Company Number 01435584 (England and Wales)

ULTIMA NETWORKS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

ULTIMA NETWORKS PLC

CONTENTS

DIRECTORS AND ADVISORS

Humayun A Mughal	Chairman and Chief Executive Officer
Anthony P Klein	Finance Director
Anthony P Klein	Company Secretary
Registered office	Akhter House Perry Road Harlow CM18 7PN
Website	www.ultima-networks.co.uk
Company number	01435584
Auditors	Hills Jarrett Gainsborough House Sheering Lower Road Sawbridgeworth CM21 9RG
Accountants	Hills Jarrett LLP Gainsborough House Sheering Lower Road Sawbridgeworth CM21 9RG
Solicitors	Eversheds LLP Kett House 1 Station Road Cambridge CB1 2JY
Nominated advisor and broker	Zeus Capital Ltd 3 Ralli Courts Manchester M3 5FT
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

Ultima has concentrated development into two principal areas each operating in separate divisions.

IT Services

The IT Services division provides computer application software and related services to small and medium size legal practices in England and Wales. It has developed a portfolio of software solutions the latest being its FiLos legal software suite which has been widely accepted by existing and new clients. The division has a policy of continual R&D investment to ensure the software remains current and attractive to existing and new users. The division provides software to clients and provides ongoing support and software upgrades through licence arrangements renewable on an annual basis thereby providing revenue from sale of new software and recurring service and support revenue. R&D operations are focused in South West England with the main sales and operations located in the Midlands.

The division's strategy is to continue the investment into and the development of its range of software products with the intention of attracting the interest of a wider client base including larger legal firms

Green Technology division

The Green technology division supplies electric bicycles mainly through a UK based dealer network and is involved in the provision of Solar Photovoltaic installations in the United Kingdom on an EPC basis.

Electric bicycles

The division develops and designs electric bicycle products and has registered patents to protect its unique battery system. The design of the bicycles have been widely accepted through the United Kingdom and Benelux countries, however, the worsening economic climate in mainland Europe has led the division to refocus its development and sales effort primarily within the United Kingdom with the intention of expanding sales through dealers and multiple retailers.

Renewable Energy

The division's green technology initiatives are now focused on securing EPC contracts in the United Kingdom for its Photovoltaic solutions. The division has developed substantial expertise in the design and development of a wide range of renewable energy solutions and has piloted a number of projects outside the UK. The division has determined that profitable growth will be best achieved through focusing on UK based projects

Introduction

2014 has been a difficult year for Ultima as it became evident that development projects outside the United Kingdom were becoming increasingly challenging and taking a disproportionate degree of management and financial resources. The Board reviewed the economic outlook in the Eurozone and wider global market place and decided that the group should concentrate effort in its established markets. To achieve these objectives the group has substantially written down the value of its investment in the development of Solar Farms in Italy, suspended development and deployment of its hybrid solar power solutions and concentrated distribution of its electric bicycle range through established UK channels. The group continues to invest in a program of development and improvement in both its legal software and renewable energy solutions and considers this to be crucial for competitive positioning of the Group's current and future products.

Our Products and Commercial Strategy

Renewables

The Green Technology division has developed a range of renewable energy products including hybrid solar generating stations, ground and air source heat solutions and Solar PV. The Board have decided that most progress will be made by concentrating available resource on the supply of Solar Photovoltaic installation on an EPC basis as this represents the best application of the division's skilled personnel and provides the clearest prospect of developing long term sustainable revenues

Electric bicycles

The Green technology division is responsible for the design and development of the group's range of electric bicycles.

These electrically assisted bicycles have been designed following consultation with resellers to ensure the bicycles meet the needs of potential customers and are sold under the brand names "Powacycle" and "Infineum" through UTN Solutions Limited (a 100% subsidiary of Ultima).

The division holds patent on a custom designed stackable battery pack which is used in most of the models distributed by the division.

Due to disappointing European sales the division began a process of repositioning its sales focus to concentrate on supporting and growing its UK based reseller network where income has been relatively stable and prospects for profitable growth are strongest.

IT Services

The IT Services division operates as Cognito Software and offers a range of legal software application packages.

The latest software is the divisions FiLos software suite which provides solutions for complete management of day to day operation of legal firms. This package is under continuous development as it represents the division's flagship product with existing clients being encouraged to migrate and use its enhanced features. The software has been designed to cover the needs of the divisions existing client base and has features which are expected to attract clients from larger legal practices.

The legal market place remains difficult and continues to see consolidation and this was reflected by sales for the year falling by 7% compared to the same period the previous year. The division continues to generate significant recurring revenue from its support and development services and continues to generate significant cash for the group.

R&D

All operating divisions have a program of continuous product development and improvement

IT Services operate in a completive environment where customers expect innovative solutions designed to improve their efficiency and help support the application of legal practices and rules.

The IT division has a group of dedicated software designers who have been involved in designing and development of legal software packages for many years. Their skill is essential to the continued improvement of the range of software offered by the IT division and represents a core activity of the division.

The design and functionality of the group's electric bicycles require attention to customer needs and the ability to provide reliable products. The division is involved in all aspects of design and functionality and developed parts which help differentiate aspects of the electric bicycles from the competition.

Renewable energy solutions require continual attention to changes in technical performance of products being offered to ensure compliance and competitiveness.

Performance measurement

The ongoing performance of the Group is managed and monitored using a number of performance indicators.

The Groups revenues are monitored as follows:

Revenue metrics	Year to 31st December 2014	Year to 31st December 2013	
	£	£	%
Revenue	1,364,000	2,261,000	(39)

Revenues comprise turnover on sale of products, consumables, service income and installations. The reduction in revenue reflects the restructuring of group activities during 2014.

