

2005–2006

PLACING AND ADMISSION TO AIM



Nominated Adviser Shore Capital & Corporate Limited
Broker Shore Capital Stockbrokers Limited

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000 (as amended) (“FSMA”) who specialises in advising on the acquisition of shares and other securities.

This document, which is drawn up as an Admission Document in accordance with the AIM Rules, has been issued in connection with the application for admission to trading of the issued and to be issued Ordinary Shares on AIM. This document does not comprise a prospectus under the Prospectus Rules and has not been pre-approved by, or filed with the Financial Services Authority.

The Directors of @UK PLC, whose names appear on page 6 of this document, accept responsibility, individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. In connection with this document and/or the Placing, no person is authorised to give any information or make any representations other than as contained in this document. Under no circumstances should the information contained in this document be relied upon as being current at any time after Admission.

Application has been made for the whole of the issued and to be issued Ordinary Shares of the Company immediately following the Placing, to be admitted to AIM, a market operated by London Stock Exchange plc. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The rules of AIM are less demanding than those of the Official List. Further, neither the UK Listing Authority nor London Stock Exchange plc has examined or approved the contents of this document. The Ordinary Shares are not traded on any other recognised investment exchange in the United Kingdom and apart from the application for admission to AIM, no other such applications have been made.

The whole of the text of this document should be read. Your attention is particularly drawn to the section entitled “Risk Factors” in Part II of this document.

It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on 14 December 2005.

@UK PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 3732253)

Placing of 13,333,333 Ordinary Shares of 1p each at 60p per share and Admission to trading on AIM

Nominated Adviser
Shore Capital & Corporate Limited

Broker
Shore Capital Stockbrokers Limited

Shore Capital & Corporate Limited, (“Shore Capital”) which is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority, has agreed to act as Nominated Adviser to the Company for the purposes of the AIM Rules. Shore Capital Stockbrokers Limited, which is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority, has agreed to act as the Broker to the Company. Persons receiving this document should note that, in connection with the Placing and Admission, Shore Capital is acting exclusively for the Company and no-one else and will not be responsible to anyone, other than the Company, for providing the protections afforded to customers of Shore Capital or for advising any other person on the transactions and arrangements described in this document.

This document does not constitute an offer to sell or the solicitation of an offer to buy or subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution in or into the United States, Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan. The Ordinary Shares have not been and will not be registered under the applicable securities laws of the United States, Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Ordinary Shares to be offered in the Placing have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“Regulation S”)) except in accordance with Regulation S, pursuant to registration under the Securities Act or pursuant to another available exemption from registration.

CONTENTS

	<i>Page</i>
Definitions	3
Placing statistics and expected timetable	5
Directors, secretary and advisers	6
Key information	7
Part I Information on @UK	10
Introduction	10
History and background	10
Key strengths	10
Reasons for admission and use of proceeds	10
The business	11
The 'Buyer' proposition	12
The 'Supplier' proposition	14
Other products and services	16
The market	16
Competition	16
Development strategy	16
Current trading and prospects	17
Directors and key employees	17
Share option schemes	18
Dividend policy	18
The Placing	18
Lock-in and orderly market arrangements	18
Admission, settlement and dealings	19
Corporate governance	19
Tax reliefs available to investors	19
Further information	19
Part II Risk factors	20
Part III Financial Information relating to @UK PLC	22
Part IV Unaudited Interim Financial Information relating to @UK PLC for the six months ended 30 June 2005	34
Part V Pro-forma statement of net assets of the Enlarged Group	39
Part VI Additional information	42

DEFINITIONS

“A’ Ordinary Shares”	the ‘A’ ordinary shares of 1 pence each in the capital of the Company which will each convert to Ordinary Shares on Admission
“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective pursuant to paragraph 6 of the the AIM Rules
“AIM”	a market operated by the London Stock Exchange
“AIM Rules”	the rules issued from time to time by the London Stock Exchange governing the admission to trading on, and operation of, AIM
“Articles”	the articles of association of the Company
“@UK” or “ Company”	@UK plc
“Board” or “Directors”	the board of directors of @UK
“Combined Code”	the Combined Code on Corporate Governance and the Code of Best Practice included in an appendix to the Listing Rules of the UK Listing Authority
“Convertible Loan Notes”	the £1,590,000 2010 secured convertible loan notes £500,000 of which were issued by the Company on 25 October 2005 and the balance of which were issued by the Company on 1 November 2005 which will convert into 3,533,333 Ordinary Shares on Admission
“CREST”	the relevant system (as defined in the CREST Regulations) operated by CRESTCo in accordance with which securities may be held and transferred in uncertificated form
“CRESTCo”	CRESTCo Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (as amended)
“Enlarged Share Capital”	the Ordinary Shares in issue immediately following Admission
“e-procurement”	the electronic trading of goods and services via the internet
“FSA”	the Financial Services Authority
“Group”	the Company and each of its subsidiary undertakings
“Loan Note Instrument”	the loan note instrument of the Company in the agreed form constituting the Convertible Loan Notes
“London Stock Exchange”	London Stock Exchange plc
“Lock-in Agreements”	the conditional agreements each dated 9th December 2005 and made between (1) each of the Restricted Shareholders, (2) the Company and (3) Shore Capital, further details of which are set out in paragraph 8 of Part VI of this document
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 1 pence each in the capital of the Company
“Placing”	the conditional placing of the Placing Shares at the Placing Price by Shore Capital on behalf of and as agent for the Company, pursuant to the terms and conditions of the Placing Agreement
“Placing Agreement”	the conditional agreement dated 9th December 2005 between (1) Shore Capital, (2) the Company and (3) the Directors relating to the Placing, further details of which are set out in paragraph 8 of Part VI of this document

“Placing Price”	60p per Placing Share
“Placing Shares”	13,333,333 Ordinary Shares to be placed pursuant to the Placing
“Restricted Shareholders”	namely Kotu Limited and J D McKenzie
“Share Scheme”	Share scheme adopted by the Company on 5 July 2005, further details of which are set out in paragraph 9 of Part VI of this document
“Shareholders”	holders of Ordinary Shares
“Shore Capital”	together Shore Capital & Corporate Limited and/or Shore Capital Stockbrokers Limited as the context permits
“SMEs”	smaller and medium sized enterprises
“UK Listing Authority”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“VCT”	Venture Capital Trust
“United Kingdom”	United Kingdom of Great Britain and Northern Ireland

PLACING STATISTICS

Placing Price	60p
Number of Placing Shares to be placed on behalf of the Company	13,333,333
Number of Ordinary Shares in issue on Admission	37,565,394
Market Capitalisation at the Placing Price on Admission	£22.5m
Placing Shares as a percentage of the Enlarged Share Capital	35.49%
Gross Proceeds of the Placing receivable by the Company	£8.0m
Net proceeds of the Placing receivable by the Company	£7.35m

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of publication of this document	9th December 2005
Admission and dealings in the Ordinary Shares to commence on AIM	8.00 a.m. on 14th December 2005
CREST accounts credited	8.00 a.m. on 14th December 2005
Despatch of definitive share certificates(where applicable)	21st December 2005

DIRECTORS, SECRETARY AND ADVISERS

Directors	Bernard Robert Fisher – <i>Non-Executive Chairman</i> Helen Lyn Duncan – <i>Managing Director</i> Christopher David Hoar – <i>Commercial Director</i> Ronald James Duncan – <i>Technical Director</i> Dudley Robert Charles George – <i>Marketing Director</i> William John Aiken – <i>Finance Director</i> Josephine Lilian Connell – <i>Non-Executive Director</i> Michael Tobin – <i>Non-Executive Director</i>
Company Secretary	Alice Mary Teresa Morwood-Leyland
Registered Office	5 Jupiter House Calleva Park Aldermaston Berks RG7 8NN
Nominated Adviser	Shore Capital & Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU
Broker	Shore Capital Stockbrokers Limited Ground Floor The Corn Exchange Fenwick Street Liverpool L2 7RB
Solicitors to the Company	Halliwells LLP St James's Court Brown Street Manchester M2 2JF
Solicitors to the Placing	Mayer Brown Rowe & Maw LLP 11 Pilgrim Street London EC4V 6RW
Auditor to the Company	Baker Tilly 2 Bloomsbury Street London WC1B 3ST
Bankers	HSBC No 2 The Parade Mulfords Hill Tadley Hants RG26 3LG
Registrars	Computershare Investor Services PLC Vintners' Place 68 Upper Thames Street London EC4V 3BJ

KEY INFORMATION

THE FOLLOWING INFORMATION MUST BE READ IN CONJUNCTION WITH THE WHOLE OF THIS DOCUMENT INCLUDING IN PARTICULAR PART II HEADED 'RISK FACTORS'.

