

Company Number 01435584 (England and Wales)

ULTIMA NETWORKS PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

ULTIMA NETWORKS PLC

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DIRECTORS AND ADVISORS

Humayun A Mughal	Chairman and Chief Executive Officer
Anthony P Klein	Finance Director
Peter J Barron	Non-Executive Director
David Nuttall	Company Secretary
Registered office	Akhter House Perry Road Harlow CM18 7PN
Web site	www.ultima-networks.co.uk
Company number	01435584
Auditors	Frank P Dongworth & Co 1 st Floor 30 London Road Sawbridgeworth Hertfordshire CM21 9JS
Solicitors	Eversheds LLP Kett House 1 Station Road Cambridge CB1 2JY
Nominated advisor and broker	Allenby Capital Limited 32 Davies Street London W1K 4ND
Principal bankers	National Westminster Bank Plc PO Box 113 Cavell House 2a Charing Cross Road London WC2H 0PD
Registrars	Neville Registrars Ltd Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA

**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009****Introduction**

In the last financial year, the Group has seen product development in all three of its divisions and has experienced continued growth for its IT services. The Groups' green power division has completed the installation of its first solar park in Spain and continues to make progress with the development of its plans for solar parks in Puglia Italy. The tough economic climate, which has impacted demand for consumer products across all markets, has also resulted in a slowdown in sales of the electric powered bicycles manufactured by the Group's green technology products divisions. The last financial year saw a fall in sales across the Group as a whole although this was in-part offset by improved performance in the Group's IT and related services division which resulted in the Group showing only a small reduction in operating profits.

IT services division

The IT services division made an operating profit of £237,000 (2008:£126,000) on sales of £816,000 (2008:£708,000). Principally, this division provides computer application software and related support and other services to small and medium size legal practices in England and Wales. The division operates under the name "Cognito Software Limited" and has benefited from the first full year contribution following the acquisition of JCS Computing Solutions Ltd, a supplier of legal software. This acquisition strengthened the division's management team substantially as well as widened the product range. The merged entity increased sales and profitability through its range of copyrighted products and plans to launch a new software suite during 2010 under the brand name Cognito FiLOS. This is expected to augment the competitive position and also widen the client base by attracting interest from larger legal practices.

The outlook for the divisions is for continued improved performance and profitability and the division expects that it will continue to benefit from its focus on product development and the strength of its management team.

The enlarged division is the only supplier of legal software to have been included in every Law Society Software Solutions Guide ("SSG") continuously from 2000 and in 2009, Cognito came top in five of the most important client satisfaction categories. The SSG is the premier reference guide to assist Solicitors in reaching purchasing decisions.

The legal software market is fragmented and is expected to undergo further consolidation, providing opportunities for the division to accelerate growth through carefully targeted acquisition. The division is actively seeking a number of potential targets.

Green technology products division

The green technology products division operated profitability prior to the application of central costs resulting in a breakeven position for the year (2008 operating profit: £124,000) on sales of £1,023,000 (2008:£1,269,000). This division has had continued success with its sales of Powacycle branded electric bicycles in the United Kingdom although tougher trading conditions for luxury products resulted in a fall in market demand. The division's Infineum R&D team have designed a bicycle in conjunction with EQ Bikes of Holland suitable for the Benelux market incorporating the division's patented stackable battery system and the division is expected to launch this model during 2010. The potential for growth of the division's range of electric bicycles through continental Europe remains strong and it is and is expected that this will lead to an increase in both sales and profitability.

Green power division

The Company raised £1.0 million (before expenses) through the placement of 71,428,574 new ordinary shares representing 25.86% of the Company's enlarged issued ordinary share capital. The net proceeds are being used by the Company for the development of its solar park operations.

The development of 100KW solar park in Spain has been completed and will generate fixed revenue based on a tariff of 32 euro cents for a period of 25 years. The completion of this project provides a platform to demonstrate the division's ability to deliver solar technology and is a basis for other projects and developments in Spain.

**CHAIRMAN'S STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

A geological survey has been completed on the 22 hectares of land acquired by the company in the Puglia region of Southern Italy and construction of a security fence protecting the development area has been commissioned. The division continues to negotiate with ENEL Spa to agree terms for connecting the Italian solar parks to the Italian high voltage grid. The division has appointed Lombarda & Associata Srl to raise the debt finance element of the funding required to support the construction of the three 1 MW Solar Parks planned for Puglia.

Group Results

In the year ended 31st December 2009, the group achieved sales of £1,867,000 (2008:£1,977,000) with operating profit of £221,000 (2008:£246,000).

The pre-tax profit of the Group was £214,000 (2008:£281,000). The taxation expense was £Nil (2008:£21,000) and therefore the profit for the financial year was £214,000 (2008:£260,000).

The Group had cash at bank of £886,000 (2008:£122,000). Any balance of cash funds not required for working capital purposes is being placed on short term bank deposit to try and maximise interest receivable. Cash was utilised in the year in the development of a 100KW solar Park in Spain and additional costs incurred in the development of solar parks in Italy. Cash was also used to fund development of a new legal software suite by the IT products division and the design of a new range of electric bicycles by the Green products division.

Outlook

Our philosophy continues to be based on the pursuit of low risk recurring revenues in all divisions complemented by growth through a selective acquisition policy. We maintain the view that the professional services sector offer opportunities for further consolidation and we are actively seeking a number of potential targets.

Our investment in new technology for all operating divisions will improve our competitive position and lead to increased sales.

We expect to release further news on the product launches and development of Solar Parks in the coming months.



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Prof Humayun Mughal
Chairman and Chief Executive Officer

21 May 2010

**FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

- Group revenue was £1,867,000 (2008: £1,977,000)
- Gross margin for the year was 62% compared with 67% in 2008
- Group administration expenses were £936,000 (2008: £1,097,000)
- Operating profit was £221,000 (2008: £246,000)
- Profit on ordinary activities before taxation for the year was £214,000 (2008: £281,000)
- Earnings per share were 0.10p (2008: 0.13p)
- Cash at bank at the year end was £886,000 (2008: £122,000)
- Plant acquired for Spanish solar park £402,000
- Consolidated statement of financial position has increased net assets of £1,199,000 to £2,627,000 (2008:£1,428,000)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2009**

The directors present their annual report and audited financial statements for the year ended 31 December 2009.

Business review and principle activities

The principle activities of the Group during the year were the marketing and support of computer application software and the wholesale and retail merchandising of various products, but primarily electric bicycles.

There have not been any significant changes in the Group's principal activities in the year under review and the directors are not aware at the date of this report of any likely major changes in the Group's activities in the next year. The UK market remains the principle area of operation for the Group. A Spanish operation has been added to the Italian companies during the year to acquire land and property to develop solar power parks. It is the group's intention to seek funding to continue the construction and commissioning of solar farms. These developments reinforce the strategic focus of the Group in providing power from renewable green sources.

The Group achieved an operating profit of £221,000 (2008: £246,000) on turnover of £1,867,000 (2008: £1,977,000) with all of the Group's trading divisions mainly being profitable for the year.

The Group's operations are managed in three divisions, being the IT and related services division, the green technology products division and the green power division. The IT services division comprises Cognito Software Limited which is involved in marketing and supporting legal software. This division had sales revenues of £816,000 (2008: £708,000) producing operating profits of £237,000 (2008: £126,000). The green technology products division comprises UTN Solutions (North) Limited that is involved in merchandising electric bicycles, energy saving lamps and educational electronic kits. This division had sales revenues of £1,023,000 (2008: £1,269,000) producing operating profits of £11,000 (2008: £133,000). The green power division includes Tre-Sol Italia srl that is involved in development of solar power parks. This part of the division had sales revenues of £Nil (2008: £Nil) and operating cost of £27,000 was capitalised to project expenses (2008: £9,000).

In the IT and related services division, Cognito software, the provider of application software and services to the legal profession, was a major contributor. Sales were higher than the previous period. Costs were tightly controlled, but not to the detriment of customer service and support levels which remained strong.

The green technology products division experienced a reduction of sales down by 19% to £1,023,000, the company experiencing the impact of recession on its sales. As a consequence operating profits reduced to £11,000.

The Group balance sheet continues to be debt free and shows an increase in net assets to £2,627,000 (2008: £1,428,000). The year end cash balance was £886,000 and is available for working capital purposes and to fund investment in the expansion of the Group.