STRATEGIC REPORT - CHAIRMAN'S STATEMEMT AND CHIEF EXECUTIVE'S REVIEW (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

Profit/(Loss) & cash metrics	Year to 31st December 2014	Year to 31st December 2013
	£	£
Profit/Loss before interest and depreciation	**(2,394)**	**(156)**
Taxation expense	**(93)**	**(28)**
Interest	**5**	**6**
Comprehensive Income	**(16)**	**3**
Depreciation charges	**532**	**48**
Amortisation Charges	**1207**	**116**
Operating Profit before changes in working capital	**(759)**	**(11)**
Cash (used in)generated from operations	**(380)**	**(115)**
Taxation	**40**	**28**
Net Cash (used in)generated from operating activities	**(340)**	**(87)**
Net Cash used in investing activities	**167**	**41**
Cash from financing activities	**(5)**	**(6)**
Cash and cash equivalents at end of period	**347**	**185**

The Group's profitability is monitored through monthly forecasting which tracks where the business is and where it is forecast to be at a certain date. The cash position is monitored on a daily basis.

The progress of R&D and general product development is reviewed regularly by the senior management team and updates provided to the Board.

Financial Results and Outlook

In the year ended 31 December 2014, the Group achieved sales of £1,364,000 (2013: £2,261,000) with an operating loss of £1,726,000 (2013: operating loss of £47,000). A non-recurring cost £756,000 relating to restructuring costs and in 2013 a provision for potential legal expenses to defend a claim brought against the IT services division resulted in a pre-tax loss for the Group of £2,487,000 (2013: loss of £184,000). The Research and Development tax credit was £Nil (2013: £28,000) and therefore the loss for the financial year was £2,394,000 (2013: operating loss of £156,000).

Costs relating to the administration of the Group operations are included in the overheads of the parent company. The costs incurred in 2014 were £190,000 (2013: £190,000) Cash and cash equivalents at the end of the year 2014 were £347,000 (2013: £185,000). Any balance of cash funds not required for working capital purposes is being placed on short term bank deposit to maximize interest receivable. Cash was utilized in the year to support the Green technology division activities. Cash was also used to fund continued development by the IT Products division and the design and development of renewable heat solutions.

IT Services division

Financial

The IT Services division made an operating loss of £1,186,000 (2013: profit £389,000) on sales of £828,000 (2013: £890,000) Sales fell by 7%, compared to the previous year. The division provides computer application software and other related services to small and medium size legal practices in England and Wales.

The division operates from two locations (Midlands and South West England). Since the 1st January 2013 the division has operated as Cognito Software a division of Ultima Networks plc. The division's management team has continued to develop the FiLos software suite which is helping to retain customers and improving the opportunity of attracting larger legal practices.

The market for legal software continues to be very competitive with the potential client base undergoing a degree of restructuring to adapt to changes in government support for legal services. Cognito has remained competitive, helping to maintain a relatively stable customer base with clients continuing to migrate to the new FiLos legal software suite.

Outlook

The short term outlook for the division is to maintain its existing client base and continue migration to the latest version of FiLos software. The expectation is that growth will return with the division well placed to maintain and expand market share based upon the quality of the software solutions being offered into a niche market sector and working hard to retain existing clients based upon the loyalty arising from quality customer support and service.

The **Green Technology division**

Financial

The Green Technology division made an operating loss of £352,000 (2013: £436,000) on sales of £399,000 (2013: £1,371,000). The division suffered from a lack of sales of its premium range of electric bicycles into continental Europe with consumer demand for luxury products in the UK remaining weak. Infineum BV made a loss of £2,534 (2013: £53,000). The UK division of electric bikes and luxury products made a loss of £305,000 compared to a loss of £147,000 the prior year.

Central overheads

Costs relating to the administration of the Group operations are included in the overheads of the parent company. The costs incurred in 2014 were £190,000 (2013: £190,000).

Outlook

Tough trading conditions in mainland Europe coupled with the cost of restructuring operations severely impacted results for the year. The Group is concentrating activity within the United Kingdom in order to control cost and investment risk and increase market share within its established marketplace. This is expected to deliver more stable growth and result in improved financial performance. The central strategy and philosophy is to grow low risk recurring revenue by maximising demand for existing products and services coupled with continued investment and development of the groups technical and knowledge base to ensure growth through improved product competiveness.

STRATEGIC REPORT - CHAIRMAN'S STATEMEMT AND CHIEF EXECUTIVE'S REVIEW (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

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Prof Humayun A Mughal
Chairman and Chief Executive Officer

08 May 2015

FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2014

- Group revenue is £1,364,000 (2013: £2,261,000)
- Net (loss)/profit after Tax is (£2,394,000) (2013: £156,000)
- Group administration expenses is £2,545,000 (2013: £1,122,000)
- Operating (loss)/profit is (£1,726,000) (2013: (£47,000))
- Earnings per share is 0.86p (2013: 0.06p)
- Cash at bank at the yearend was £347,000 (2013: £185,000)
- Net assets is £1,042,000 (2013:£3,452,000)

The directors present their annual report and audited financial statements for the year ended 31 December 2014.

Business review and principle activities
The principle activities of the Group during the year comprised of the marketing and support of computer application software, the wholesale and retail merchandising of electric bicycles and the development and deployment of renewable energy solutions.

In the year under review the Group undertook a major review of operations and investments based outside of the United Kingdom. As a result of the review the value of the group's investment in proposed Solar farms in Italy has been substantially reduced, distribution of electric bicycles into Europe has been curtailed and development of other export driven renewable products been suspended. At the date of this report the Directors are not aware of any other likely major changes in the Group's activities in the next year. The UK remains the principle market area of operation for the Group.