1. Introduction

@UK has developed software solutions that facilitate e-procurement, the trading of products and services between purchasers – public sector bodies such as local authorities, schools and hospitals, and private sector enterprises – and suppliers, such as SMEs as well as larger companies.

There are over 1,000 public sector bodies spending over £100 billion annually on goods and services with around one million suppliers. These public sector bodies have now been encouraged by Government to implement an e-procurement solution.

The Directors believe that the Company is positioned to experience significant growth as these public sector bodies put in place the link with their suppliers.

Other services provided by the Company include online company incorporation and registration services.

2. Key Strengths

The Directors believe that the key strengths of the Company include:

- an e-procurement market poised for strong growth as a result of significant investment in Government e-systems and Government commitment to e-procurement for the public sector;
- developed and scaleable products and services which are already revenue generating;
- limited competition, particularly with regard to supplier side solutions;
- an experienced management team;
- a diversified customer base in the public sector;
- exposure to the SME market;
- a proven capability to integrate with the enterprise management systems of public sector bodies and the 'back office' financial packages (such as Sage) of SMEs;
- a number of established contracts, increasing steadily;
- an annual recurring revenue business model.

3. Reasons for Admission and use of proceeds

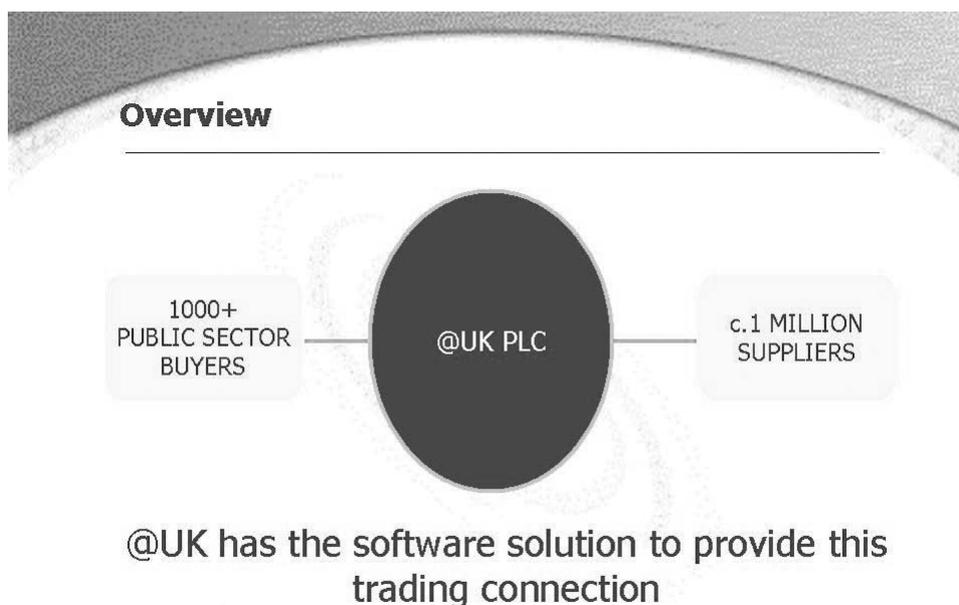
The Placing will raise approximately £7.35 million for the Company net of expenses. The net proceeds of the Placing will be used to enable the Company to put in place the resources required to take advantage of its growth opportunity.

4. The business

@UK has developed software solutions that facilitate e-procurement, the trading of products and services between purchasers – public sector bodies such as local authorities, schools and hospitals and private sector enterprises – and suppliers, such as SME's as well as larger companies.

The Company's approach has been to work with the public sector on seeking the most efficient way to engage suppliers so that they would link to an 'e' based market place. In developing its solution, @UK has also worked closely with partners such as Sage, which has a strong position in the SME market place, and Capita Education Services, which has a dominant position in the supply of management information systems to schools in England and Wales. The Directors believe that the Company has developed an attractive, low cost, value for money offer for the suppliers of goods and services to the public sector.

The Company's offering to the public sector purchasing bodies enables them to trade with SME suppliers through a 'closed market place'. A closed market place gives the public sector client the ability to control which of the suppliers that the users within the public body are allowed to trade with and integrates with that organisation's back office systems.



5. Project Zanzibar

The OGC has recognised the key issues involved in e-procurement and considered engaging with suppliers on a number of levels to achieve its goals. A part of the solution to the OGC's objective is the launch of an electronic Government market place available to Government Departments and Agencies, inviting suppliers to participate using standardised tools on a highly cost effective basis. This is known as Project Zanzibar.

OGC has chosen a consortium headed by PA Consulting for the provision of the project. @UK is a key participant in the PA Consortium, providing the supplier engagement element of the solution.

6. Other products and services

@UK is a leading on-line company registration and formation agent including the provision of company secretarial services. @UK also provides a domain name registration service and traditional web hosting services. The Company intends to continue providing these services.

7. The market

The Gershon Report in 2004 identified potential efficiency gains of over £20 billion in 2007-08 across the public sector. These savings were agreed as a target in the Treasury's 2004 Spending Review. e-procurement is seen by Government as a key enabler to achieving greater public sector efficiency, with one third of the efficiency savings expected to come from procurement.

The UK Government has put targets in place for public sector bodies in connection with procurement. How the targets are set depends on the sector. So, for example, in the case of local authorities there are specific targets for e-procurement systems to be in place by the end of 2005, whereas, in the case of the NHS, the target is to achieve the annual efficiency gain of £6.5 billion by 2007-08, with the NHS Purchasing and Supply Agency and the OGC jointly educating NHS management of the benefits of e-procurement.

The need to ensure that local authority procurement is done inclusively with SMEs was recognised by the Government's Better Regulation Taskforce. This has carried through into the targets set for local authorities, who have to work with local suppliers to equip them to take advantage of e-procurement activities.

8. Development strategy

The Company intends to continue to focus strongly on the public sector at present as this opportunity is time driven by the Government's stated deadlines for public bodies to have e-procurement in place. The aim is to sell closed market places to all public sector buying organisations. Where this is not possible,

@UK will aim to provide the supplier enablement for SMEs where another provider is supplying the main market place.

9. Current trading and future prospects

The current financial year is progressing well with revenues in the first six months significantly (approximately 42%) ahead of the same period in 2004, and eCommerce revenues up by approximately 160%. In addition, the Company has signed a number of new contracts with public sector organisations and continues to sign up suppliers on existing public sector contracts. A significant number of contracts are at an advanced stage of negotiation and the Directors are confident that a number of these will be signed in the near future. The Directors remain confident about the future development and prospects for @UK.

PART I

INFORMATION ON THE GROUP

1. Introduction

@UK has developed software solutions that facilitate e-procurement, the trading of products and services between purchasers – public sector bodies such as local authorities, schools and hospitals, and private sector enterprises – and suppliers, such as SMEs as well as larger companies.

The Government has invested substantial sums in e-commerce platforms in both central and local Government. These projects form a core part of the ‘Gershon’ efficiency drive to save the public purse more than £20 billion annually by 2007/08. This drive follows the publication in July 2004 of Sir Peter Gershon’s report, ‘Releasing resources to the front line: Independent Review of Public Sector Efficiency’. However, delivery requires these platforms to integrate with the wider goods and services supplier community. @UK is a leading provider of this link to the private sector.

