repaid	-	-	(69)	(69)
At end of year	(1658)	333	823	(502)
<b>Provisions</b>				
At beginning and end of year	-	-	-	-
<b>Net book value</b>				
At 30 June 2003	(1658)	333	823	(502)
At 30 June 2002	(1,741)	333	892	(516)

The investment in associate consists of a 28.05% holding of ordinary shares of 1p each in Ultima Networks PLC, a company listed on the London Stock Exchange. Ultima Networks PLC 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 PLC included in these consolidated financial statements are based on the audited financial statements of Ultima Networks plc for the year ended 31 December 2002 and the unaudited interim results for the six months to 30 June 2003, as contained in the Ultima Network PLC's Interim Report dated 19<sup>th</sup> September 2003.

At 30 June 2003 the market value of the investment in Ultima Networks PLC was approximately £540,553

## 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:

	2003 £000	2002 £000
Profit and loss account		
Share of turnover	481	769
Share of profit/(loss) before tax	73	281
Share of taxation	10	18
Share of profit/(loss) after taxation	84	298
Balance sheet		
Share of assets		
Share of fixed assets	907	890
Share of current assets	236	278
Share of liabilities		
Share of liabilities due within one year	(452)	(541)
Share of liabilities due after one year	(940)	(997)
	<hr/>	<hr/>

Company Cost	Shares in group undertakings £000	Participating interests £000	Total £000
At beginning of year	1,794	4009	5803
Additions	-	-	-
Repaid	-	(69)	(69)
	<hr/>	<hr/>	<hr/>
	1,794	3,940	5,734
	<hr/>	<hr/>	<hr/>
Provisions			
At beginning and end of year	294	-	294
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>At 30 June 2003</b>	<b>1500</b>	<b>3940</b>	<b>5440</b>
	<hr/>	<hr/>	<hr/>
At 30 June 2002	1,500	4,009	5,509
	<hr/>	<hr/>	<hr/>

The principal subsidiary undertakings, all of which are wholly owned and have an accounting year end of 30 June 2003 are as follows:

Akhter Computers Limited (issued share capital £1,000,000 of £1 each) - 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 of £1 each) - 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 of £1 each) - 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 of 100 Rupees each) - established manufacturer, system integrator and supplier of PC network and database technology. Registered in Pakistan.

## Notes (continued)

### 11 Intangible fixed assets - goodwill

<b>Group</b>	£000
<b>Cost</b>	
At beginning of year	4,005
	<hr/>
At end of year	4005
	<hr/>
<b>Amortisation</b>	
At beginning of year	1,418
Charge for the year	394
	<hr/>
At end of year	1,812
	<hr/>
<b>Net book value</b>	
At 30 June 2003	2,193
	<hr/>
At 30 June 2002	2,587
	<hr/>

The goodwill arose on the acquisition of shares in Ultima Networks PLC in October 1998 and July 1999 and Akhter Computers Pakistan (Private) Ltd in July 2001. The useful economic life adopted for this goodwill is 10 years and 20 years respectively.

### 12 Tangible fixed assets

	Fixtures and Fittings	Computer Equipment	Motor Vehicles	Freehold Land & Buildings	Total
<b>Group</b>	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At beginning of year	2080	386	152	3107	5725
Additions	37	16	-	-	53
Transfers	-	-	-	-	-
Exchange differences	(3)	-	(8)	(3)	(14)
Disposals	-	-	(52)	-	(52)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	2,114	402	92	3,104	5,712
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At beginning of year	1539	344	97	390	2,370
Charge for year	83	33	10	57	183
Transfers	-	-	-	-	-
Exchange differences	(4)	-	-	(2)	(6)
Disposals	-	-	(38)	-	(38)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,618	377	69	445	2,509
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 30 June 2003	496	25	23	2659	3,203
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2002	541	42	55	2717	3355
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 12 Tangible fixed assets (continued)

	Fixtures and Fittings	Freehold Land and Buildings	Total
	£000	£000	£000
<b>Company</b>			
<b>Cost</b>			
At beginning and end of year	49	850	899
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At beginning of year	46	107	153
Charge for year	-	15	15
	<hr/>	<hr/>	<hr/>
At end of year	46	122	168
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 June 2003	3	728	731
	<hr/>	<hr/>	<hr/>
At 30 June 2002	3	743	746
	<hr/>	<hr/>	<hr/>

The net book value of land and buildings comprises:

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Freehold	2,659	2,717	728	743
	<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
	2003 £000	2002 £000
Historical cost	3,012	755
Depreciation	(378)	(95)
	<hr/>	<hr/>
<b>Net book value at 30 June 2003</b>	<b>2,634</b>	<b>660</b>
	<hr/>	<hr/>
Net book value at 30 June 2002	3,009	706
	<hr/>	<hr/>

The consolidated depreciation charge for the year, based on the historic cost, would have been £xxxx (2002: £57,000).