The Group incurred an operating loss of £1,726,000 (2013: operating loss of £47,000) on turnover of £1,364,000 (2013: £2,261,000).

The Group's operations are managed in two divisions, being the IT services division and the Green technology division. The IT services division comprises of Cognito Software which is involved in marketing and support of legal software. The division had sales revenues of £828,000 (2013: £890,000).
The green technology division comprises of the installation of Solar PV solutions on an EPC basis and the sale of electric bicycles. The division had combined sales revenue of £536,000 (2013: £1,371,000) and produced an operating loss of £540,000 (2013: £436,000).

The costs relating to the administration of Group operations are included in the overheads of the parent company and form part of the administration costs set out in the consolidated statement of comprehensive income. The costs for the year were £190,000 (2013: £190,000).

The IT services division through Cognito Software is a provider of application software and services to the legal profession and during 2014 continued the development and increased the range and scope of its flagship legal software suite "FiLos". Turnover for the year decreased by 7% over the preceding year, with gross margins maintained. Operating profits are before the application of parent company management charges.

The green technology division sale of electric bicycles and margin decreased during the year due to tough market conditions in the Eurozone. The division had reviewed its marketing channel the previous year and established a subsidiary company to manage sales direct to reseller customers. The expected increase in sales and improvement in margins were not achieved. The division is now concentrating on the growth of its reseller customer base in the United Kingdom which is expected to see improved sales and margins.

The group balance sheet continues to be debt free and showing net assets to £1,042,000 (2013: £3,452,000). The year-end cash balance was £347,000 and is available for working capital purposes and to fund investment in the expansion of the Group.

Results and dividends
The Group loss for the year before taxation amounted to £2,487,000 (2013: loss of £184,000), taxation refund for the year of £93,000 (2013: £28,000) and a loss after tax of £2,394,000 (2013: loss of £156,000). Total comprehensive income for the year was £2,410,000 (2013:£153,000).

The directors do not recommend the payment of a dividend for 2014. No dividends were paid or proposed to be paid in 2013.

Key performance indicators

The aim of the Group is to increase shareholder value through growth in sales revenues and operating profitability. 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 2014 £000	IFRS 2013 £000	IFRS 2012 £000	IFRS 2011 £000
Revenue	1,400	1,364	2,261	2,678	2,970
Operating profit/(loss)	88	(1,726)	(47)	81	486

Revenue in 2014 was below the target and represented a decrease over the previous year primarily due to reduced sales to mainland Europe by the green technology division. The operating profits of the green technology division were below target.

Principle risks and uncertainties facing the Group

The IT services division provides legal software to small and medium size firms and expects to increase sales to larger firms as the FiLos software suite develops and becomes increasing capable of meeting the needs in this, the market sector. The trend towards consolidation amongst legal practices has continued with smaller firms joining with larger practices, this consolidation is also seeing a growth in start-ups. The FiLos software suite is able to satisfy the needs of both smaller and larger firms. The Group investment into a high level of customer support is helping the division to retain its existing client base whilst growing the customer base. The continued investment into development has continued to improve the look and capability of the division's range of software product which ensures maintenance of functionality and improved competitiveness. The Directors recognise that organic growth will be gradual.

The green technology division supplies Solar PV (Photovoltaic) installations to the EPC market and the sale of electric bicycles. The operation of the division has been further restructured in the year with the decision to concentrate sales through sales to UK based customers and its UK dealer network.

The green power division's renewable energy initiatives during 2014 were restructured with a brief to concentrate on the securing of EPC contracts in the United Kingdom for is Photovoltaic solutions. This is in line with the group's current strategy of focusing attention on growth within the UK.

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 not been investigated for any breach of environmental regulations. The requirements of the EC Directive on Waste and Electrical and Electronic Equipment (WEEE) have been specifically 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 on-going design and development of its PowaCycle and Infineum branded range of electric bicycles. These development design costs have been estimated by the Directors to have a useful economic life on completion of the project 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 it remains fully compliant with current legislation and practices and in the development of new software. These development costs have been estimated by the Directors to have a useful economic life on completion of the project of 5 years and are therefore capitalised and charged to income statement in equal instalments over this period.

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	112,325,176	40.23
Lynchwood Nominees Limited	25,295,700	9.06
Barclays Stockbrokers Limited	21,237,999	7.61
TD Direct Investing Nominees (Europe) Limited	10,584,501	3.79
HSDL Nominees Limited	21,236,913	7.61

Directors and Directors' interest

The Directors who are currently in office are shown on page 1. The emoluments, share interest and share options of the Directors are disclosed in the Directors Remuneration Report on pages 17 to 19.

Executive Directors

Prof H A Mughal, aged 61, 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 62, 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.

Non-Executive Directors

Mr P J Barron, aged 72, has extensive operations experience in the electronics industry notably with Texas Instruments and Apple Computers in the USA and Systime Computers Limited and Chase Advanced Technologies Limited in the UK. He was appointed in May 1992 and resigned on 1 December 2014.

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.

REPORT OF THE DIRECTORS (continued)
FOR THE YEAR END 31 DECEMBER 2014

Share Option schemes
The Company's Microvitec 1994 Inland Revenue Approved Executive Share Option Scheme approved by the Company in the Annual General Meeting 1994 has now terminated (the "Old Scheme") There are no options to acquire ordinary shares in the capital of the Company outstanding under the Old Scheme (2013: Nil).

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 to date.

Ultima Networks Plc 2012 Share Option Scheme

The scheme was approved by the AGM held on 26th June 2012. 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 (2013: £Nil) and no political donations (2013: £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 it's financial instruments is not material and therefore derivative financial instruments are not used to manage them.

The main risk 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.