There are over 1,000 public sector bodies spending over £100 billion annually on goods and services with around one million suppliers. These public sector bodies have now been encouraged by Government to implement an e-procurement solution.

The Directors believe that the Company is positioned to experience significant growth as these public sector bodies put in place the link with their suppliers.

Other services provided by the Company include online company incorporation and registration services.

2. History and background

@UK was founded by Lyn and Ronald Duncan in 1999. The initial strategy for the business was to develop and provide an open market place for connecting buyers with sellers, enabling them to trade online.

This market place has since been developed by the Company into an e-procurement service aimed at public sector bodies and their suppliers. The Company has already signed up a number of public sector clients in order to provide them with this e-procurement service.

The Company has been funded by the founders and private investors and more recently by completion of a pre-IPO fundraising, which raised £2.2 million (before expenses). The Company also has a web based company formation and secretarial services business, the growth of which has provided a source of revenue whilst the Company has developed its e-procurement service. Currently company formation services provide the largest source of revenue to the Company.

3. Key Strengths

The Directors believe that the key strengths of the Company include:

- an e-procurement market poised for strong growth as a result of significant investment in Government e-systems and Government commitment to e-procurement for the public sector;
- developed and scaleable products and services which are already revenue generating;
- limited competition, particularly with regard to supplier side solutions;
- an experienced management team;
- a diversified customer base in the public sector;
- exposure to the SME market;
- a proven capability to integrate with the enterprise management systems of public sector bodies and the ‘back office’ financial packages (such as Sage) of SMEs;
- a number of established contracts, increasing steadily; and
- an annual recurring revenue business model.

4. Reasons for Admission and use of proceeds

The Placing will raise approximately £7.35 million for the Company net of expenses. The net proceeds of the Placing will be used to enable the Company to put in place the resources required to take advantage of its growth opportunity, by:

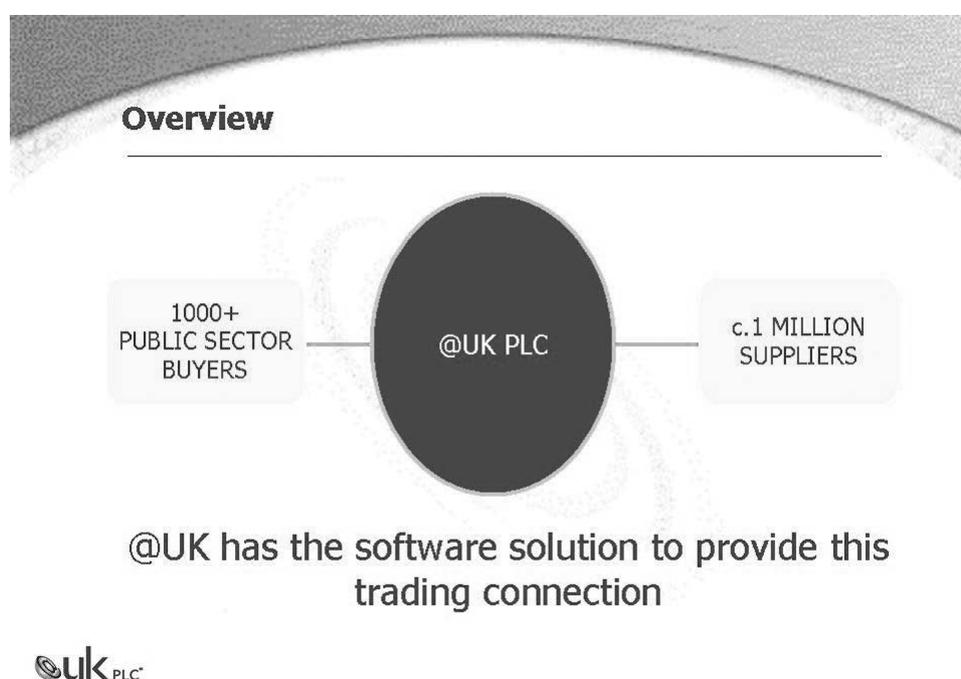
- increasing sales and marketing resource for signing up buying organisations;
- increasing staffing to sign-up suppliers;
- continued development of @UK technology to support activities; and
- creating a second data centre to increase the resilience of the service as the business grows.

The Directors believe that joining AIM will also:

- raise the Company’s profile, with customers and suppliers;
- enhance opportunities to reward and encourage staff through the introduction of share incentive schemes; and
- assist in the recruitment of new staff.

5. The business

@UK has developed software solutions that facilitate e-procurement, the trading of products and services between purchasers – public sector bodies such as local authorities, schools and hospitals, and private sector enterprises – and suppliers, such as SME’s as well as larger companies.



The Company’s approach has been to work with the public sector on seeking the most efficient way to engage suppliers so that they would link to an ‘e’ based market place. In developing its solution, @UK has also worked closely with partners such as Sage, which has a strong position in the SME market place, and Capita Education Services, which has a dominant position in the supply of management information systems to schools in England and Wales. The Directors believe that the Company has developed an attractive, low cost, value for money offer for the suppliers of goods and services to the public sector.

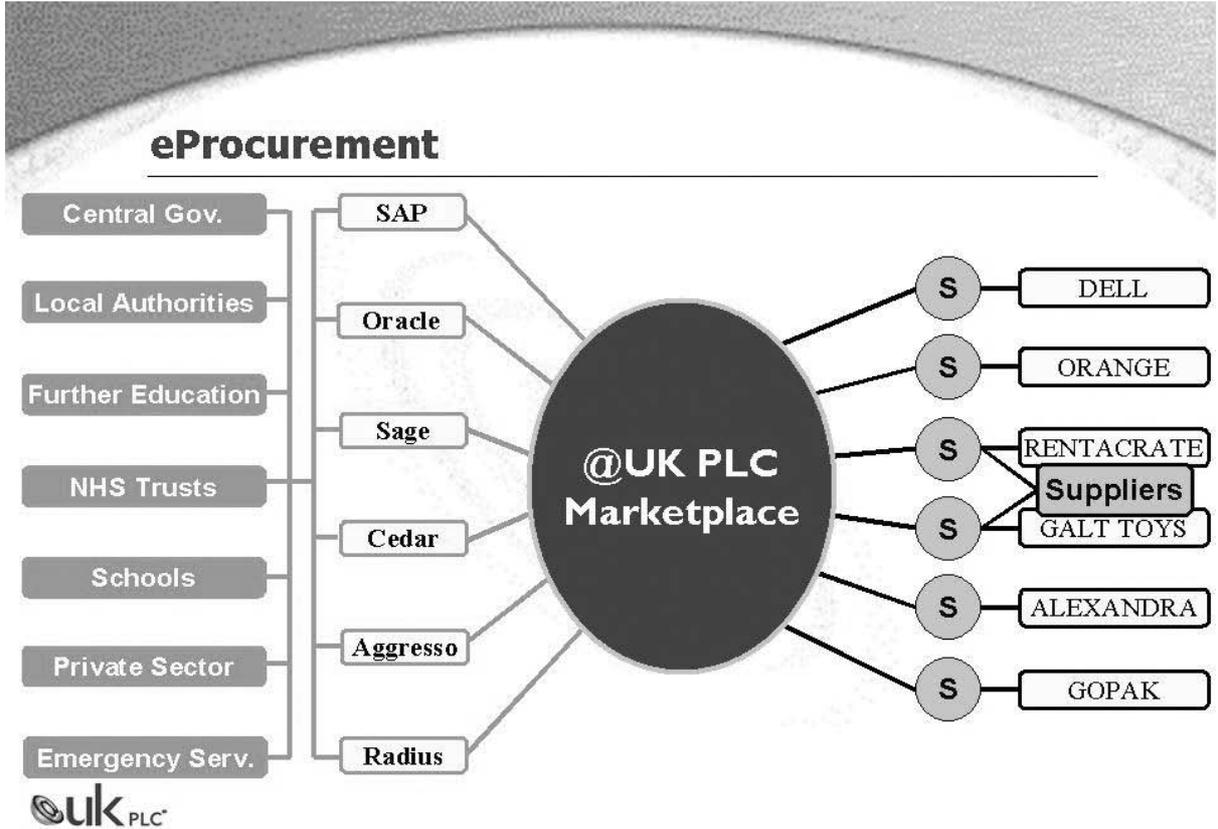
The Government has an initial target of the end of 2005 for the first round of implementations for e-procurement to be completed. Various departments and agencies such as the Office of Government Commerce (“OGC”) and the National e-Procurement Project (“NePP”) (supported by the Office of the Deputy Prime Minister) have been providing guidance and assistance in meeting this target. For local authorities failure to meet e-procurement targets will affect its Comprehensive Performance Assessment (“CPA”) rating. CPA is the way that the overall performance of councils and their ability to deliver improvements in service delivery is measured and rated. The assessments are carried out by the Audit Commission.