Results and dividends

The Group profit for the year before taxation amounted to £214,000 (2008: £281,000). There is a taxation expense for the year of £Nil (2008: £21,000), giving rise to profit after tax for the year of £214,000 (2008: £260,000). Total comprehensive income for the year was £255,000 (2008: £260,000).

The directors do not recommend the payment of a dividend for 2009. No dividends were paid or proposed to be paid in 2008.

**REPORT OF THE DIRECTORS (continued)
FOR THE YEAR END 31 DECEMBER 2009**

Key performance indicators

The aim of the Group is to increase shareholder value through growth in sales revenues and operating profitability. Therefore, these are the two key performance indicators used by the directors to measure performance and are reported in the table below.

Key Performance Indicator	IFRS Target £000	IFRS 2009 £000	IFRS 2008 £000	IFRS 2007 £000	IFRS 2006 £000
Revenue	2,442	1,867	1,977	1,564	1,398
Operating profit/(loss)	76	221	246	233	225

The reduction in revenue in 2009 against the target and previous year was primarily due to the green technology division. The operating profits of the green technology division reduced by £122,000 to £11,000 while the IT related services division increased by £111,000 to £237,000.

Principle risks and uncertainties facing the Group

The business with the IT services division operates in a competitive market sector where many of the customers are small businesses that are relatively slow to change and update their business systems, but are also, and more positively, reluctant to change their supplier. Consolidation is occurring in the legal sector, both among suppliers and users; however the division has continued to increase its client base. Against this backdrop the Group has recognised the need to offer excellent levels of customer service and support to maintain and grow the customer base, which it has successfully achieved and which must be continued. Additional features and functionality for the existing products remain competitive and embrace the latest legislative changes. Current and planned software development work is targeted to ensure the current software products maintain a modern look and feel by utilising the latest software tools and products and to enable easier integration with Microsoft Office. A completely new software suite will be launched during 2010 allowing the division to offer products to larger legal firms with the potential to accelerate the increase in market share. The directors recognise that organic growth on its own will be gradual and therefore complementary acquisitions are being sought to increase sales revenues and to grow the customer base.

The green technology division has continued to seek niche market opportunities with a marketing led strategy for sales generation and making full use of the internet. The division is concentrating on the development of electric bicycles, energy saving lamps and educational electronic kits. The lamps and electronic kits market is competitive, but the group believes it can maintain and continue to grow its business by being extremely conscious and building strong relationships with suppliers in China. It is intended to increase the number of independent UK retail dealers, which stood at over 100 at the year end. The divisions Infineum R&D team have designed a bicycle in conjunction with EQ Bikes of Holland suitable for the Benelux market incorporating the division's patented stackable battery system and is expected to launch a model during 2010. The potential for growth of the division's range of electric bicycles through continental Europe remains strong and is expected to lead to an increase in sales and an increase in profitability.

The green power division expects its first solar park development in Spain to be operational during 2010. The division continues to work on the development of solar power projects in Italy and will be releasing more information on progress during 2010.

**REPORT OF THE DIRECTORS (continued)
FOR THE YEAR END 31 DECEMBER 2009**

Environment

The Group complies with all legal requirements relating to the environment in all areas of its operations and therefore, has not incurred any fines or penalties or has been investigated for any breach of environmental regulations. Specifically, the requirements of the EC Directive on Waste Electrical and Electronic Equipment (WEEE) have been implemented resulting in UTN Solutions (North) Limited being registered with the appropriate WEEE compliance schemes to deal with the taking back and disposal of used equipment. This subsidiary company has also implemented the requirements of the EC Directive on the Restriction of the use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS). Compliance with RoHS is based on a self-declaration and involves requesting material declarations from suppliers, the selected analysis of products and holding a technical file of each product purchased for a minimum of four years. It has been considered by the directors that no provisions are required as a result of compliance.

Research and development

The Group invests in the ongoing design and development of its PowaCycle and new Infineum branded ranges of electric bicycles. These development design costs have been estimated by the directors to have a useful economic life of 3 years and are therefore capitalised and charged to the income statement in equal instalments over this period. The Group also invests in the maintenance and development of its application software products for the legal profession to ensure they retain a modern look and feel and remain fully compliant with current legislation and practices and is developing a new software suite. Unless certain conditions are met, all such expenditure of software products is charged to the income statement as it is incurred.

Substantial interests

At the date of this report the following parties had notified the company of a beneficial interest that represents 3% or more of the company's issued ordinary share capital at that date:

	Number of shares	% held
Akhter Group Limited and related parties	110,896,605	40.15
Lynchwood Nominees Limited	32,774,358	11.86

Directors and directors' interest

The directors who are currently in office are shown on page 1. The emoluments, share interests and share options of the directors are disclosed in the Directors Remuneration Report on pages 13 to 15.

Executive directors

Prof H A Mughal, aged 56, is the co-founder of Akhter Group Limited and is its majority shareholder. He graduated in electronics from Liverpool University and originally worked as a research engineer for ITT Components Group Limited prior to setting up Akhter Instruments Limited in 1979. He continues to be responsible for the overall control and direction of Akhter's business. He was appointed in November 1998.

Mr Anthony P Klein, aged 57, was appointed Finance Director on 29 July 2008 and is a member of the remunerations and audit committees. He is a fellow of the Institute of Chartered Accountants in England and Wales and also is a fellow of the Association of Chartered Certified Accountants with extensive knowledge and experience including taxation, audits, accounts, planning and other advisory matters.

**REPORT OF THE DIRECTORS (continued)
FOR THE YEAR END 31 DECEMBER 2009****Non-executive directors**

Mr P J Barron, aged 68, has extensive operations experience in the electronics industry notably with Texas Instruments in the USA and Systime Computers Limited and Chase Advanced Technologies Limited in the UK. He was appointed in May 1992 and is Chairman of the remunerations and audit committees.

Employees

It is Group policy that employees should be kept as fully informed as is feasible and practicable about the activities of the group through consultative meetings. In addition, managers hold regular meetings with representatives of their staff in order to encourage employees to make their views known on matters that affect them.

Pensions

During the year the Group contributed to the personal pension schemes (defined contribution) of certain employees. No contributions were paid in respect of the directors.

Share Option schemes**Microvitec 1994 Inland Revenue Approved Executive Share Option Scheme**

During the year ended 31 December 2009 the company granted no options in respect of the Microvitec 1994 Inland Revenue Approved Executive Share Option Scheme and no options lapsed. There were no options exercised during the year. On 31 December 2009 options were outstanding on 100,000 ordinary shares of 1p (2008: 100,000).

Ultima Networks Plc 2004 Share Option Scheme

This scheme was approved by the AGM held on 28 May 2004. No options to subscribe for ordinary shares of 1p each have been granted to date.

Charitable and political contributions

There were no donations to UK charitable organisations (2008: £Nil) and no political donations (2008: £Nil).

Financial risk management policies and objectives

The Group's financial instruments comprise cash and various items, such as trade receivables and trade payables that arise directly from its operations. The Group's exposure to its financial instruments is not material and therefore derivative financial instruments are not used to manage them.

The main risks arising from the Group's financial instruments can be analysed as follows:

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. Exposure to credit risk is minimised by employing effective credit management policies and procedures. Only customers known to the Group are granted credit terms. Annual fees for software licences and support agreements are payable in advance and require a uniquely numbered "valid licence key".

Price risk

The Group does not hold any listed security investments and therefore has no exposure to securities price risk.

**REPORT OF THE DIRECTORS (continued)
FOR THE YEAR END 31 DECEMBER 2009****Financial risk management policies and objectives (continued)****Foreign currency risk**

The Group is not exposed to transaction foreign currency exchange risk in respect of purchases from suppliers as this process is dealt with on the Group's behalf by Akhter Group Limited. Therefore, any transaction of the group in foreign currencies is settled by Akhter Group Limited and is converted to pounds sterling at pre-agreed spot rates for reimbursement by the Group. Therefore, the Group only holds any cash balances in pounds sterling.

Liquidity risk

The group has sufficient cash resources available to meet its short term liabilities.

Cash flow interest rate risk

The Group has no borrowings and receives variable rate interest based on UK bank base rates on cash balances and bank deposits.

Payment to creditors

The Group does not follow any code or standard on payment practice and the terms and conditions for its business transactions are agreed with individual suppliers. Payment is then made in accordance with those terms, subject to the other terms and conditions being met by the supplier. Creditor days at the end of the year for the group were 16 days (2008: 38 days).