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 transactions of the Group relating to purchases in foreign currency are settled by Akhter Group Limited and are converted to pounds sterling at pre-agreed spot rates for reimbursement by the Group. The Group makes some sales in euros which are converted to sterling upon payment. Therefore, the Group holds any cash balance 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 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 123 days (2013:54 days).

Directors' responsibilities
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing the financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the company and hence for 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 included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditors

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

Auditors
A resolution to reappoint Hills Jarrett 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 22 June 2015 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 08 May 2015 and signed on its behalf by.

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Prof Humayun A Mughal
Chairman and Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

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 (resigned 1 December 2014) are fully discussed and critically examined.

The Non-executive director is Peter J 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 J 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, Hills Jarrett, 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 J Barron (resigned 1 December 2014) and the Finance director Anthony P Klein. Details of the executive remuneration policy are set out in the separate Directors' Remuneration Report.

CORPORATE GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014.

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 2014

The directors present the Directors remuneration report for the financial year ended 31 December 2014. 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 J Barron (resigned 1 December 2014) and Finance director Anthony P Klein. Both served as members of the Remuneration Committee throughout the year and in the period to 08 May 2015.

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 26 June 2012, being the Ultima Networks Plc 2012 Share Option Scheme, but no options to subscribe for ordinary shares of 1p each have been granted to date. No directors have any options outstanding under the Ultima Networks Plc 2004 Share Option Scheme or under the 1994 Microvitec Inland Revenue Approved Executive Share Option Scheme.

Non-executive directors
The Non-executive director does not have a contract 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 2014 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 2014

Directors' remuneration and interests

Directors' remuneration payable for the year ended 31 December 2014 was as follows:

	Basic Salary £000	Fees £000	Benefits in kind £000	2014 Total £000	2013 Total £000	Pension contributions 2014 £000	Pension contributions 2013 £000
Executive							
H A Mughal	-	-	60	60	60	-	-
A P Klein	-	12	-	12	12	-	-
Non Executive							
P J Barron	-	12	-	12	12	-	-
	-	24	60	84	84	-	-

Humayun 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 (2013: £Nil) for executive management services, disclosed in note 24 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 Anthony P Klein were £12,000. These were paid to A 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 2014 Ordinary shares of 1p	31 December 2014 Ordinary share options	31 December 2013 Ordinary shares of 1p	31 December 2013 Ordinary share options
H A Mughal	112,325,176	-	112,325,176	-
A P Klein	-	-	-	-
P J Barron	-	-	-	-

Prof Humayun A Mughal's holding includes 54,055,336 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 2014 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 2014

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 2014 and 08 May 2015.

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 2014 was 0.48p and the range during the year was 0.40p to 1.08p.

Approval

The Directors' Remuneration Report was approved by the Board on 08 May 2015 and signed on its behalf by:

Anthy Klein

....

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 2014 on pages 22 to 59 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 as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 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 10, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom 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 statements
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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications in our report.

Basis of opinion
We conducted our audit in accordance with International Standards on Auditing (United Kingdom 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.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF ULTIMA NETWORKS PLC (continued)

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 2014 and of its profit for the period then ended;
- give a true and fair view of the state of the groups's affairs as at 31 December 2014 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and as applied in accordance with the provisions of the Companies Act 2006; 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 information given in the Strategic report and Directors' report for the financial period 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.

James E Fox (Senior Statutory Auditor)
For and on behalf of Hills Jarrett
Chartered Certified Accountants and Registered Auditors
Hertfordshire, England

Date: 08 May 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £000	2013 £000
Revenue	3	1,364	2,261
Cost of sales		(545)	(1,186)
Gross profit		819	1,075
Administration expenses		(2,545)	(1,122)
Other operating income	4	0	0
Operating (loss)/profit	5	(1,726)	(47)
Exceptional items	6	(756)	(131)
Finance (expenditure)/income	8	(5)	(6)
Profit before taxation		(2,487)	(184)
Taxation recovery	10	93	28
Profit for the year		(2,394)	(156)
Other comprehensive income: Exchange difference on translating foreign operations		(16)	3
Total comprehensive income for the year attributable to equity holders of the parent		(2,410)	(153)
Basic and diluted earnings per share – pence	11	(0.86)	(0.06)

All amounts relate to continuing activities.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	2014 £000	2013 £000
ASSETS			
Non current assets			
Property, plant and equipment	12a	616	1,366
Intangible assets – development costs	12b	-	1,244
Goodwill	12c	-	118
Intangible assets - other	12d	-	134
Deferred tax assets	19a	-	-
Total non current assets		616	2,862
Current assets			
Inventories	14	347	435
Trade and other receivables	15	539	872
Cash and cash equivalents	16	347	185
Total current assets		1,233	1,492
Total assets		1,849	4,354
LIABILITIES			
Non current Liabilities			
Deferred tax	19b	-	53
Total non current liabilities		-	53
Current liabilities			
Trade and other payables	17	503	382
Current tax liabilities		76	136
Accruals and deferred income		228	331
Total current liabilities		807	849
Total liabilities		807	902
Net assets		1,042	3,452

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2014

	Note	2014 £000	2013 £000
EQUITY			
Capital and reserves attributable to equity holders of the parent			
Called up share capital	20	8,299	8,299
Share premium account		5,843	5,843
Other reserves		202	202
Retained Earnings		(13,249)	(10,855)
Translation of foreign operations		(53)	(37)
		1,042	3,452

These financial statements were approved by the board of directors on 08 May 2015 and were signed on its behalf by:

....