Research just commissioned by @UK jointly with the Municipal Journal, a leading publication in the sector, indicated that this timetable will not be met, although there is an assertion that all local authorities will have achieved this by the end of 2006.

The Company’s offering to the public sector purchasing bodies enables them to trade with SME suppliers through a “closed market place”. A closed market place gives the public sector client the ability to control which of the suppliers that the users within the public body are allowed to trade with and integrates with that organisation’s back office systems.

Local authorities are encouraged to ensure that local authority procurement is done inclusively with SMEs. Further, the benefits of trading with local companies has been shown in research carried out in Northumberland where it was shown that for every £1 spent with a supplier, nearly 400% more circulated in the local economy if that supplier was based in the local authority area. The Directors believe these facts increase the attractiveness of @UK’s solution.

The @UK market place is illustrated in the diagram which follows. To the left in the diagram are the buying organisations and to the right the suppliers. Members of both categories are customers of @UK. The buying organisations also provide a channel to market for @UK to access the suppliers.



The ‘Buyer’ proposition

‘Buyer side’ products

@UK provides the buying organisation with an e-commerce platform which connects them to their suppliers. This is essentially an on-line ordering, tendering (if required) and invoicing platform which integrates into their existing ‘e’ systems (such as SAP, Radius, or a bespoke system unique to that organisation). The amount of functionality which @UK provides will depend on what is already in place at the client. The constant is the closed market place which is created, which gives the client the ability to control which suppliers purchasing managers can trade with.

@UK charges an annual fee for this service. In addition to this @UK charges fees for any integration and consulting services required. The Directors believe that the @UK solution is highly attractive to public sector bodies and has already been shown to be effective in engaging suppliers and in producing the efficiencies that are expected.

@UK’s most extensive pilot of its e-procurement solution was conducted with Bristol City Council through 2004. This continues as a live implementation. Bristol City Council is a unitary authority which had approximately 19,000 individual suppliers on its ledgers. The Council has signed up more than 400 suppliers and has committed to moving all of its suppliers onto the electronic trading platform, although no final date has yet been set for this process to be completed. The Directors believe that the Council requirement that suppliers join the market place is an important driver of the @UK business model.

The Company currently has 23 public bodies which have adopted its solution and these include councils and educational authorities such as Devon County Council, Dorset County Council, Buckinghamshire County Council (on behalf of its schools), the London Boroughs of Ealing and Newham, Durham County Council, Hertfordshire's nine districts and Luton Unitary Authority, North Somerset and more recently North Yorkshire County Council and Gloucester County Council. The Company is also at various stages of negotiation with a significant number of additional public sector organisations and is confident that further contracts will be signed in the near future.

The Directors believe that there are over 1,000 public sector organisations in the UK that require a solution such as that supplied by @UK to enable them to trade on-line with SME suppliers. The Directors also believe that many large private sector companies would benefit from the @UK solution, but have concentrated on the public sector, as to date, the Company has had limited sales resources.

Project Zanzibar

The OGC has recognised the key issues involved in e-procurement and has considered engaging with suppliers on a number of levels to achieve its goals. A part of the solution to the OGC's objective is the launch of an electronic Government market place available to Government Departments and Agencies, inviting suppliers to participate using standardised tools on a highly cost effective basis. This is known as Project Zanzibar.

OGC has chosen a consortium headed by PA Consulting for the provision of the project. @UK is a key participant in the PA Consortium providing the supplier engagement element of the solution.

The aims of this project are:

- to maximise efficiencies in government e-procurement;
- to make the Government market place more attractive to suppliers;
- to provide a vehicle to catalyse collaborative opportunities;
- to accelerate e-Procurement take-up in larger central Government departments; and
- to provide a low-cost e-Procurement solution for smaller PSB's (Public Sector Bodies).

The other members of the PA Consulting consortium are Elcom and Impaq.

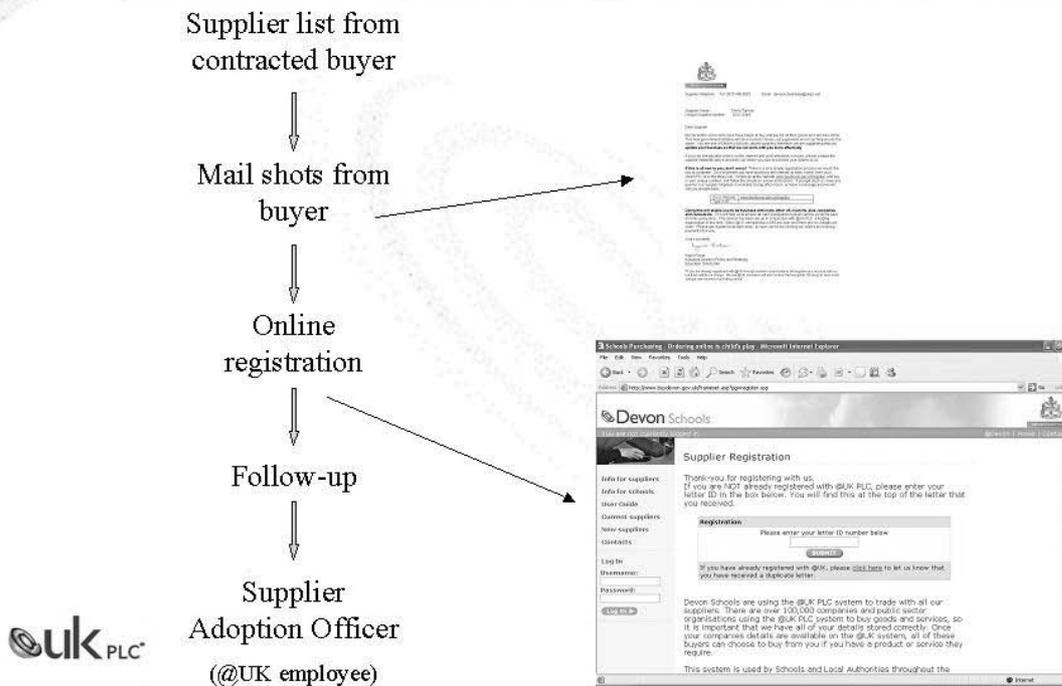
'Kickstart Initiative'

Since the establishment of @UK in 1999 the Directors have been testing approaches for engaging with the supplier side of their business model. It has become clear during this time that by far the most effective method is to rely on the active involvement of the buying organisation such as the local authority.

The Directors believe that once a certain number of suppliers have been signed up and are trading in the client e-marketplace, the momentum that has been built should become self-perpetuating and the process should attract further suppliers i.e. there should come a 'tipping point' in the process.

This is done through a process known as 'Kickstart'.

How do we sign the suppliers?