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have prepared the group and the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB), and prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the Group and to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

**REPORT OF THE DIRECTORS (continued)
FOR THE YEAR END 31 DECEMBER 2009**

Disclosure of information to auditors

At the date of making this report, each of the company's directors, as set out on page 1, confirm the following:

- So far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and
- Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Auditors

A resolution to reappoint Frank P Dongworth & Co as auditors of the Group will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the company is to be held at Akhter House, Perry Road, Harlow, Essex CM18 7PN on 29 June 2010 at 1pm. An explanation of the resolutions to be proposed as special business at that Meeting appears in the Notice of Annual General Meeting provided with this Annual Report.

Approval

The Report of the directors was approved by the Board on 21 May 2010 and signed on its behalf by



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Prof Humayun Akhter Mughal
Chairman and Chief Executive Officer

**CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

As a company quoted on the Alternative Investment Market of the London Stock Exchange, the company is not required to comply with the provisions of the 2006 Financial Reporting Council's revised combined Code. However, the Board is committed to ensuring that proper standards of corporate governance operate throughout the group and has therefore followed the principles of the Code so far as is practicable and appropriate to the nature and size of the Group. One of the principles is that an explanation should be given where the Code is not complied with. A statement of the directors' responsibilities in respect of the financial statements is contained within the Report of the Directors above. The statement below describes the role of the Board and its committees, followed by a statement regarding the groups system of internal controls.

The Board

The activities of the Group are ultimately controlled by the Board of Directors, which at the year-end consisted of a Chairman and Chief executive Officer, a Finance Director and a non-executive director. Biographical details of all three directors are to be found within the Report of the Directors. All directors are equally accountable under law for the proper stewardship of the Company's affairs. The non-executive director has a particular responsibility to ensure that the strategies proposed by the Executive directors are fully discussed and critically examined.

The non-executive director is Peter Barron and the Board considers him to be independent.

The Board meets on a regular basis throughout the year reviewing trading performance, setting strategy, examining capital expenditure and acquisitions or disposals, operating budgets and material contracts.

The two executive directors do not have service contracts and do not receive any emoluments directly from the company. Any director appointed during the year is required, under the Company's Articles of Association, to retire and seek re-election by the shareholders at the next Annual General Meeting and one third of the Board is required to retire each year and seek re-election. The directors are able to take independent professional advice at the expense of the company in the furtherance of their duties.

Nominations committee

The appointment of directors is a matter for the Board as a whole and therefore a nominations committee is considered unnecessary given the present number of Board members.

Audit Committee

The Audit Committee comprises of the non-executive director Peter Barron and the finance director Anthony P Klein. This committee assists the Board in its duties regarding the Group's financial statements and the maintenance of adequate internal financial controls. The Audit Committee's prime tasks are to receive reports from the company's auditors, Frank P Dongworth & Co, and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and compliance and areas of management judgements and estimates.

There is no internal audit function for the Group, as the Board does not believe that this is appropriate given the size of the business.

Remuneration committee

The Remuneration Committee comprises of the non-executive director Peter Barron and the finance director Anthony P Klein. Details of the executive remuneration policy are set out in the separate Directors' Remuneration Report.

**CORPORATE GOVERNANCE (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009****Shareholder relations**

The Board has a policy of providing any reasonably requested historical information and explanations to shareholders on request. The Group's annual reports are sent to shareholders. These reports are also available from the company's website along with the Group's half yearly reports and all public announcements. All shareholders are encouraged to participate in the company's Annual General Meeting, which is attended by the directors.

Internal control and financial reporting

The Board is responsible for ensuring that there is a system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee has been delegated responsibility by the Board for discharging its internal control responsibilities.

The Board has established an organisational structure with clearly defined levels of responsibility and delegation of authority. Control procedures include annual budget approval and monitoring of actual performance. The Board approves all investment and acquisition projects for all major acquisitions and major capital expenditure.

The Board has a clear responsibility for identifying risks facing each of the businesses and for putting in place procedures to mitigate and monitor risks. As part of the annual budgeting process risks are formally assessed by the Board.

There is a system of financial reporting and budget planning. On a monthly basis, actual results are reported and compared to budget with any significant adverse variances being examined and any remedial action taken as necessary.

The directors believe that, taken as a whole, the systems of internal control are appropriate to the business for the year ended 31 December 2009.

Going concern

Having reviewed the future and projections for the business, the directors are satisfied that the Group has adequate resources to continue to operate for the foreseeable future, a period of not less than 12 months from the date of this report. Thus, they continue to adopt the going concern basis in preparing the financial statements.

**DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009**

The directors present the Directors remuneration report for the financial year ended 31 December 2009. It should be noted that, as a company quoted on the Alternative Investment Market of the London Stock Exchange, the company is not required to comply with the Remuneration Report regulations and therefore, not all elements of the regulations have been complied with. For example, a share price graph has been omitted.

Remuneration Committee

The Remuneration Committee consists of non-executive director Peter Barron and finance director Anthony P Klein. Both served as members of the Remuneration Committee throughout the year and in the period to 21 May 2010.

The Remuneration Committee determines any remuneration and benefits packages of the executive directors and considers any service contracts, salaries, other benefits, including bonuses and participation in the company's share option plans, and any other terms and conditions of employment including any compensation payments on termination of office.

Remuneration Policy

Any basic salaries and benefits in kind are set to be comparable with those of peer group companies. Any share options are granted to strengthen the link between personal interests and those of the shareholders. A scheme was approved by the AGM held on 28 May 2004, being the Ultima Networks Plc 2004 Share Option Scheme, but no options to subscribe for ordinary shares of 1p each have been granted to date. No director has any options outstanding under the 1994 Microvitec Inland Revenue Approved Executive Share Option Scheme.

Non-executive directors

The non-executive director does not have contracts for services. The non-executive director has letters of appointment concerning, amongst other things, the initial terms for which he was appointed, a general statement of his role and duties, the fees he will receive as a director and any supplementary fees receivable for additional work, such as being a member of more than one Board committee. The fees of non-executive directors are determined by the full Board within the limits set out in the Memorandum and Articles of Association.

Service contracts and letters of appointment

The company does not have service contracts in respect of the Executive Directors. The letters of appointment in respect of the non-executive director who served during the year ended 31 December 2009 is for a rolling 12 month period. The letters of appointment do not contain notice periods or provision for termination payments.

**DIRECTORS' REMUNERATION REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

Directors' remuneration and interests

Directors' remuneration payable for the year ended 31 December 2009 was as follows:

	Basic	Benefits in kind	2009 Total	2008 Total	Pension contributions	
	Salary £000				Fees £000	2009 £000
Executive						
H A Mughal	-	-	60	60	-	-
R J Piper	-	-	-	-	28	-
A P Klein	-	12	-	12	12	-
Non Executive						
P J Barron	-	12	-	12	12	-
R M Bearpark	-	-	-	-	12	-
	-	24	60	84	64	-

H A Mughal is a director of Akhter Group Limited. No remuneration is paid directly by the Group for the services of the other executive director. However, a charge to the company from Akhter Group Limited of £Nil (2008: £28,000) for executive management services, disclosed in note 23 of the financial statements, is for the services of the company's former finance director. There is currently no pension provision for any of the directors and therefore no pension accrued to them.

The fees payable to A P Klein were £12,000. These were paid to Gross Klein, a firm in which he is a partner.

The beneficial interest in the share capital of the company of those persons, who were directors at the year end, as recorded in the register of the Director's interest, were as follows:

	31 December 2009		31 December 2008	
	Ordinary shares of 1p	Ordinary share options	Ordinary shares of 1p	Ordinary share options
H A Mughal	110,896,605	-	100,075,176	-
A P Klein	-	-	-	-
P J Barron	-	-	-	-
R M Bearpark	-	-	-	-

Prof H A Mughal's holding includes 55,162,479 Ordinary Shares beneficially owned by Akhter Group Limited, of which he is the majority shareholder and 6,013,360 Ordinary Shares beneficially owned by trustees of the Akhter Group Limited Directors' SSAS Pension Fund, under which he is a beneficiary.

At 31 December 2009 no options were outstanding over shares granted to directors. No director was granted or exercised any share options during this or the previous year nor did any lapse.