Prof Humayun A Mughal
Chairman and Chief Executive Officer

Company Registration Number 01435584

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	2014 £000	2013 £000
ASSETS			
Non current assets			
Property, plant and equipment	12a	344	839
Intangible assets – development costs		-	804
Goodwill		-	10
Investments	13	292	903
Total non current assets		636	2,556
Current assets			
Inventories	14	44	10
Trade and other receivables	15	1,859	1,982
Cash and cash equivalents	16	149	66
Total current assets		2,052	2058
Total assets		2,688	4,614
LIABILITIES			
Current liabilities			
Trade and other payables	17	2,002	1,877
Current tax liabilities		72	130
Accruals and deferred income		190	282
Total current liabilities		2,264	2,289
Total liabilities		2,264	2,289
Net assets		424	2,325

COMPANY STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2014

	Note	2014 £000	2013 £000
EQUITY			
Capital and reserves attributable to equity holders of the parent			
Called up share capital	20	8,299	8,299
Share premium account		5,843	5,843
Other reserves		202	202
Retained Earnings		(13,920)	(12,019)
		424	2,325

These financial statements were approved by the board of directors on 08 May 2015 and were signed on its behalf by:

....

Prof Humayun A Mughal
Chairman and Chief Executive Officer

Company Registration Number 01435584

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £000	2013 £000
Profit for the financial year	(2,394)	(156)
Taxation expense	(93)	(28)
Interest	5	6
Comprehensive income	(16)	3
Depreciation charges	532	48
Amortisation of intangibles	1,207	116
Operating profit before changes in working capital	(759)	(11)
Decrease/(Increase) in inventories	88	(41)
Decrease/(Increase) in trade and other receivables	333	278
(Decrease)/increase in trade payables and other capital liabilities	(42)	(341)
Cash (used in)/generated from operations	(380)	(115)
Taxation	40	28
Net cash (used in)/generated from operating activities	(340)	(87)
Cash flows from investing activities		
Purchase of property, plant and equipment	218	257
Development expenditure	289	(216)
Other intangibles	-	-
Net proceeds of ordinary shares issue	-	-
Net cash used in investing activities	167	46
Cash flows from financing activities		
Interest received	(5)	(6)
Net cash generated from financing activities	(5)	(6)
Net (decrease)/increase in cash and cash equivalents	162	(52)
Cash and cash equivalents at beginning of the period	185	237
Cash and cash equivalents at end of the period	347	185

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £000	2013 £000
Profit/(Loss) for the financial year	(1,329)	44
Interest payable	-	2
Depreciation charges	1,344	88
Operating profit before changes in working capital	15	134
(Increase)/decrease in inventories	(34)	(-)
(Increase)/decrease in trade and other receivables	123	(441)
(Decrease)/increase in trade payables and other current liabilities	(25)	1,038
Cash (used in)/generated from operations	79	731
Taxation	39	-
Net cash (used in)/generated from operating activities	118	731
Cash flows from investing activities		
Purchase of property, plant and equipment	576	(614)
Net cash used in investing activities	694	(614)
Cash flows from financing activities		
Interest paid	-	(2)
Written off investments	(611)	-
Dividend received	-	-
Net cash generated from financing activities	(611)	(2)
Net (decrease)/increase in cash and cash equivalents	83	115
Cash and cash equivalents at beginning of the period	66	(49)
Cash and cash equivalents at end of the period	149	66

ULTIMA NETWORKS PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

GROUP

	Called up share capital	Share premium	Other reserves	Retained earnings	Translation of foreign operations	Total Equity
	£000	£000	£000	£000	£000	£000
Year ended 31 December 2014						
As 1 January 2014	8,299	5,843	202	(10,855)	(37)	3,452
Share Issue	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(2,394)	(16)	(2,410)
At 31 December 2014	8,299	5,843	202	(13,249)	(53)	1,042
Year ended 31 December 2013						
As 1 January 2013	8,299	5,843	202	(10,699)	(40)	3,605
Share Issue	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(156)	3	(153)
At 31 December 2013	8,299	5,843	202	(10,855)	(37)	3,452

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

COMPANY

	Called up share capital	Share premium	Other reserves	Retained earnings	Total Equity
	£000	£000	£000	£000	£000
Year ended 31 December 2014					
As 1 January 2014	8,299	5,843	202	(12,019)	2,325
Profit for the period	-	-	-	(1,901)	(1,901)
At 31 December 2014	8,299	5,843	202	(13,920)	424
Year ended 31 December 2013					
As 1 January 2013	8,299	5,843	202	(12,063)	2,281
Loss for the period	-	-	-	44	44
At 31 December 2013	8,299	5,843	202	(12,019)	2,325

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 United Kingdom. The address of its registered office is Akhter House, Perry Road, Harlow, Essex CM18 7PN.

The Group's and company's financial statements for the year ended 31 December 2014 were authorised for issue by the Board of Directors on 8 May 2015 and the balance sheets were signed on the Boards behalf by Prof. Humayun A 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 (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

These financial statements have been prepared on the historic cost basis except where financial instruments are required to be carried at fair value 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 had a loss of £1,938,000 (2013: Profit £42,000).

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 where 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 2014. 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.

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.

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 recourses 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 form 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.

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.

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.

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 schemes (defined contribution) 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.

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.