The 'Kickstart' phase of the contract involves the following elements:

- demonstrating buy-in from the public sector organisation. This involves contacting their suppliers and hosting briefing meetings to inform them that supply terms are to change and that the e-marketplace is being established. The suppliers are told that at a future point they will need to be a part of the e-marketplace, and also informed of @UK's solution;
- placing a member of @UK staff in the public sector organisation's purchasing department to help encourage and manage the supplier adoption process and to keep the e-marketplace at the forefront of the agenda, writing to and signing up suppliers from inside the public body. The target is for each @UK person to achieve up to 50 supplier sign-ups per month with the actual amount depending on the size of the body;
- keeping @UK staff in place with the public body for up to two years or until the 'tipping point' is reached and the market is visibly self-sustaining in terms of the number of suppliers;
- targeting the largest suppliers to the public body first and bringing them on line within the e-marketplace as soon as possible. Largest suppliers are defined in terms of numbers of individual procurements (trades), product range and by value of supplies to the public body; and
- involving other partners such as Learndirect to initiate training of suppliers in the use of the systems and the benefits of enhanced IT use in the business of the supplier.

The 'Supplier' proposition

The majority of suppliers access the market place by creating an e-commerce web-site using @UK's software. Very large suppliers, such as major national distributors of stationery products, connect using dynamic links to their existing e-commerce website and platforms.

@UK charges each supplier an annual fee to access the market which ranges from as low as £48 up to £960 for standard websites. Additional one-off fees are charged for bespoke design and if extra functionality is required. The Directors believe that the cost to suppliers needs to be set at a level that encourages as many as possible to adopt the @UK solution and is acceptable to the public body wishing to persuade the suppliers to move over to this new, more efficient way of trading goods and services.

The provision of e-commerce enabling software is also offered on the @UK market platform. Standard, advanced and e-commerce software bundled packages are offered to suppliers – the complexity of the bundled standardised solution will depend usually on the size and complexity of the supplier. Clearly, a supplier offering a large product range with a complex price structure will need a more complex solution and therefore can expect to pay higher fees to @UK. The Directors believe that relative to competitors in the provision of web and e-commerce solutions, @UK is very keenly priced – in-line with its strategic position in the public sector market.

Each standard @UK supplier web-site package offers the features one would expect for a trading company: a home page, a product list page(s) and a contact details page. In addition, the following features are also included, which emphasise the value and level of service that @UK are offering:

- a choice of professionally designed templates;
- ability to upload logos and product images;
- hosting with @UK website address;
- online editing and unlimited changes; and
- advertising tracking.

To this standard package, or for suppliers which already have their own web-site, a range of e-commerce product options can be added by @UK, which include:

- a shopping basket and checkout capable of taking customer orders;
- online card processing;
- full customer registration process;
- compatibility with a number of leading payment service providers;
- electronic invoicing;
- full back office, featuring customer order information and sales reports;
- delivery by weight, price band, or threshold;
- multiple price levels and promotions (discount, offers, vouchers, etc);
- ability to sell downloadable files online;
- 128bit secure server technology;
- VAT calculation;
- multi-currency capability; and
- traffic and purchase tracking.

@UK also offer a series of more advanced products allowing tailoring of a supplier's web site. This capability extends to:

- bespoke web site design;
- additional pages;
- catalogue categories;
- e-mail forms;
- advanced search (eg search within category);
- extra product info (eg technical spec);
- quick order ('buy now' from search results);
- featured products on home page;
- product ranking;
- pop-up image enlargements; and
- product code search.

Usable functionality is dependent upon the ability to integrate software with existing systems. With this in mind, @UK's supplier solution integrates with the most used SME accounting packages such as Sage Line 50.

The Directors' current experience is that it should be possible to reach the target of signing 50 suppliers per buyer contract per month. @UK currently has signed approximately 2,300 suppliers. The Directors believe that operating suppliers' web sites is likely to be 'sticky' i.e. once established suppliers are unlikely to cancel contracts with @UK, as the product is likely to become a very important part of the SMEs business processes and trading relationship with its public sector and other customers.

Other products and services

@UK is a leading on-line company registration and formation agent including the provision of company secretarial services. @UK also provides a domain name registration service and traditional web hosting services. The Company intends to continue providing these services.

6. The market

The Gershon Report in 2004 identified potential efficiency gains of over £20 billion in 2007-08 across the public sector. These savings were agreed as a target in the Treasury's 2004 Spending Review. e-procurement is seen by Government as a key enabler to achieving greater public sector efficiency, with one third of the efficiency savings expected to come from procurement.

The UK Government has put targets in place for public sector bodies in connection with procurement. How the targets are set depends on the sector. So, for example, in the case of local authorities there are specific targets for e-procurement systems to be in place by the end of 2005, whereas, in the case of the NHS, the target is to achieve the annual efficiency gain of £6.5 billion by 2007-8, with the NHS Purchasing and Supply Agency and the OGC jointly educating NHS management of the benefits of e-procurement.

The need to ensure that local authority procurement is done inclusively with SMEs was recognised by the Government's Better Regulation Taskforce. This has carried through into the targets set for local authorities, who have to work with local suppliers to equip them to take advantage of e-procurement activities.

The Government has made a substantial investment in e-Government systems for the public sector. To realise the savings targeted there is now a need to link those systems to the suppliers which trade with the public sector.

7. Competition

The Company is not aware of any independent market research on suppliers of e-procurement services. Consequently, the following comments on @UK's competitive position are based on the Directors' own knowledge of the markets in which the Company operates.

The Directors believe that the Company is unusual in that its offering includes services for both the buyer side and supplier side.

On the buyer side the Company encounters competitors such as eGS, Lloyds Vantage and Elcom. A wide range of other companies, such as Oracle, are prepared to offer solutions and services but these tend to focus on procurement from a perspective other than that of a supplier.

On the supplier side there is a wide range of other suppliers of trading websites. None of these, to the Directors' knowledge, enable the supplier to conduct business with the public sector, linking directly to the public sector body's own purchasing system, as well as with other businesses and consumers all from a single web site as is possible with the @UK solution.

8. Development strategy

The Company intends to continue to focus strongly on the public sector at present as this opportunity is time driven by the Government's stated deadlines for public bodies to have e-procurement in place. The aim is to sell closed market places to all public sector buying organisations. Where this is not possible, @UK will aim to provide the supplier enablement for SMEs where another provider is supplying the main marketplace. This is, for example, the case in Hertfordshire where @UK is partnering with IDEA marketplace (part of eGS). It is envisaged that, through these connections and by the utilisation of @UK's Kickstart initiative, the supplier take-up of @UK websites will be accelerated and enhanced.

9. Current trading and future prospects

The current financial year is progressing well with revenues in the first six months significantly (approximately 42%) ahead of the same period in 2004, and eCommerce revenues up by approximately 160%. In addition, the Company has signed a number of new contracts with public sector organisations and continues to sign up suppliers on existing public sector contracts. A significant number of contracts are at an advanced stage of negotiation and the Directors are confident that a number of these will be signed in the near future. The Directors remain confident about the future development and prospects for @UK.

10. Directors and key employees

Bernard Fisher – 54 (Non Executive Chairman)

Bernard has over 30 years' experience in the IT sector, including roles both in the industry as well as an external advisor. The first half of Bernard's career was spent in a series of technical roles, starting with the BBC and culminating as European Technical Director for the ICL Group of companies. Since March 2004 Bernard has been Executive International General Manager of Popkin Software and Services. Prior to that, he focused on being an entrepreneur in the technology arena. He has extensive international managerial experience and was an independent non-executive director on the board of The Sage Group plc between 1989 and 1996. Bernard currently holds several directorship roles.

Lyn Duncan – 47 (Chief Executive)

Lyn Duncan co-founded @UK in 1999, having gained a particular interest in the procurement field and has been actively working in this area since the late 1980's when she worked with Henley Management Consultants on a product which integrated purchasing and marketing processes. Her wider interest in technology developed when working for BT as a manager of emerging technologies such as shared computing and email into BT's corporate client base through a series of flagship business centres. Prior to founding @UK she worked as a management consultant (both at Oasis and as an independent consultant leading on national initiatives within the NHS) gaining over 10 year's experience of leading technology-driven change initiatives in the public and private sector.

John Aiken – 46 (Finance Director)

John Aiken is a Chartered Accountant, qualifying in the London office of KPMG, and is experienced in managing technology businesses. Since leaving KPMG, he has subsequently been Finance Director at two listed groups, Osborne plc and SEP Industrial Holdings plc, prior to a reverse takeover by iRevolution plc. He joined @UK in 2005 from Hamsard Group plc where he was Group Finance Manager.