**DIRECTORS' REMUNERATION REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

Directors' remuneration and interests (continued)

No director has any interest in the shares of any subsidiary of Ultima Networks Plc.

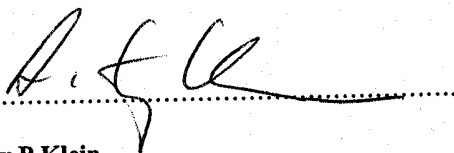
There have been no changes in the above interest between 31 December 2009 and 21 May 2010.

Beneficial holdings include the directors' personal holdings and those of their spouse and children as well as holdings in family trusts of which the directors' spouse or their children are beneficiaries or potential beneficiaries.

The market price at 31 December 2009 was 1.56p and the range during the year was 1.27p to 2.90p.

Approval

The Directors' Remuneration Report was approved by the Board on 21 May 2010 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'A. P. Klein', is written over a horizontal dotted line.

**Anthony P Klein
Financial Director**

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF ULTIMA NETWORKS PLC

We have audited the financial statements of Ultima Networks Plc for the year ended 31 December 2009 which comprise the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's shareholders, as a body, in accordance with Section 495 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' 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 the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As explained more fully in the statement of director's responsibilities, set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial accounts

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and 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.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009****Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception


We have nothing to report on the following:

Under the Companies Act 2006 we are required to report to you, if in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all of the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 9, in relation to going concern; and
- the part of the corporate governance statement relating to the company's compliance with the nine provisions of the June 2008 combined code specified for our review.


Frank P Dongworth (Senior Statutory Auditor)
For and on behalf of Frank P Dongworth & Co
Chartered Accountants and Registered Auditors
Hertfordshire, England

Date: 21st May 2010 .

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009**

All amounts relate to continuing activities.

	Note	2009 £000	2008 £000
Revenue	3	1,867	1,977
Cost of sales		(713)	(648)
Gross profit		<u>1,154</u>	<u>1,329</u>
Administration expenses		(936)	(1,097)
Other operating income	4	3	14
Operating profit	5	<u>221</u>	<u>246</u>
Finance income	7	(7)	35
Profit before taxation		<u>214</u>	<u>281</u>
Taxation expenses	9	-	(21)
Profit for the year		<u>214</u>	<u>260</u>
Other comprehensive income:			
Exchange difference on translating foreign operations		41	-
Total comprehensive income for the year attributable to equity holders of the parent		<u>255</u>	<u>260</u>
Basic and diluted earnings per share – pence	10	<u>0.10</u>	<u>0.13</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

	Note	2009 £000	2008 £000
ASSETS			
Non current assets			
Property, plant and equipment	11a	1,171	621
Intangible assets – development costs	11b	464	78
Goodwill	11c	118	118
Intangible assets - other	11d	172	181
Deferred tax assets	18a	-	6
Total non current assets		<u>1,925</u>	<u>1,004</u>
Current assets			
Inventories	13	339	452
Trade and other receivables	14	637	404
Cash and cash equivalents	15	886	122
Total current assets		<u>1,862</u>	<u>978</u>
Total assets		<u>3,787</u>	<u>1,982</u>
LIABILITIES			
Non current Liabilities			
Deferred tax	18b	45	50
Total non current liabilities		<u>45</u>	<u>50</u>
Current liabilities			
Trade and other payables	16	711	81
Current tax liabilities		111	132
Accruals and deferred income		293	291
Total current liabilities		<u>1,115</u>	<u>504</u>
Total liabilities		<u>1,160</u>	<u>554</u>
Net assets		<u><u>2,627</u></u>	<u><u>1,428</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2009**

	Note	2009 £000	2008 £000
EQUITY			
Capital and reserves attributable to equity holders of the parent			
Called up share capital	19	8,269	7,554
Share premium account		5,831	5,602
Other reserves		202	202
Retained Earnings		(11,716)	(11,930)
Translation of foreign operations		41	-
		2,627	1,428
		2,627	1,428

These financial statements were approved by the board of directors on 21 May 2010 and were signed on its behalf by:



.....
Prof Humayun Akhter Mughal
Chairman and Chief Executive Officer

**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

	Note	2009 £000	2008 £000
ASSETS			
Non current assets			
Property, plant and equipment	11a	501	103
Intangible assets - other	11d	-	-
Investments	12	<u>1,353</u>	<u>1,353</u>
Total non current assets		<u>1,854</u>	<u>1,456</u>
Current assets			
Trade and other receivables	14	454	277
Cash and cash equivalents	15	<u>695</u>	<u>70</u>
Total current assets		<u>1,149</u>	<u>347</u>
Total assets		<u>3,003</u>	<u>1,803</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	1,150	906
Current tax liabilities		43	38
Accruals and deferred income		<u>89</u>	<u>66</u>
Total current liabilities		<u>1,282</u>	<u>1,010</u>
Total liabilities		<u>1,282</u>	<u>1,010</u>
Net assets		<u><u>1,721</u></u>	<u><u>793</u></u>

**COMPANY STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2009**

	Note	2009 £000	2008 £000
EQUITY			
Capital and reserves attributable to equity holders of the parent			
Called up share capital	19	8,269	7,554
Share premium account		5,831	5,602
Other reserves		202	202
Retained Earnings		(12,581)	(12,565)
		1,721	793
		1,721	793

These financial statements were approved by the board of directors on 21 May 2010 and were signed on its behalf by:



.....
Prof Humayun Akhter Mughal
Chairman and Chief Executive Officer

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009 £000	2008 £000
Profit for the financial year	214	260
Taxation expense	-	21
Interest receivable	7	(35)
Depreciation charges	14	13
Amortisation of intangibles	33	19
	<hr/>	<hr/>
Operating profit before changes in working capital	268	278
(Decrease)/Increase in inventories	113	(195)
Increase in trade and other receivables	(233)	(19)
(Decrease)/increase in trade payables and other capital liabilities	624	(248)
	<hr/>	<hr/>
Cash (used in)/generated from operations	772	(184)
Taxation	(17)	-
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	755	(184)
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property, plant and equipment	(518)	(510)
Development expenditure	(410)	(82)
Other intangibles	-	(163)
Net proceeds of ordinary shares issue	944	-
	<hr/>	<hr/>
Net cash used in investing activities	16	(755)
	<hr/>	<hr/>
Cash flows from financing activities		
Interest received	(7)	35
	<hr/>	<hr/>
Net cash generated from financing activities	(7)	35
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	764	(904)
Cash and cash equivalents at beginning of the period	122	1,026
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	886	122
	<hr/> <hr/>	<hr/> <hr/>

**COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009 £000	2008 £000
Profit for the financial year	(16)	144
Interest receivable	-	(34)
Interest payable	1	-
Depreciation charges	4	4
	<hr/>	<hr/>
Operating profit before changes in working capital	(11)	114
(Increase)/decrease in trade and other receivables	(177)	(792)
Increase in trade payables and other current liabilities	272	5
	<hr/>	<hr/>
Cash (used in)/generated from operations	84	(673)
Taxation	-	-
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	84	(673)
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property, plant and equipment	(402)	-
Net cash on acquisition of subsidiaries	-	(303)
	<hr/>	<hr/>
Net cash used in investing activities	(402)	(303)
	<hr/>	<hr/>
Cash flows from financing activities		
Interest received	-	34
Interest paid	(1)	-
Net proceeds of ordinary shares issue	944	-
	<hr/>	<hr/>
Net cash generated from financing activities	943	34
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	625	(942)
Cash and cash equivalents at beginning of the period	70	1,012
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	695	70
	<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009**

GROUP

	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Translation of foreign operations £000	Total Equity £000
Year ended 31 December 2009						
As 1 January 2009	7,554	5,602	202	(11,930)	-	1,428
Issue of share capital	715	229	-	-	-	944
Total comprehensive income for the year	-	-	-	214	41	255
At 31 December 2009	<u>8,269</u>	<u>5,831</u>	<u>202</u>	<u>(11,716)</u>	<u>41</u>	<u>2,627</u>
Year ended 31 December 2008						
As 1 January 2008	7,554	5,602	202	(12,190)	-	1,168
Total comprehensive income for the year	-	-	-	260	-	260
At 31 December 2008	<u>7,554</u>	<u>5,602</u>	<u>202</u>	<u>(11,930)</u>	<u>-</u>	<u>1,428</u>

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009**

COMPANY

	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total Equity £000
Year ended 31 December 2009					
As 1 January 2009	7,554	5,602	202	(12,565)	793
Issue of share capital	715	229			944
Loss for the period	-	-	-	(16)	(16)
	<hr/>				
At 31 December 2009	8,269	5,831	202	(12,581)	1,721
	<hr/>				
Year ended 31 December 2008					
As 1 January 2008	7,554	5,602	202	(12,709)	649
Profit for the period	-	-	-	144	144
	<hr/>				
At 31 December 2008	7,554	5,602	202	(12,565)	793
	<hr/>				

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009****1. GENERAL INFORMATION**

Ultima Networks Plc (“the company”) and its subsidiaries (together “the Group”) are involved in the marketing and support of computer application software and the merchandising of various products, but primarily electric bicycles.