2. ACCOUNTING POLICIES (continued)

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 adopted for the year ended 31 December 2014

International Financial Reporting Standards

IAS 27	Consolidated financial statements and accounting for investments in subsidiaries
IAS 32	Financial instruments: Disclosure and presentation
IAS 36	Impairment of assets
IFRS 10	Consolidation

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 2014, 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
IAS 18	Revenue	01.01.2017	01.01.2017
IFRS 9	Financial instruments	01.01.2018	01.01.2018
IFRS 15	Revenue from contracts with customers	01.01.2017	01.01.2017

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

3. SEGMENTAL REPORTING

The Group operates in the United Kingdom, Italy and Spain.
At 31 December 2014, 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 2014 are as follows:

	IT and related services UK £000	Green technology £000	Unallocated £000	Group £000
Revenue	828	399	137	1,364
Depreciation	38	2	492	532
Amortisation	804	393	10	1,207
Interest payable	-	5	-	5
Operating profit/(loss)	(1,186)	(352)	(188)	(1,726)

3. SEGMENTAL REPORTING (continued)

The segmental results for the year ended 31 December 2013 were as follows:

	IT and related services UK	Green technology	Unallocated	Group
	£000	£000	£000	£000
Revenue	890	757	614	2,261
Depreciation	4	41	3	48
Amortisation	54	62	-	116
Interest payable	-	4	2	6
Operating profit/(loss)	389	(275)	(161)	(47)

The other information of the segments are as follows:

2014	IT and related services UK	Green technology	Unallocated	Group
	£000	£000	£000	£000
Segment assets	953	896	-	1,849
Segment liabilities	(420)	(387)	-	(807)
Net assets	533	509	-	1,042

3. SEGMENTAL REPORTING (continued)

The other information of the segments was as follows:

2013	IT and related services UK £000	Green technology £000	Unallocated £000	Group £000
Segment assets	1,370	3,984	-	4,354
Segment liabilities	(100)	(802)	-	(902)
Net assets	1,270	2,182	-	3,452

4. OTHER OPERATING INCOME

	2014 £000	2013 £000
Other income	-	-

5. OPERATING PROFIT

	2014 £000	2013 £000
Operating profit is stated after charging:		
Depreciation and other amounts written off property, plant and equipment	532	48
Amortisation of intangible assets	1,207	116
Operating leases – rent of building	79	79

6. EXCEPTIONAL ITEMS

	2014 £000	2013 £000
Legal provision	-	100
Redundancy costs	-	17
Legal costs	-	14
Disposal of investments & impairment of development costs	756	-

7. AUDITORS REMUNERATION

Services provided by the Company's auditor and its associates

	2014 £000	2013 £000
Group		
Fees payable to the company's auditor for the audit of the company and consolidated financial statements	20	15
	20	15

8. FINANCE INCOME

	2014 £000	2013 £000
Finance income		
- Bank interest payable/(receivable)	5	6
Net finance income	5	6

9. EMPLOYEES

	2014 £000	2013 £000
Employee costs including executive directors during the year amounted to:		
Wages and salaries	647	561
Social security costs	51	59
Other pension costs	6	5
	704	625

	2014 Number	2013 Number
The average number of persons employed during the year including executive directors analysed by category was made up as follows:		
Sales and marketing	5	10
Product development and support	17	13
Administration	7	7
	29	30

9. EMPLOYEES (continued)

	2014 £000	2013 £000
The total remuneration of directors was as follows:		
Fees	24	24
Remuneration as executives (including benefits in kind)	60	60
Pension contributions	-	-
	84	84

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

No remuneration is paid directly by the Group for the services of the other executive 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 17 to 19.

There are no amounts of compensation payable to key management.

10. TAXATION ON PROFIT

a) Analysis of charge in the year

	2014 £000	2013 £000
Current taxation		
UK corporation tax on profits for the year	-	-
Adjustments in respect of previous periods	(40)	(28)
Total current taxation	(40)	(28)
Deferred taxation		
Origination and reversal of temporary differences (note 18a and 18b)	(53)	-
Taxation expense	(93)	(28)

10. TAXATION ON PROFIT (continued)

b) Factors affecting charge in the year

	2014 £000	2013 £000
(Loss)/Profit on ordinary activities before taxation	(2,487)	(184)
Tax at UK corporation tax rate 23% (2013:23%)	(572)	(42)
Effect of:		
Depreciation in excess of capital allowances	30	36
Utilisation of tax losses not recognised for deferred taxation	(30)	(21)
Adjustments in respect of previous period	(40)	(1)
Deferred tax movement	(53)	-
	(93)	(28)

The Group has tax losses to carry forward of £5,552,000 (2013: £5,251,000) which may be available for offset against future profits.

11. EARNINGS PER SHARE

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

	2014 Number	2013 Number
Weighted average ordinary shares in issue during the year	279,176,538	279,176,538
Potentially diluted share options under the Group's share option schemes	-	-
Weighted average ordinary shares for diluted earnings per share	279,176,538	279,176,538

	£	£
Earnings/(loss) attributable to shareholders		
Continuing operations	2,394,000	156,000
Discontinued operations	-	-
	2,394,000	156,000

11. 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.

12. a. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold land and buildings		Plant, Office and computer equipment and motor vans		Total	
	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
Cost						
At beginning of year	645	654	851	1,163	1,496	1,817
Additions	-	-	35	121	35	121
Disposals	(253)	(0)	-	(433)	(253)	(433)
Foreign currency exchange difference	-	(9)	-	-	-	(9)
At end of year	392	645	886	851	1,278	1,496
Depreciation						
At beginning of year	39	34	91	112	130	146
Charge for the year	4	5	528	43	532	48
Eliminated by disposals	-	-	-	(64)	-	(64)
At end of year	43	39	619	91	662	130
Net book value						
At end of year	349	606	267	760	616	1,366

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.

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

COMPANY

	Freehold land and buildings		Plant and equipment		Total	
	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
Cost						
At beginning of year	120	120	820	1,098	940	1,218
Additions	-	-	33	120	33	120
Disposals	-	-	-	(398)	-	(398)
At end of year	120	120	853	820	973	940
Depreciation						
At beginning of year	39	35	62	56	101	91
Charge for year	4	4	524	38	528	42
Eliminated on disposal	-	-	-	(32)	-	(32)
At end of year	43	39	586	62	629	101
Net book value						
At end of year	77	81	267	758	344	839

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 £77,000 (2013: £81,000).

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 2014 and therefore that the carrying cost is not materially different from the fair value.