Ronald Duncan – 43 (Technical Director)

Ronald Duncan co-founded @UK in 1999. Prior to @UK, he spent 10 years running his own computer software consultancy, servicing projects using a range of languages and platforms. Ronald Duncan studied Physics at Cambridge and is a Chartered Physicist and Member of the Institution of Analysts and Programmers. He is a former UK downhill ski champion who competed internationally for 10 years, including at two Olympics.

Chris Hoar – 53 (Commercial Director)

Chris Hoar joined @UK in 2003 having been a UK Sales and Marketing director at Saint-Gobain/Solaglass, Compass Services and Norwest Holst Construction. Subsequently he worked as an independent business consultant specialising in sales, marketing and IT and internet strategy for SMEs.

Dudley George – 53 (Marketing Director)

Prior to joining @UK in 2003 Dudley George was a director of The Consortium, a leading supplier to the public sector, and designed and implemented EP4Free, an e-procurement system aimed at local authorities. Dudley George previously worked in the FMCG sector as a marketing manager for organisations such as Nabisco and W H Smith. Dudley is a Fellow of the Chartered Institute of Marketing.

Jo Connell – 57 (Non Executive)

Until March 2003, Jo Connell was the managing director of Xansa plc, overseeing a period of significant growth. She joined Xansa in 1977, after spending five years at CMG, becoming a member of the Xansa board in 1991 and chief operating officer in July 1997. Jo Connell is also a non-executive director of Cornwell Management Consultants plc, Thus plc and is a governor of the University of Hertfordshire.

Michael Tobin – 41 (Non Executive)

With over 20 years experience in the IT industry, Michael Tobin is currently the Chief Executive of Redbus Interhouse Plc, a co-location industry leader in the UK and Continental Europe. Prior to joining Redbus, he was the General Manager of ICL Fujitsu's e-business operations in Germany.

Other key personnel include:

Alice Morwood-Leyland (Company Secretary)

Alice Leyland manages @UK's Company Formations department as well as having responsibility for @UK's own company secretarial and legal matters. Prior to joining @UK in 2002 she worked for a legal firm of solicitors. She is a Member of the Institute of Chartered Secretaries & Administrators and Fellow of the Institute of Legal Executives.

In addition to the Directors and Company Secretary, @UK currently has 30 staff involved in company formation, technology and software development, sales, finance and administration.

11. Share option schemes

On 5 July 2005, the Company adopted the Share Scheme, and a summary of the principal terms of the scheme are set out in Paragraph 9 of Part VI of this document.

12. Dividend policy

The Company has neither declared nor paid any dividends to date. In the short term, the Directors are committed to building the business of the Group and accordingly propose that all profits will be reinvested. The Directors intend to adopt a progressive dividend policy appropriate to the Group's financial performance in the medium term.

13. The Placing

Under the Placing Agreement, Shore Capital, as agent of the Company has agreed conditionally, *inter alia*, on Admission to use its reasonable endeavours to procure places for the Placing Shares at the Placing Price. The Placing Shares, which represent 35.49% of the Company's issued share capital following Admission, will raise approximately £8.0 million before expenses for the Company and £7.35 million after expenses. The Placing has not been underwritten by Shore Capital. Further details of the Placing Agreement are set out in paragraph 8 of part VI of this document.

The Placing Shares will, rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and distributions declared, paid or made after the date of Admission.

14. Lock-in and orderly market arrangements

The Directors have, pursuant to the Placing Agreement, agreed not to sell, transfer or otherwise dispose of any Ordinary Shares held by them, other than in certain specified circumstances, for a period of 12 months following Admission. These arrangements relate to 10,891,102 Ordinary Shares, representing 28.99 per cent. of the Enlarged Share Capital.

In addition, the Directors have agreed that any sale or disposal of Ordinary Shares for a further period of 12 months, will be effected through the Company's brokers from time to time so as to maintain an orderly market in the Company's shares.

The Restricted Shareholders have entered into the Lock-in Agreements and have agreed not to sell, transfer or otherwise dispose of any Ordinary Shares held by them, other than in certain specified circumstances, for a period of 12 months following Admission and have also agreed that any disposal of Ordinary Shares for a further period of 12 months thereafter will be effected through the Company's broker from time to time so as to maintain an orderly market in the Company's shares. These arrangements relate to 2,000,000 Ordinary Shares, representing 5.32 per cent. of the Enlarged Share Capital.

Additionally, shareholders who have an interest in 2,750,000 ordinary shares representing 7.32 per cent. of the Enlarged Share Capital, have entered into orderly market arrangements for a period of 12 months from the date of Admission.

15. Admission, settlement and dealings

Application has been made to the London Stock Exchange for the issued and to be issued Ordinary Shares to be admitted to trading on AIM. It is anticipated that Admission will become effective and that dealings will commence on 14 December 2005.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles of Association of the Company permit the holding of Ordinary Shares under the CREST system. The Company has applied for the New Ordinary Shares to be admitted to CREST with effect from Admission and CRESTCo has agreed to such admission. Accordingly, settlement of transactions in the New Ordinary Shares following Admission may take place within the CREST system if the relevant shareholders so wish.

CREST is a voluntary system and shareholders who wish to receive and retain share certificates may do so.

16. Corporate governance

The Directors acknowledge the importance of the Combined Code and intend, following Admission, to apply the principles so far as is practicable and appropriate having regard to the Company's size, stage of development and resources.

The Directors have established an audit committee and a remuneration committee with formally delegated powers and responsibilities to operate with effect from Admission.

The audit committee consists of the Chairman, Jo Connell, Mike Tobin and Bernard Fisher. It determines the terms of engagement of the Company's auditors and will determine, in consultation with the Company's auditors, the scope of audits. It will receive and review reports from management relating to the interim and annual accounts and the accounting and internal control systems in use by the Company. The audit committee will have unrestricted access to the Company's auditors, including their reports on the accounting and internal control environment.

The remuneration committee consists of the Chairman, Mike Tobin, Bernard Fisher and Jo Connell. It will review the scale and structure of the executive Directors' future remuneration and the terms of their service agreements with due regard to the interests of shareholders. No Director is permitted to participate in discussions or decisions concerning his own remuneration. The remuneration of the non-executive directors will be reviewed by the Board.

The Company has adopted the AIM Model Code.

17. Tax Reliefs available to Investors

Attention is drawn to the section on taxation contained in paragraph 11 of Part VI of this document which refers to certain taxation benefits that may be available to qualifying investors in the Company.

The Company has received provisional assurance from the Inland Revenue that an investment in the Ordinary Shares will be a "qualifying holding" for the purposes of investment by Venture Capital Trusts. The Company has also received provisional assurance from the Inland Revenue that an investment in the Ordinary Shares of the Company will qualify for Enterprise Investment Scheme ("EIS") relief.

Notwithstanding the availability of these benefits, investors are strongly recommended to consult their own professional advisers on matters relating to taxation. Investors should also note that the Directors cannot guarantee to manage the business on a basis that permanently safeguards taxation benefits. Neither the Company nor the Directors give any warranties or undertakings that VCT and EIS relief, if granted, will not be withdrawn.

18. Further information

The attention of potential investors is drawn to the information set out in Parts II to VI of this document.

PART II

RISK FACTORS

An investment in the Company's Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing. The Directors consider the following risks and other factors to be most significant for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Group's business.

The investment offered in this document may not be suitable for all of its recipients. If you are in any doubt about the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

If any of the following risks actually occur, the Group's business, financial condition, capital resources, results or future operations could be materially adversely affected. In such a case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.

1. Management of Growth

The Company faces a major increase in the number of staff and the complexity of systems needed to manage the business. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Company's growth could have a material adverse effect on the Company's business, financial condition and results of operations.