**Notes (continued)**

**13 Stocks**

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Raw materials and consumables	146	358	-	-
Finished goods and goods for resale	2,011	1,390	-	-
	<u>2,157</u>	<u>1,748</u>	<u>-</u>	<u>-</u>

**14 Debtors**

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade debtors	2,152	2,293	-	-
Corporation tax	-	-	-	-
Prepayments	297	105	-	-
Other Debtors	252	411	72	41
Amounts owed by the group undertakings	-	84	-	-
	<u>2,701</u>	<u>2,893</u>	<u>72</u>	<u>41</u>

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

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts and mortgages	882	792	-	3
Obligations under finance leases	5	5	-	-
Trade creditors	1,153	1,592	-	-
Corporation tax	12	132	12	-
Other taxes and social security	296	152	-	-
Other creditors	970	172	-	-
Accruals	-	528	-	-
Amounts due to subsidiary undertakings	-	-	5,471	5,571
	<u>3,318</u>	<u>3,373</u>	<u>5,483</u>	<u>5,574</u>

## Notes (continued)

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

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Bank mortgage				
Instalments payable within five years	780	980	-	-
Instalments payable after five years	78	370	-	-
Obligations under finance leases	4	37	-	-
Other creditors	-	16	-	-
Accruals	-	-	-	-
	<u>862</u>	<u>1,403</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
<b>Group</b>			
At beginning of year	-	316	316
Transfer from other creditors	-	-	-
Utilised during the year	-	(134)	(134)
Additional Provision	4	-	4
Written back during year	-	-	-
	<u>4</u>	<u>182</u>	<u>186</u>
At end of year	4	182	186

The provision made represents the director's view of the total cost of settling the dispute, which is likely to occur one year from the balance sheet date.

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

	2003	2002
	Provided £000	Provided £000
Difference between accumulated depreciation and amortisation and capital allowances (asset)/liability	<u>4</u>	<u>-</u>

## Notes (continued)

**18    Called up share capital**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
<i>Authorised</i>		
10,000,000 Ordinary shares of 10p each	<b>1,000</b>	<b>1,000</b>
	<hr/>	<hr/>
<i>Allotted, called up and fully paid up</i>		
4,695,548 Ordinary shares of 10p each	<b>£000</b> <b>470</b>	<b>£000</b> <b>470</b>
	<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	5,544
Exchange movements	-	-	(266)
Profit for the financial year	-	-	95
	<hr/>	<hr/>	<hr/>
At end of year	69	95	5,373
	<hr/>	<hr/>	<hr/>
	Share Premium Account £000	Company Revaluation Reserve £000	Profit And Loss Account £000
At beginning of year	69	95	88
Profit for the financial year accumulated with reserves	-	-	25
	<hr/>	<hr/>	<hr/>
At end of year	69	95	113
	<hr/>	<hr/>	<hr/>

### 20 Commitments

The group has no material capital commitments at 30 June 2003.

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

	2003 £000	2002 £000
Operating leases which expire - in more than five years	12	12
	<hr/>	<hr/>

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

	2003 £000	2002 £000
Operating profit	223	223
Depreciation charge	528	528
Decrease in stocks	367	367
(Increase)/decrease in debtors	317	317
(Decrease)/increase in creditors	338	338
Exchange differences	212	212
Loss on disposal of fixed assets	43	43
	<hr/>	<hr/>
Net cash inflow from operating activities	2028	2028
	<hr/>	<hr/>



## Notes (continued)

### 22 Analysis of cash flows

	2003 £000	2002 £000
<b>Returns on investment and servicing of finance</b>		
Interest received	151	151
Interest paid	(297)	(297)
Interest element of finance lease rental payments	-	-
	<hr/>	<hr/>
<b>Net cash outflow from returns on investment and servicing of finance</b>	<b>(146)</b>	<b>(146)</b>
	<hr/>	<hr/>
<b>Taxation</b>		
UK corporation tax paid	102	102
	<hr/>	<hr/>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(55)	(55)
Sale of tangible fixed assets	34	34
Net loan to associate	(892)	(892)
Short Term investments	(1,191)	(1,191)
	<hr/>	<hr/>
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(2,104)</b>	<b>(2,104)</b>
	<hr/>	<hr/>
<b>Acquisitions and disposals</b>		
Purchase of subsidiary undertaking	-	-
Net cash acquired with subsidiary	-	-
	<hr/>	<hr/>
<b>Net cash outflow from acquisitions and disposals</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>
<b>Financing</b>		
Mortgage advanced	-	-
Repayment of mortgage	244	244
Pension fund loan repaid (note 25)	(25)	(25)
Capital element of finance lease rental payments	30	30
	<hr/>	<hr/>
<b>Net cash outflow from financing</b>	<b>249</b>	<b>249</b>
	<hr/>	<hr/>

### 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	12	-	-	71
Bank loans, overdrafts and mortgages	(792)	-	-	(882)
	<hr/>	<hr/>	<hr/>	<hr/>
	(780)	-	-	(811)
Finance leases	(42)	-	-	-
Pension fund loan (included within other creditors)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(822)	-	-	-
Debt due after one year	(1,350)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>(2,172)</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes (continued)**

**24 Purchase of subsidiary undertaking**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
<b>Net assets acquired</b>		
Tangible fixed assets	-	-
Other debtors	-	-
Other creditors and accruals	-	-
	<hr/>	<hr/>
Goodwill	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
<b>Satisfied by</b>		
Cash	-	-
	<hr/>	<hr/>

**25 Transactions with directors**

Interest of £25,043 was credited to HA Mughal in respect of a loan from him made on 10th October 2001 of £995,000. £147,667 (DR) was owed by him to the company at the year ended 30 June 2003.

Mr Mughal has given a personal guarantee for £100,000 in respect of the Nationwide mortgage taken by one of the subsidiary companies.

**26 Related party disclosures**

As explained in note 10, Fixed asset investments, Akhter Group PLC 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 PLC 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.

**27 Ultimate controlling party**

The ultimate controlling party is Mr H A Mughal.