12. b. INTANGIBLE ASSETS – DEVELOPMENT COSTS

GROUP

	2014 £000	2013 £000
Cost		
At beginning of year	1,583	1,505
Additions	-	911
Disposals	(471)	(839)
Foreign currency exchange difference	-	6
At end of year	1,112	1,583
Amortisation		
At beginning of year	339	370
Charge for the year	1,207	107
Eliminated on disposal	(434)	(139)
Foreign currency exchange difference	-	1
At end of year	1,112	339
Net book value		
At end of year	-	1,244
At beginning of year	1,244	1,135

The development costs in respect of the Cognito Software product (part of the IT and related services division), held a net book value brought forward of £805k. This asset was fully impaired at the year-end due to a sale of this division reaching the final stages of completion during the first quarter of 2015. With the product sale planned on completion within 2015, at the time, it was deemed that this income generating asset would be sold as part of the deal, and therefore would not yield a return for the group in future periods and should be fully impaired. Subsequently, this sale did not take place, however the directors are actively looking for a new buyer and have retained the full impairment to reflect this fact.

The development costs in respect of the Electric bicycles (part of the Green Technology division), held a net book value brought forward of £173k. This asset was fully impaired and subsequently disposed of at the year-end due to the downturn in the European market for this product which represented the core market to which this asset related to. Ultima retracted from this European market post year end and existing stock is to be sold domestically.

12. c. INTANGIBLE ASSETS – GOODWILL

GROUP

	2014 £000
Cost	
At beginning of year	118
Disposals	(118)
At end of year	-
Net book value	
At end of year	-
At beginning of year	118

The goodwill relates to the acquisition of J.C.S. Computing Solutions Limited (part of the IT and related services division) This goodwill is directly related to the Cognito Software product and in line with the explanation given in note 12.b. above, this asset was fully amortised and disposed of during the year.

12. d. INTANGIBLE ASSETS – OTHER

GROUP

	Technology platform 2014 £000	Customer relationships 2014 £000	Total 2014 £000
Cost			
At beginning of year	95	95	190
Disposals	(95)	(95)	(190)
At end of year	-	-	-
Amortisation			
At beginning of year	28	28	56
Eliminated on disposal	(28)	(28)	(56)
At end of year	-	-	-
Net book value			
At end of year	-	-	-
At beginning of year	67	67	134

13. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

COMPANY

	2014 £000
Cost	
At beginning of year	2,918
Disposals	-
At end of year	2,918
Impairment	
At beginning of year	2,015
Charge	611
At end of year	2,626
Net book value	
At end of year	292
At beginning of year	903

13. INVESTMENTS IN SUBSIDAIRY UNDERTAKINGS
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
Cognito Software Limited	Marketing and support of computer application software	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

14. INVENTORY

	GROUP		COMPANY	
	2014	2013	2014	2013
	£000	£000	£000	£000
Finished goods	347	435	44	10

A total of £545,000 (2013: £1,186,000) was included in the income statement as cost of sales. This includes £86,000 (2013: £42,000) resulting from write down of inventories.

15. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2014	2013	2014	2013
	£000	£000	£000	£000
Trade receivables	329	374	258	382
Less provision for impairment	-	-	-	-
Trade receivables – net	329	374	258	382
Amounts owed by Group undertakings	-	-	1,475	1,425
Owed by related party (see note 24)	14	154	0	0
Other receivables	108	128	108	108
Tax recoverable	-	40	-	-
Prepayments and accrued income	88	176	18	67
	539	872	1,859	1,982

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 2014, trade receivables of £220,000 (2013: £188,000) 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	
	2014	2013	2014	2013
	£000	£000	£000	£000
Up to 3 months	29	188	29	154
Over 3 months	191	-	141	-
	220	188	170	154

16. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2014	2013	2014	2013
	£000	£000	£000	£000
Cash at bank and on hand	347	185	149	66
Short-term bank deposits	-	-	-	-
	347	185	149	66

17. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2014	2013	2014	2013
	£000	£000	£000	£000
Bank overdraft	294	182	-	-
Trade payables	183	177	133	97
Amounts due to Group undertakings	-	-	1,843	1,757
Owed to related party (see note 24)	26	23	26	23
	503	382	2,002	1,877

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

18. 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:

18. FINANCIAL INSTRUMENTS (continued)

Financial assets by category

GROUP

2014	Loans and receivables £000	Non-financial Assets £000	Balance sheet £000
Cash at bank	347	-	347
Trade and other receivables	451	-	451
Prepayments	-	88	88
Tax recovery	-	-	-
	798	88	886

2013			
Cash at bank	185	-	185
Trade and other receivables	656	-	656
Prepayments	-	175	175
Tax recovery	41	-	41
	882	175	1,057

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 United Kingdom bank base rates. The Group does not have any undrawn borrowing facilities.

COMPANY

2014	Loans and receivables £000	Non-financial Assets £000	Balance sheet £000
Cash at bank	149		149
Trade and other receivables	366	-	366
Amounts owed by Group undertaking	1,475	-	1,475
Prepayments	-	18	18
	1,990	18	2,008

2013			
Cash at bank	66	-	66
Trade and other receivables	490	-	490
Amounts owed by Group undertaking	1,425	-	1,425
Prepayments	-	67	67
	1,981	67	2,048

18. FINANCIAL INSTRUMENTS (continued)

GROUP

2014	Other financial liabilities £000	Non-financial liabilities £000	Balance sheet £000
Bank overdraft	294	-	294
Trade payables	183	-	183
Owed to related party	26	-	26
VAT and tax payable	-	76	76
Accruals and deferred income	119	109	228
	622	185	807
2013			
Bank overdraft	181	-	181
Trade payables	178	-	178
Owed to related party	23	-	23
VAT and tax payable	-	136	136
Accruals and deferred income	200	131	331
	582	267	849
COMPANY			
2014			
Bank overdraft	-	-	-
Trade payables	133	-	133
Amounts due to group undertakings	1,843	-	1,843
Owed to related party	26	-	26
VAT and tax payable	-	72	72
Accruals	81	109	190
	2,083	181	2,264
2013			
Bank overdraft	-	-	-
Trade payables	97	-	97
Amounts due to group undertakings	1,757	-	1,757
Owed to related party	23	-	23
VAT and tax payable	-	130	130
Accruals	151	131	282
	2,028	261	2,289

18. 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 United Kingdom 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, euro and US dollars.