2. Limited operating history

The Group has limited operating history upon which its performance and prospects can be evaluated and faces the risks frequently encountered by developing companies. These risks include the potential inability to retain key personnel, as well as uncertainty as to which areas to target for growth and expansion. In addition, there can be no assurance that the Group's proposed operations will be profitable or produce a reasonable return, if any, on an investment in the Company.

3. Government policy

The Company's current strategy is dependent upon the Government's policy of encouraging public sector bodies to develop their e-procurement strategies, including making funds available. Any change in this policy could have an adverse impact on the Company's ability to deliver its business plans.

4. Suitability

The investment offered hereby may not be suitable for all recipients of this document. Investors are accordingly advised to consult an appropriate person authorised and regulated under the Financial Services and Markets Act 2000 before making their decision.

5. Dependence on key personnel

The success of the Group may depend to a significant extent on certain key directors or employees. The loss of one or more of the key directors or employees may have an adverse effect on the Company.

6. Regulation

There may be a change in Government regulation or policies, which materially adversely affects the Group's activities.

7. Strategy

The Company's development strategy is still at a relatively early stage and there can be no guarantee that the business will develop as the Directors anticipate nor that the business plan will be delivered as expected.

8. Certain shareholders will continue to have substantial control over the Company after Admission

Upon Admission, Lyn and Ronald Duncan will beneficially own approximately 32.7% of the Enlarged Share Capital. As a result they could exercise significant control over all matters requiring shareholder approval, which could delay or prevent an outside party from acquiring or merging with the Company.

9. Market Demand

If insufficient demand exists from the public sector for @UK's market solution, the Company would fail to gain the critical mass required for profitability.

10. Supplier adoption

Public bodies need to ensure their suppliers participate in @UK's market solution; otherwise revenues will not flow through as expected to @UK.

11. Scalability of systems

Scalability, which is the Company's ability to expand the service offerings in a controlled manner commensurate to the signing of new client users, can cause problems if there is an uneven flow of demand.

12. Competition

The market is subject to rapid change and there is always the possibility that new competition will emerge.

13. Further issue of shares

It may be desirable for the Company to raise additional capital by way of the issue of further instruments to enable the Company to progress through further stages of development. Any additional equity financing may be dilutive to shareholders. In addition there can be no assurance that such funding will be available to the Company.

14. Intellectual Property

The Company's commercial success depends, to a great part, upon the intellectual property rights which it owns and its ability to protect those rights for which it relies on various intellectual property protections including patent, copyright, trademark and contractual provisions. However, the Company's competitors may gain such rights which may provide a broad spectrum of protection in a particular field, and in this circumstance the Company cannot determine with certainty whether any such existing or future rights will require it to alter its technology, obtain licenses or cease certain activities.

15. Technological Changes

The industry in which the Company operates is characterised by rapid technological changes and the Company's continued success will depend upon its ability to react to such changes.

16. Forward-Looking Statements

This document contains forward-looking statements. These statements relate to the Group's future prospects, developments and business strategies.

Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily contained in Parts I and this Part II of this document.

The forward-looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. Certain risks to and uncertainties for the Group are specifically described in this Part II of this document headed "Risk Factors". If one or more of these risk factors or uncertainties materialises, or if the underlying assumptions prove incorrect, the Group's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

These forward-looking statements speak only as at the date of this document. Neither the Directors nor the Company undertake any obligation to update forward-looking statements or Risk Factors other than as required by the AIM Rules or by the rules of any other securities regulatory authority, whether as a result of new information, future events or otherwise.

PART III

FINANCIAL INFORMATION RELATING TO @UK PLC

The historical financial information for @UK Plc is set out in Section A of Part III of this document.

The financial information in respect of the 3 years ended 31 December 2004 does not constitute statutory accounts for each of the years. Statutory accounts for the 3 years ended 31 December 2004 have been delivered to the Registrar of Companies.

In respect of the statutory accounts for the year ended 31 December 2002, Jackson & Co have made an unqualified report under Section 235 of the Act and such report did not contain any statement under section 237(2) or (3) of that Act. In respect of the statutory accounts for the two years to 31 December 2004, Baker Tilly have made unqualified reports under Section 235 of the Act and such reports did not contain any statement under section 237(2) or (3) of that Act.

The Directors are required to prepare the financial information in a form consistent with that which will be adopted in the issuer's next published annual financial statements having regard to the accounting standards and policies and legislation applicable to such annual financial statements. In accordance with the legislation applicable within the United Kingdom, the financial information is required to give a true and fair view of the state of affairs of @UK Plc for that period. In preparing that financial information, the Directors are required to:

- a) select suitable accounting policies and apply them consistently;
- b) make judgements and estimates that are reasonable and prudent; and
- c) prepare the financial information on the going concern basis unless it is inappropriate to presume that @UK Plc will continue in business.

Section B of Part III of this document sets out a report from Baker Tilly, the Reporting Accountants, required by Paragraph 20.1 of Annex I of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

SECTION A – FINANCIAL INFORMATION RELATING TO @UK PLC

PROFIT AND LOSS ACCOUNTS

	<i>Notes</i>	<i>Year ended 31 December</i>		
		<i>2002</i>	<i>2003</i>	<i>2004</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover	2,4	226	684	1,203
Costs of sales		<u>(117)</u>	<u>(280)</u>	<u>(474)</u>
Gross profit		109	404	729
Administrative expenses		<u>(490)</u>	<u>(794)</u>	<u>(1,101)</u>
Operating loss	3	(381)	(390)	(372)
Interest payable and similar charges	5	<u>(1)</u>	<u>(3)</u>	<u>(13)</u>
Loss on ordinary activities before taxation		(382)	(393)	(385)
Taxation	6	<u>—</u>	<u>—</u>	<u>—</u>
Loss on ordinary activities after taxation		(382)	(393)	(385)
Dividends payable		<u>—</u>	<u>—</u>	<u>—</u>
Loss for the year		(382)	(393)	(385)
Retained deficit brought forward		<u>(1,394)</u>	<u>(1,776)</u>	<u>(2,169)</u>
Retained deficit carried forward		<u>(1,776)</u>	<u>(2,169)</u>	<u>(2,554)</u>

Turnover and operating loss all derive from continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

BALANCE SHEETS

		<i>As at 31 December</i>		
	<i>Notes</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fixed assets				
Tangible assets	8	<u>2</u>	<u>6</u>	<u>11</u>
		<u>2</u>	<u>6</u>	<u>11</u>
Current assets				
Debtors	9	1	46	124
Cash at bank		<u>21</u>	<u>1</u>	<u>4</u>
		22	47	128
Creditors: amounts falling due within one year	10	<u>(291)</u>	<u>(191)</u>	<u>(774)</u>
Net current (liabilities)		<u>(269)</u>	<u>(144)</u>	<u>(646)</u>
Total assets less current liabilities		<u>(267)</u>	<u>(138)</u>	<u>(635)</u>
Creditors: amounts falling due after more than one year	11	<u>—</u>	<u>(279)</u>	<u>(92)</u>
Net (liabilities)		<u>(267)</u>	<u>(417)</u>	<u>(727)</u>
Capital and reserves				
Called up share capital	12	166	178	181
Share premium	13	1,343	1,574	1,646
Profit & Loss		<u>(1,776)</u>	<u>(2,169)</u>	<u>(2,554)</u>
Shareholders' equity funds	14	<u>(267)</u>	<u>(417)</u>	<u>(727)</u>

CASH FLOW STATEMENTS

	Notes	Year ended 31 December		
		2002 £'000	2003 £'000	2004 £'000
Net cash (outflow) from operating activities	15	(9)	(303)	(29)
Returns on investments and servicing of finance				
Interest received		—	—	—
Interest paid		(1)	(3)	(7)
Net cash flow for returns on investments and servicing of finance		(1)	(3)	(7)
Taxation		—	—	—
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(1)	(7)	(15)
Sale of tangible fixed assets		—	—	1
Net cash flow for capital expenditure and servicing of finance		(1)	(7)	(14)
Cash (outflow) before use of liquid resources and financing		(11)	(313)	(50)
Financing				
Loan repayments		—	(7)	(13)
New Loans		—	125	—
Proceeds of share issue		30	166	75
Net cash inflow for financing		30	284	62
Increase/(decrease) in cash in year		19	(29)	12
Reconciliation of net cash flow to movement in net debt	15			
Increase/(decrease) in cash in year		19	(20)	3
(Increase)/decrease in overdraft in year		—	(9)	9
(Increase)/decrease in debt and lease financing		—	(118)	13
Movement in funds/(debt) in year		19	(147)	25
Opening net funds/(debt)		2	21	(126)
Closing net funds/(debt)		21	(126)	(101)

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

The principal accounting policies, which have been consistently applied in the Company's financial information throughout the period under review, are as follows:

Basis of accounting

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

Tangible fixed assets

Tangible fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Computer Equipment	33.3% per annum
Fixtures & Fittings	20% per annum

Research and development costs

Research and development costs are written off to the profit and loss account as incurred.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover represents the total invoice value, excluding Value Added Tax, of goods sold and services rendered during the year.