The company is a public limited company, which is quoted on the Alternative Investment Market of The London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is Akhter House, Perry Road, Harlow CM18 7PN.

The Group’s and company’s financial statements for the year ended 31 December 2009 were authorised for issue by the Board of Directors on 21 May 2010 and the balance sheets were signed on the Boards behalf by Prof. Humayun Akhter Mughal.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), as adopted by the European Union and issued IFRS’s issued by International Accounting Standards Board and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

A separate income statement for the parent company has not been presented as permitted by section 408(4) of the Companies Act 2006. The parent company incurred a loss of £16,000 (Profit 2008: £144,000)

The financial statements are presented in pounds sterling, being the functional currency of the parent and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

Having reviewed the future plans and projections for the business, the directors are satisfied that the Group has adequate resources to continue to operate for the foreseeable future, a period of not less than twelve months from the date of this report. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The consolidated financial statements incorporate the results and net assets of Ultima Networks Plc and its subsidiary undertakings (together referred to as “the Group”) for the year ended 31 December 2009. A subsidiary is an entity over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. The results of each subsidiary are included from the date that control transferred to the group and are adjusted to align accounting policies with the Group’s accounting policies. Subsidiaries are no longer consolidated from the date that control ceases. Unrealised gains on transactions between the group and its subsidiaries are eliminated and unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. All intercompany balances and transactions are eliminated in full. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Company investment in subsidiaries

In its separate financial statements, the company recognises its investments in subsidiaries at cost. Income is recognised from these investments only in relation to distributions received from post acquisition profits.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009****2. ACCOUNTING POLICIES (continued)****Share-based payments**

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employee's services are determined indirectly by the reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets). All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit in reserves.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options the proceeds received net of attributable transaction cost are credited to share capital, and where appropriate share premium.

Goodwill

Goodwill on acquisitions comprises the excess of the fair value of the purchase consideration over the fair value of indefinable assets and liabilities acquired. Goodwill is recognised as an asset on the Group's balance sheet in the year in which it arises. Goodwill is not amortised and is tested impairment at least annually and more frequently if events or changes indicate that the carrying value may be impaired and is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to the cash generating units on which it arose. Any impairment is recognised immediately in the consolidated statement of comprehensive income and is not subsequently reversed.

The Group has elected to take exemption not to apply IFRS 3 retrospectively to business combinations occurring prior to that date of transition to IFRS. Under IFRS 3 any goodwill arising on such acquisitions is not amortised, but is subject to impairment reviews. See note 11 for more details.

Other intangible assets

Other intangible assets include technology platform and customer relationships. These are only recognised if acquired in a business combination. They are stated at fair value less accumulated amortisation. These assets are amortised over their estimated useful lives of 10 years and the charge is included in administration expenses.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue consists of the fair value (excluding VAT) of consideration receivable for goods and services supplied to third parties.

Revenue from the sale of software product licences is recognised at the time the software licence is granted at which point all obligations have been met. Revenue relating to hardware and software support is recognised proportionally over the period to which it relates. Revenue from the sale of other products is recognised when the Group has delivered the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

2. ACCOUNTING POLICIES (continued)

Research and development

All research expenditure is written off in the year in which it is incurred. Unless certain conditions are met, all development expenditure is also written off in the year in which it is incurred.

The group incurs development costs that are design costs relating to the production of new or substantially improved devices and products for the Group's 'Powacycle' and 'Infineum' range of electric bicycles and development costs that relate to the production of new or substantially improved application software products for the legal profession.

Development costs are capitalised only if the following conditions are met: the development is technically feasible of being completed so that it will be available for use or sale, the directors intend to complete the development and use or sell it, the group has the ability to use or sell the product, the directors have assessed how the asset will generate probable future economic benefit, there is adequate technical, financial and other resources available to complete development and the expenditure attributable to the development can be measured reliably. If all these conditions are met then the associated development costs are amortised on a straight line basis over the useful life of the asset, which is estimated to be 3 years. Amortisation begins only when the asset is ready for use. The amortisation charged during the year is included within administration expenses within the income statement.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments and whose operating results are reviewed on a regular basis by the Group's board and for which discrete financial information is available. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any recognised impairment in value. Cost comprises the aggregate amount paid to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

All land and buildings are included at valuation. Valuations are kept up-to-date through periodic valuations carried out by external valuers.

Depreciation is provided evenly on the cost (or valuation where appropriate) of the assets, to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for the other assets are:

Freehold buildings	- 25 to 50 years
Office equipment	- 3 to 5 years
Motor vans	- 4 years
Computer equipment	- 3 years

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted, if appropriate, on an annual basis. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. A gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year that the asset is derecognised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009****2. ACCOUNTING POLICIES (continued)****Impairment of assets**

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value less costs to sell and its value in use, is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment charge is recognised in the income statement in the year in which it occurs. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. The carrying amount of the asset is increased to the revised estimate of its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of raw materials, consumables and goods purchased for resale means actual price, including transport and handling and is determined using FIFO method. Net realisable value means estimated net selling price less estimated costs of disposal.

Trade and other receivables

Trade receivables are recognised initially stated at fair value and subsequently measured at amortised cost using the effective interest rate method. Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within financial liabilities in current liabilities on the balance sheet.

Trade and other payables

Trade payables are not interest bearing and are initially stated at their fair value and then subsequently measured at amortised cost using the effective interest method.

Foreign currencies

Transactions in foreign currencies are dealt with on the Group's behalf by Akhter Group Limited. Therefore, any transactions of the Group in foreign currencies are settled by Akhter Group Limited and are converted to pounds sterling at pre-agreed spot rates for reimbursement by the Group. For the consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Income statements of such undertakings are consolidated at the average rates of exchange during the year. Exchange adjustments arising are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised as income or as expenses in the period in which the foreign undertaking is disposed of.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009****2. ACCOUNTING POLICIES (continued)****Income taxes**

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised using balance sheet liability method, providing for temporary differences between the tax bases and the accounting bases of assets and liabilities. Deferred income tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and law enacted or substantively enacted at the balance sheet date.

Deferred income tax liabilities are recognised for all temporary differences, except when deferred income tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred income tax assets and liabilities are offset against each other only when the Group has a legal enforceable right to do so.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Pensions

The Group does not operate any pension schemes, but does contribute to the personal pension plans of certain staff. The contributions are charged as an expense as they fall due. Any contributions unpaid at the balance sheet date are included as an accrual at that date. The Group has no future payment obligations once the contributions have been paid.

Leased assets – Group as lessee

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets leased under operating leases are not recorded on the balance sheet. Rentals payable are charged direct to the income statement. Lease incentives, for example, up-front cash payments or rent free periods, are capitalised and spread over the period of the leased term. Payments made to acquire operating leases are treated as prepaid lease expenses and amortised over the useful life of the lease.

Leased asset - Group as lessor

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

2. ACCOUNTING POLICIES (continued)

Components of equity

Equity comprises the following:

- Share capital represents the nominal value of equity shares,
- Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue,
- Other reserves represents Merger Reserve and represents the difference between the value of the shares acquired and the nominal value where the shares have been issued as part of the consideration for acquisitions, and
- Profit and loss reserve represents retained profits.

Use of assumptions and estimates

The Group makes judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revisions and future periods if the revision affects both current and future periods.

The estimate and assumptions that have a significant effect on the amounts recognised in the financial statements are:

- Establish depreciation and amortisation periods for the Group,
- Estimates in relation to future cash flows and discount rates utilised in impairment testing,
- Whether development costs meet the capitalisation criteria in IAS 38,
- Estimates of net realisable values of inventories under IAS 2, and
- Management intentions for realisation of tax assets and liabilities under IAS 12.

New Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements.

International Financial Reporting Standards		Effective date	To be adopted by the group and company during years commencing
IFRS 3	Business combinations (revised)	01.07.2009	01.01.2010
IAS 27	Consolidated and separate financial statements (amendment)	01.07.2009	01.01.2010
IAS 39	Financial instruments: recognition and measurement – eligible hedged items (amendment)	01.07.2009	01.01.2010

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

2. ACCOUNTING POLICIES (continued)

New standards and interpretations not yet adopted (continued)

International Financial Reporting Interpretation Committee (IFRIC)

IFRIC 17	Distribution of non-cash assets to owners	01.07.2009	01.01.2010
IFIRC 18	Transfer of assets from customers	01.07.2009	01.01.2010

The impact on the Group's financial statements from the adoption of these new financial reporting standards is not expected to be material.

3. SEGMENTAL REPORTING

The Group operates in the United Kingdom, Italy and Spain.

At 31 December 2009, the Group is organised into two principal business segments:

- IT and related services (comprising legal and publishing application software)
- Green technology (comprising electric bicycles, energy saving lamps, educational electronic kits and development of solar power parks)

The segmental results for the year ended 31 December 2009 are as follows:

	IT and related services UK £000	Green technology UK £000	Green technology ITALY £000	Unallocated £000	Group £000
Revenue	816	1,023	-	28	1,867
Depreciation	6	4	-	4	14
Amortisation	12	16	5	-	33
Interest payable	-	5	-	2	7
Operating profit/(loss)	237	11	(27)	-	221

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

3. SEGMENTAL REPORTING (continued)

The segmental results for the year ended 31 December 2008 are as follows:

	IT and related services UK £000	Green technology UK £000	Green technology ITALY £000	Unallocated £000	Group £000
Revenue	708	1,269	-	-	1,977
Depreciation	5	4	-	4	13
Amortisation	9	6	4	-	19
Finance income	-	-	-	35	35
Operating profit/(loss)	126	133	(9)	(4)	246

The other information of the segments are as follows:

2009	IT and related services UK £000	Green technology UK £000	Green technology Italy £000	Unallocated £000	Group £000
Segment assets	563	726	1,251	1,247	3,787
Segment liabilities	(240)	(308)	(15)	(597)	(1,160)
Net assets	323	418	1,236	650	2,627

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

3. SEGMENTAL REPORTING (continued)

The other information of the segments is as follows:

2008	IT and related services UK £000	Green technology UK £000	Green technology Italy £000	Unallocated £000	Group £000
Segment assets	549	714	541	178	1,982
Segment liabilities	(367)	(44)	(4)	(139)	(554)
Net assets	<u>182</u>	<u>670</u>	<u>537</u>	<u>39</u>	<u>1,428</u>

4. OTHER OPERATING INCOME

	2009 £000	2008 £000
Other income	<u>3</u>	<u>14</u>

5. OPERATING PROFIT

	2009 £000	2008 £000
Operating profit is stated after charging:		
Depreciation and other amounts written off property, plant and equipment	14	12
Amortisation of intangible assets	33	19
Operating leases – rent of building	<u>80</u>	<u>62</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

6. AUDITOR REMUNERATION

Services provided by the Company's auditor and its associates

	2009	2008
	£000	£000
Group		
Fees payable to the company's auditor for the audit of the company and consolidated financial statements	6	11
Fees payable to the company's auditor and its associates for other services		
- The audit of company's subsidiaries pursuant to legislation	-	14
	<u>6</u>	<u>25</u>

7. FINANCE INCOME

	2009	2008
	£000	£000
Finance income		
- Bank interest payable/(receivable)	7	(35)
	<u>7</u>	<u>(35)</u>
Net finance income	<u>7</u>	<u>(35)</u>

8. EMPLOYEES

	2009	2008
	£000	£000
Employee costs including executive directors during the year amounted to:		
Wages and salaries	445	588
Social security costs	50	61
Other pension costs	6	6
	<u>501</u>	<u>655</u>

2009
Number

2008
Number

The average number of persons employed during the year including executive directors analysed by category was made up as follows:

Sales and marketing	7	3
Product development and support	11	11
Administration	7	11
	<u>25</u>	<u>25</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

8. EMPLOYEES (continued)

The company has no employees and no staff costs.

	2009 £000	2008 £000
The total remuneration of directors was as follows:		
Fees	24	64
Remuneration as executives (including benefits in kind)	60	-
Pension contributions	-	-
	<u>84</u>	<u>64</u>

The fees payable in respect of services rendered by the finance director, Anthony P Klein, amounted to £12,000. These fees were paid to Gross Klein, a firm of which he is partner.

No remuneration is paid directly by the Group for the services of the other executive director. However, a charge to the company from Akhter Group Limited of £Nil (2008: £28,000) for the executive management services, disclosed in note 23 of the financial statements, is for services of the company's former finance director. There is currently no pension provision for any of the directors and therefore no pension is accrued to them.

Details of the directors' interests in the share capital of the company together with further details of the directors' remuneration are contained in the Remuneration Report on pages 13 to 15.

There are no amounts of compensation payable to key management.

9. TAXATION ON PROFIT

a) Analysis of charge in the year

	2009 £000	2008 £000
Current taxation		
UK corporation tax on profits for the year	-	25
Adjustments in respect of previous periods	-	-
Total current taxation	-	25
Deferred taxation		
Origination and reversal of temporary differences (note 18a and 18b)	-	(4)
Taxation expense	<u>-</u>	<u>21</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

9. TAXATION ON PROFIT (continued)

b) Factors affecting charge in the year

The corporation tax rate has been changed from the rate of 28.5% applied in the prior year to reflect the effective rate applicable to the current year of 28%. The differences are explained below:

	2009 £000	2008 £000
Profit on ordinary activities before taxation	214	281
Tax at UK corporation tax rate 28% (2008:28.5%)	60	80
Effect of:		
Depreciation in excess of capital allowances	4	4
Utilisation of tax losses not recognised for deferred taxation	(64)	(59)
Adjustments in respect of previous period	-	-
Deferred tax movement	-	(4)
	-	21

The Group has tax losses to carry forward of £5,680,000 (2008: £5,552,000) which may be available for offset against future profits.

10. EARNINGS PER SHARE

The inputs to the earnings per share calculation are shown below:

	2009 Number	2008 Number
Weighted average ordinary shares in issue during the year	207,724,155	204,747,964
Potentially diluted share options under the Group's share option schemes	-	-
Weighted average ordinary shares for diluted earnings per share	207,724,155	204,747,964
	£	£
Earnings/(loss) attributable to shareholders		
Continuing operations	214,000	260,000
Discontinued operations	-	-
	214,000	260,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

10. EARNINGS PER SHARE (continued)

The calculation of basic earnings per ordinary share is based on the profit for the period attributable to equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive share options.

11. a. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land and buildings		Plant, Office and computer equipment and motor vans		Total	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000
Cost						
At beginning of year	627	120	42	35	669	155
Additions	160	507	403	3	563	510
Assets acquired on acquisition	-	-	-	4	-	4
At end of year	787	627	445	42	1232	669
Depreciation						
At beginning of year	17	13	31	22	48	35
Charge for year	4	4	9	9	13	13
At end of year	21	17	40	31	61	48
Net book value						
At end of year	766	610	405	11	1171	621

There are no restrictions on title and no assets above have been pledged as security. In addition, there were no contractual commitments for the acquisition of property or other assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

11. a. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY	Freehold land and buildings		Plant and equipment		Total	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000
Cost						
At beginning of year	120	120	-	-	120	120
Additions	-	-	402	-	402	-
Assets acquired on acquisition	-	-	-	-	-	-
At end of year	120	120	402	-	522	120
Depreciation						
At beginning of year	17	13	-	-	17	13
Charge for year	4	4	-	-	4	4
At end of year	21	17	-	-	21	17
Net book value						
At end of year	99	103	402	-	501	103

GROUP AND COMPANY

The aggregate amounts at which freehold land and buildings would have been shown in the financial statements had they not been revalued is the same as historical cost.

Freehold land and buildings include depreciable assets of £99,000 (2008: £107,000).