In respect of the United Kingdom 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 euro. The group will actively seek to source suppliers who deal in euro 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:

	2014 £000	2013 £000
Denominated in euros and US dollars		
Assets	-	-
Liabilities	(294)	(182)
Net assets	(294)	(182)

18. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

	2014 £000	2013 £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	(-)	(-)
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	-	-

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

Fair values
The Directors consider that there is no material difference between the book value and the fair value of the financial instruments at 31 December 2014 and 31 December 2013.

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.

19. a. DEFERRED TAX ASSET

	GROUP £000	COMPANY £000
Deferred tax asset at 1 January 2014	-	-
Credited to income statement in the year	-	-
Deferred tax asset at 31 December 2014	-	-

GROUP

	Provided 2014 £000	2013 £000	Not provided 2014 £000	2013 £000
Depreciation in excess of capital allowances	-	-	-	-
Losses	-	-	169	1,208
	-	-	169	1,208

COMPANY

	Provided 2014 £000	2013 £000	Not provided 2014 £000	2013 £000
Losses	-	-	9	998

The Group has tax losses of £5,552,000 as at 31 December 2014 (2013: £5,251,000) which have not been recognised for deferred tax purposes as these may only be set against certain profits arising in future accounting periods.

19. b. DEFERRED TAX LIABILITY

	GROUP £000	COMPANY £000
Deferred tax liability at 1 January 2014	53	-
On acquisition of subsidiary	-	-
Debited to income statement in the year	(53)	-
Deferred tax liability at 31 December 2014	-	-

GROUP

	Provided 2014 £000	2013 £000
Other intangibles	-	53

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

20. CALLED UP SHARE CAPITAL

	2014 £000	2013 £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
	10,000	10,000
Allotted, called up and fully paid		
279,176,538 ordinary shares of 1p each	2,792	2,792
137,674,431 deferred shares of 4p each	5,507	5,507
	8,299	8,299

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.

Ultima Networks Plc 2012 Share Option Scheme
The scheme was approved by the AGM held on 26 June 2012, being the Ultima Networks Plc 2012 Share Option Scheme, but no options to subscribe for ordinary shares of 1p each have been granted to date.

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 2014, no options were granted, no options were exercised and no options lapsed.

21. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2014 £000	2013 £000	2014 £000	2013 £000
Contracted capital expenditure	-	-	-	-

22. FUTURE OPERATING LEASE COMMITMENT

There are no operating lease commitments at the balance sheet date. (2013: £Nil)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

23. 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 (2013: £Nil)

24. RELATED PARTY TRANSACTION

The Chairman Prof Humayun A Mughal is a majority shareholder of Akhter Group Limited. Akhter Group Limited and related parties hold 112,325,176 shares representing 40.23% of the company's issued ordinary share capital.

During the year the Group made purchases form Akhter Group Limited totalling £115,000 (2013: £313,000) of this amount, £11,000 (2013: £177,000) was payable to Akhter Group Limited as at 31 December 2014. The purchases can be analysed as follows:

Group company	2014 £000	2013 £000	Description of purchases
Ultima Networks	10	72	Executive management services and project costs
UTN Solutions (North)	105	232	Rent and carriage costs
Cognito Software	-	9	Pensions and carriage costs
Total	115	313	

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 (2013: £Nil) and no monies were borrowed by the company from Akhter Group Limited (2013: £Nil).

During the year the Group made sales to Akhter Group Limited totalling £144,000 (2013: £Nil) of this amount, £Nil (2013: £Nil) was payable by Akhter Group Limited as at 31 December 2014.

24. RELATED PARTY TRANSACTION (continued)

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

Group company	2014 £000	2013 £000	Description
Ultima Networks	(190)	(190)	Group recharge (receivable)
UTN Solutions (North)	115	115	Group recharge payable
Cognito Software	75	75	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 A Klein, a firm in which he is a partner.

25. CONTINGENT LIABILITY

The company had no contingent liabilities.

26. CONTROLLING PARTY

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

27. PROVISIONS

Other than deferred taxation shown in note 18 no other provisions have been made in these accounts.

28. FAIR VALUES

The Directors consider that there is no material difference between the book value and the fair value of the financial instruments at 31 December 2014 and 31 December 2013.

29. SUBSEQUENT EVENTS

There have been no significant events after the balance sheet date, other than those disclosed in the Chairman's Statements and the Strategic Report.

ANNUAL PERFORMANCE HISTORY
FOR THE YEAR ENDED 31 DECEMBER 2014

	IFRS 2014	IFRS 2013	IFRS 2012	IFRS 2011	IFRS 2010
Revenue £000	1,364	2,261	2,678	2,970	1,919
Pre-tax profit/(loss) £000	(2,487)	(184)	71	483	353
Net assets/(liabilities) £000	1,042	3,452	3,605	3,490	2,957
Net assets/(liabilities) per share pence	0.37	1.24	1.29	1.26	1.07
Basic earnings/(loss) per share pence	(0.86)	(0.06)	0.05	0.13	0.13
Dividends	-	-	-	-	-