The freehold land and buildings owned by the company are located in Crediton, Devon and were revalued on the basis of market value and rental value. The valuation report, dated 20 September 2004, quotes a market value that agrees to the original cost of £120,000. The directors do not consider this valuation to be materially different as at 31 December 2009 and therefore that the carrying cost is not materially different from the fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

11. b. INTANGIBLE ASSETS – DEVELOPMENT COSTS

GROUP	2009 £000	2008 £000
Cost		
At beginning of year	96	14
Additions	410	82
	<hr/>	<hr/>
At end of year	506	96
	<hr/>	<hr/>
Amortisation		
At beginning of year	18	8
Charge for year	24	10
	<hr/>	<hr/>
At end of year	42	18
	<hr/>	<hr/>
Net book value		
At end of year	464	78
	<hr/>	<hr/>
At beginning of year	78	6
	<hr/> <hr/>	<hr/> <hr/>

11. c. INTANGIBLE ASSETS – GOODWILL

GROUP	2009 £000
Cost	
At beginning of year	118
Additions	-
	<hr/>
At end of year	118
	<hr/>
Net book value	
At end of year	118
	<hr/>
At beginning of year	118
	<hr/> <hr/>

The goodwill relates to the acquisition of J.C.S. Computing Solutions Limited which is part of the IT and related services division. The JCS department has been defined as a cash generating unit for impairment testing purposes. At the year end, the directors carried out an impairment review of the goodwill. No goodwill impairment has been recognised. The recoverable amount of the JCS cash generating unit is determined from value in use calculations using cash flows projections covering a period of 5 years. The key assumptions used for the impairment review are that sales will increase by 2.5% per annum and that relevant expenses will increase by 2.5% per annum, and a pre tax discount rate of 8%.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

11. d. INTANGIBLE ASSETS – OTHER

GROUP	Technology platform 2009 £000	Customer relationships 2009 £000	Total 2009 £000
Cost			
At beginning of year	95	95	190
Assets acquired on acquisition	-	-	-
At end of year	95	95	190
Amortisation			
At beginning of year	4	5	9
Charge for year	5	4	9
At end of year	9	9	18
Net book value			
At end of year	86	86	172

12. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

COMPANY	2009 £000
Cost	
At beginning of year	3,368
Additions	-
At end of year	3,368
Impairment	
At beginning of year	2,015
Charge	-
At end of year	2,015
Net book value	
At end of year	1,353
At beginning of year	1,353

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

**12. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (continued)
COMPANY(continued)**

The principal subsidiary undertakings are all wholly owned by the company, are consolidated and include the following:

Subsidiary undertakings	Principal activity	Class of share
Incorporated in England and Wales:		
UTN Solutions (North) Limited	Merchandising of electric bicycles and other products	Ordinary
Integrated Publishing Systems Limited	Dormant	Ordinary
Cognito Software Limited	Marketing and support of computer application software	Ordinary
J.C.S Computing Solutions Limited	Dormant	Ordinary
Incorporated in Italy:		
Tre-Sol Italia srl	Development of solar power park	Ordinary

The following undertakings, which are all wholly owned by Tre-Sol Italia srl and incorporated in Italy, are consolidated and include the following

Ultima Italia srl	Development of solar power park	Ordinary
Harlicon srl	Development of solar power park	Ordinary
Leccesolar srl	Development of solar power park	Ordinary

13. INVENTORY

	GROUP		COMPANY	
	2009	2008	2009	2008
	£000	£000	£000	£000
Finished goods	339	452	-	-

A total of £825,961 (2008: £593,000) inventories was included in the income statement as an expense. This includes £30,000 (2008: £18,000) resulting from write down of inventories.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

14. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2009	2008	2009	2008
	£000	£000	£000	£000
Trade receivables	234	174	-	-
Less provision for impairment	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Trade receivables – net	234	174	-	-
Amounts owed by Group undertakings	-	-	280	272
Owed by related party (see note 24)	-	-	-	-
Other receivables	134	6	134	-
Tax recoverable	2	-	-	-
Prepayments and accrued income	267	224	40	5
	<hr/>	<hr/>	<hr/>	<hr/>
	637	404	454	277
	<hr/>	<hr/>	<hr/>	<hr/>

The directors do not consider there to be any material difference between the fair values of trade and other receivables and the amounts shown above. The trade and other receivables of the company and the Group are all denominated in pounds sterling. The Group's main credit risk relates to trade receivables. No collateral is held as security against these receivables and the carrying value approximates to the fair value.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2009, trade receivables of £82,000 (2008: £61,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	GROUP		COMPANY	
	2009	2008	2009	2008
	£000	£000	£000	£000
Up to 3 months	19	14	-	-
Over 3 months	63	47	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	82	61	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

15. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2009	2008	2009	2008
	£000	£000	£000	£000
Cash at bank and on hand	886	56	695	6
Short-term bank deposits	-	66	-	64
	<u>886</u>	<u>122</u>	<u>695</u>	<u>70</u>

16. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2009	2008	2009	2008
	£000	£000	£000	£000
Bank overdraft	155	-	-	-
Trade payables	262	46	245	5
Amounts due to Group undertakings	-	-	733	871
Owed to related party (see note 23)	294	35	172	30
	<u>711</u>	<u>81</u>	<u>1,150</u>	<u>906</u>

The directors consider that the carrying value of trade and other payables approximates to their fair value.

17. FINANCIAL INSTRUMENTS

The Group's financial instruments, from which financial instrument risk arises, comprise cash and cash equivalents, trade receivables and trade payables that arise directly from its operations. The main financial instrument risks arising from, and impacted by, the financial assets and liabilities of the Group are credit risk, cash flow interest rate risk and liquidity risk. The Board reviews and agrees policies for managing these risks and they are summarised below.

The Group does not hold any derivative financial instruments. The Group's financial assets and liabilities are measured at amortised cost.

The principal financial assets of the Group are trade receivables and cash at bank. Cash is held in sterling only in either a current account or on short-term deposit. The amounts being as follows:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

17. FINANCIAL INSTRUMENTS (continued)

Financial assets by category

**GROUP
2009**

	Loans and receivables £000	Non-financial Assets £000	Balance sheet £000
Cash at bank	886	-	886
Trade and other receivables	368	-	368
Prepayments	-	267	267
Tax recovery	2	-	2
	<hr/> 1,256	<hr/> 267	<hr/> 1,523

2008

Cash at bank	122	-	122
Trade and other receivables	180	-	180
Prepayments	-	224	224
Tax recovery	-	-	-
	<hr/> 302	<hr/> 224	<hr/> 526

Trade receivables arise directly from the Group's operations and do not carry any interest. All cash balances attract interest at floating rates that vary with UK bank base rates. The Group does not have any undrawn borrowing facilities.

**COMPANY
2009**

	Loans and receivables £000	Non-financial Assets £000	Balance sheet £000
Trade and other receivables	134	-	134
Amounts owed by Group undertaking	280	-	280
Prepayments	-	40	40
	<hr/> 414	<hr/> 40	<hr/> 454

2008

Amounts owed by Group undertaking	272	-	272
Prepayments	-	5	5
	<hr/> 272	<hr/> 5	<hr/> 277

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

17. FINANCIAL INSTRUMENTS (continued)

GROUP 2009	Other financial liabilities £000	Non-financial liabilities £000	Balance sheet £000
Bank overdraft	155	-	155
Trade payables	262	-	262
Owed to related party	294	-	294
VAT and tax payable	-	111	111
Accruals and deferred income	151	142	293
	<hr/>		
	862	253	1,115
	<hr/>		
2008			
Trade payables	46	-	46
Owed to related party	35	-	35
VAT and tax payable	-	132	132
Accruals and deferred income	99	192	291
	<hr/>		
	180	324	504
	<hr/>		
COMPANY 2009			
Trade payables	245	-	245
Amounts due to group undertakings	733	-	733
Owed to related party	172	-	172
VAT and tax payable	-	43	43
Accruals	89	-	89
	<hr/>		
	1,239	43	1,282
	<hr/>		
2008			
Trade payables	5	-	5
Amounts due to group undertakings	871	-	871
Owed to related party	30	-	30
VAT and tax payable	-	38	38
Accruals	66	-	66
	<hr/>		
	972	38	1,010
	<hr/>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

17. FINANCIAL INSTRUMENTS (continued)

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. Exposures to credit risk are minimised by employing effective credit management policies and procedures. Only customers known to the Group are granted credit terms. Annual fees for software licences and support agreements are payable in advance and require a uniquely numbered "valid licence key" to operate.

Cash flow interest rate risk

The Group is cash positive and places its balance on short-term deposits with National Westminster Bank Plc. Variable rate interest receivable is based on UK bank base rates and therefore changes in interest rates may affect the return on cash balances. No interest is received on any of the Group's other assets or receivables. The Group does not have any loans, bank borrowings or other interest bearing payables.

Liquidity risk

It is the Group's policy to maintain sufficient cash resources to meet its short-term liabilities.

Foreign currency risk

The Group is exposed to movements in exchange rates for both foreign currency transactions and the translation of net assets and income statement of foreign subsidiaries. The overseas subsidiary is regarded as long-term investment and manages its translational exposure through currency matching of assets and liabilities where applicable. The three currencies used by the Group are pounds sterling, euros and us dollars.

In respect of the UK operations, the purchases from foreign suppliers are dealt with on the Group's behalf by Akhter Group Limited. These transactions are settled by Akhter Group Limited and are converted to pounds sterling at pre-agreed spot rates for reimbursement by the Group.

The overseas subsidiary uses euros. The group will actively seek to source suppliers who deal in euros for this part of the operations of the Group to minimise the risk.

The value of monetary assets and liabilities of the group not held in functional currency at the balance sheet date were as follows:

	2009	2008
	£000	£000
Denominated in euros and us dollars		
Assets	-	17
Liabilities	(154)	-
Net assets	<u>(154)</u>	<u>17</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

17. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

	2009	2008
	£000	£000
If pound sterling had strengthened by 5% against the euro and us dollar with all other variables held constant		
Impact on net Group results for the year	(8)	(1)
If pound sterling had weakened by 5% against the euro and us dollar with all other variables held constant		
Impact on net Group results for the year	8	1

Price risk

The Group does not hold any listed security investments and therefore has no exposure to securities price risk.

Capital risk management

The Group considers its capital to comprise its ordinary and deferred share capital, share premium account and accumulated retained losses.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group considers equity funding as the most appropriate form of capital for the Group, but keeps this under review taking into account the risks, costs and benefits to equity shareholders of introducing debt.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

18. a. DEFERRED TAX ASSET

	GROUP £000	COMPANY £000
Deferred tax asset at 1 January 2009	6	-
Credited to income statement in the year	(6)	-
	<hr/>	<hr/>
Deferred tax asset at 31 December 2009	<u>-</u>	<u>-</u>

GROUP

	Provided		Not provided	
	2009	2008	2009	2008
	£000	£000	£000	£000
Depreciation in excess of capital allowances	-	6	-	-
Losses	-	-	1,590	1,552
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>-</u>	<u>6</u>	<u>1,590</u>	<u>1,552</u>

COMPANY

	Provided		Not provided	
	2009	2008	2009	2008
	£000	£000	£000	£000
Losses	-	-	1,323	1,322
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>-</u>	<u>-</u>	<u>1,323</u>	<u>1,322</u>

The Group has tax losses of £5,680,000 as at 31 December 2009 (2008: £5,552,000) which have not been recognised for deferred tax purposes as these may only be set against certain profits arising in future accounting periods.

18. b. DEFERRED TAX LIABILITY

	GROUP £000	COMPANY £000
Deferred tax liability at 1 January 2009	50	-
On acquisition of subsidiary	-	-
Credited to income statement in the year	(5)	-
	<hr/>	<hr/>
Deferred tax liability at 31 December 2009	<u>45</u>	<u>-</u>

GROUP

	Provided	
	2009	2008
	£000	£000
Other intangibles	45	50
	<hr/>	<hr/>
	<u>45</u>	<u>50</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

19. CALLED UP SHARE CAPITAL

	2009	2008
	£000	£000
Authorised		
449,302,276 ordinary shares of 1p each	4,493	4,493
137,674,431 deferred shares of 4p each	5,507	5,507
	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
276,176,538 ordinary shares of 1p each	2,762	2,047
137,674,431 deferred shares of 4p each	5,507	5,507
	<u>8,269</u>	<u>7,554</u>

During 2009 71,428,574 ordinary shares of 1p each were issued for cash at the price of 1.4p for each share, raising £1,000,000 before issue costs of £56,000.

The deferred shares have no right to dividends nor do the holders thereof have the right to receive notice of or to attend or vote at any General Meeting of the Company. On a return of capital on a winding up of the company, the holders of the deferred shares shall only be entitled to receive the amount paid up on such shares after the holders of the ordinary shares have received the sum of £1,000,000 for each ordinary share held by them.

Ultima Networks Plc 2004 Share Option Scheme

The scheme was approved by the AGM held on 28 May 2004. No options to subscribe for ordinary shares of 1p each have been granted under this scheme.

Executive Share Option Schemes

Options to subscribe for ordinary shares of 1p each are exercisable in accordance with the 1994 Microvitec Inland Revenue Approved Executive Share Option Scheme. During the year ended 31 December 2009, no options were granted, no options were exercised and no options lapsed. At 31 December 2009, options were outstanding on 100,000 (2008: 100,000) ordinary shares as follows:

Dates exercisable	Number of shares	Price
16 April 2003 – 15 April 2010	100,000	7.5p

20. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2009	2008	2009	2008
	£000	£000	£000	£000
Contracted capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

21. FUTURE OPERATING LEASE COMMITMENT

There are no operating lease commitments at the balance sheet date (2008: £Nil)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

22. PENSIONS

During the year the Group contributed to the personal pension schemes (defined contribution) of certain employees. No contributions were paid in respect of the directors. No amounts were accrued or prepaid at the year end (2008: £Nil)

23. RELATED PARTY TRANSACTION

The Chairman Prof H A Mughal is a majority shareholder of Akhter Group Limited. Akhter Group Limited and related parties hold 110,896,605 shares representing 40.15% of the company's issued ordinary share capital.

During the year the Group made purchases from Akhter Group Limited totalling £883,000 (2008: £148,000) of this amount, £294,000 (2008: £35,000) was payable to Akhter Group Limited as at 31 December 2009. The purchases can be analysed as follows:

Group company	2009 £000	2008 £000	Description of purchases
Ultima Networks	250	28	Executive management services and project costs
UTN Solutions (North)	630	115	Rent and carriage costs
Integrated Publishing Systems	0	3	Rent and carriage costs
Cognito Software	3	2	Pensions and carriage costs
	<hr/>	<hr/>	
Total	883	148	

The charge to the company of £Nil (2008: £28,000) from Akhter Group Limited for executive management services, disclosed above, is for the service of the company's former finance director and is based on a proportion of their time.

As stated above the treasury function is performed on behalf of the company by Akhter Group Limited and will always try to make the most beneficial use of available cash resources. During the year, no monies were loaned by the company to Akhter Group Limited (2008: £Nil) and no monies were borrowed by the company from Akhter Group Limited (2008: £Nil).

During the year the Group made sales to Akhter Group Limited totalling £Nil (2008: £Nil) of this amount, £Nil (2008: £Nil) was payable by Akhter Group Limited as at 31 December 2009. The sales can be analysed as follows:

**NOTES TO THE FINANCIAL STATEMENTS
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23. RELATED PARTY TRANSACTION (continued)

During the year the company recharged its administration expenses to all its subsidiaries as detailed below:

Group company	2009 £000	2008 £000	Description
Ultima Networks	(138)	(250)	Group recharge (receivable)
UTN Solutions (North)	1	150	Group recharge payable
Cognito Software	137	100	Group recharge payable
Total	-	-	

During the year, the fees payable in respect of services rendered by the finance director, Anthony P Klein, amounted to £12,000. These fees were paid to Gross Klein, a firm in which he is a partner.

24. CONTINGENT LIABILITY

Cognito Software Limited has entered into a contract to purchase complimentary software rights which is dependent on future sales. The directors estimate the future liabilities to be £20,000.

25. CONTROLLING PARTY

In the opinion of the directors, there is no ultimate controlling party.

ANNUAL PERFORMANCE HISTORY

	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006	UK GAAP 2005
Revenue £000	1,867	1,977	1,564	1,398	1,074
Pre-tax profit/(loss) £000	214	281	276	548	(360)
Net assets/(liabilities) £000	2,627	1,428	1,168	903	388
Net assets/(liabilities) per share pence	1.26	0.70	0.57	0.44	0.19
Basic earnings/(loss) per share pence	0.10	0.13	0.13	0.25	(0.20)
Dividends	-	-	-	-	-