2. Turnover and gross profit

The Company's turnover and gross profit is derived from its principal activity as a provider of company formation and domain name registration services, websites, eCommerce and eProcurement capabilities and listings in @UK PLC directories in the United Kingdom.

3. Operating loss

	<i>Year ended 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating loss is stated after charging:			
Depreciation on tangible fixed assets			
Owned assets	11	3	8
Development Costs	413	375	222
Auditors' remuneration	4	5	6
Loss on sale of fixed assets	—	—	1
	<u> </u>	<u> </u>	<u> </u>

4. Segmental analysis

	<i>Year ended 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover			
Analysis by class of business:			
Company formation services	220	649	996
Web and e-commerce services	6	35	207
	<u>226</u>	<u>684</u>	<u>1,203</u>

In the opinion of the Directors, it is not possible to analyse profit on ordinary activities before tax or net assets by class of business due to the integrated nature of the Company's operations. Such analysis is therefore not presented.

5. Interest payable and similar charges

	<i>Year ended 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank and other loan interest payable	1	3	7
Other interest payable	—	—	6
	<u>1</u>	<u>3</u>	<u>13</u>

6. Taxation

	<i>Year ended 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
UK corporation tax at current rate of 30% (2003: 30%, 2002: 30%) based on the loss for the year	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
Factors affecting tax charge for the period			
The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:			
Loss on ordinary activities before tax	(382)	(393)	(385)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%; 2002: 30%)	(115)	(118)	(115)
Effects of:			
Expenses not deductible for tax purposes	—	—	2
Capital allowances in excess of depreciation	(4)	(4)	(3)
Carry forward of tax losses	119	122	116
Current tax charge for the period	<u>—</u>	<u>—</u>	<u>—</u>

There is no corporation tax payable on the result for the period. The Company has losses of approximately £1,700,000 (2003: £410,000; 2002: £380,000) which, subject to the agreement of the Inland Revenue, are available to be carried forward against future profit of the same trade. No deferred tax asset has been recognised in respect of these losses, given the uncertainty regarding available future taxable profits.

Factors that may affect future tax charges

Based on current capital investment plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years but at a slightly lower level than in the current year.

7. Employees

	2002 No.	2003 No.	2004 No.
The average weekly number of persons (including directors) employed by the company was:	<u>6</u>	<u>8</u>	<u>11</u>

	<i>Year ended 31 December</i>		
	2002 £'000	2003 £'000	2004 £'000
Staff costs for the above employees and directors			
Wages and salaries	24	119	191
Social security costs	<u>2</u>	<u>11</u>	<u>18</u>
	<u>26</u>	<u>130</u>	<u>209</u>

	<i>Year ended 31 December</i>		
	2002 £'000	2003 £'000	2004 £'000
Directors' emoluments			
Remuneration for management services	8	—	17
	<u>8</u>	<u>—</u>	<u>17</u>
Details of highest paid director's emolument			
Emoluments (excluding pension contributions)	<u>4</u>	<u>—</u>	<u>17</u>

8. Tangible fixed assets

	<i>Fixtures and fittings £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
Cost			
As at 1 January 2002	3	41	44
Additions	<u>—</u>	<u>1</u>	<u>1</u>
As at 31 December 2002	3	42	45
Additions	<u>—</u>	<u>7</u>	<u>7</u>
As at 31 December 2003	3	49	52
Additions	—	15	15
Disposals	<u>—</u>	<u>(2)</u>	<u>(2)</u>
As at 31 December 2004	<u>3</u>	<u>62</u>	<u>65</u>
Depreciation			
As at 1 January 2002	1	31	32
Charge in year	<u>1</u>	<u>10</u>	<u>11</u>
As at 31 December 2002	2	41	43
Charge in year	<u>—</u>	<u>3</u>	<u>3</u>
As at 31 January 2003	2	44	46
Charge in year	1	7	8
Disposals	<u>—</u>	<u>—</u>	<u>—</u>
As at 31 December 2004	<u>3</u>	<u>51</u>	<u>54</u>
Net book value			
As at 31 December 2002	<u>1</u>	<u>1</u>	<u>2</u>
As at 31 December 2003	<u>1</u>	<u>5</u>	<u>6</u>
As at 31 December 2004	<u>—</u>	<u>11</u>	<u>11</u>

9. Debtors

	<i>As at 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade debtors	1	11	51
Amounts owed by related undertakings	—	—	73
Directors Loan Accounts	—	18	—
Other Debtors	—	17	—
	<u>1</u>	<u>46</u>	<u>124</u>

10. Creditors: amounts falling due within one year

	<i>As at 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank loans and overdraft	—	22	13
Trade creditors	37	49	167
Amounts owed to associated undertakings	227	4	—
Directors' loan accounts	—	—	1
Other Taxation and Social Security	13	91	325
Other Creditors	9	12	25
Accruals and deferred income	5	17	243
	<u>291</u>	<u>191</u>	<u>774</u>

The bank overdraft is secured by a fixed and floating charge over the Company's assets.

Included within trade creditors at 31 December 2004 is an amount of £118,000 (2003: nil; 2002: nil) which will be payable by Mr R J Duncan, a Director, in the event of the Company's default.

11. Creditors: amounts falling due after more than one year

	<i>As at 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank Loans	—	105	92
Amounts owed to related undertakings	—	174	—
	<u>—</u>	<u>279</u>	<u>92</u>
Analysis of bank loans:			
Repayable within one year	—	13	13
Repayable in second to fifth year inclusive	—	63	63
Repayable in five years or more	—	42	29
	<u>—</u>	<u>118</u>	<u>105</u>

The bank loan is repayable by monthly instalments of £1,042 until 2013 and bears interest at a rate of 2½% above the bank's base rate.

12. Share capital

	<i>As at 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Authorised:			
20,000,000 Ordinary shares of 1p each	<u>200</u>	<u>200</u>	<u>200</u>
Issued and fully paid:			
18,067,726 (2003: 17,827,726; 2002: 16,616,472)			
Ordinary shares of 1p each	<u>166</u>	<u>178</u>	<u>181</u>

On 11 September 2002 the issued and unissued ordinary shares of 0.1p each were converted into ordinary shares of 1p each and the nominal capital of the Company was increased from £140,000 to £200,000 by the creation of 6,000,000 Ordinary Shares of 1p each.

On 11 September 2002, 3,950,000 Ordinary Shares of 1p each were issued at 20p each.

On 26 September 2003, 1,023,754 Ordinary Shares of 1p each were issued at 20p each. On 8 December 2003 a further 187,500 Ordinary Shares of 1p each were issued at 20p each.

On 9 December 2004, 240,000 Ordinary shares of 1p each were issued at an average price of 31.25p each.

13. Share premium

	<i>As at 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Proceeds from issue of ordinary shares	790	242	75
Nominal value of ordinary shares	(40)	(11)	(3)
Issue costs of ordinary shares	—	—	—
	<u>750</u>	<u>231</u>	<u>72</u>
Share premium brought forward	593	1,343	1,574
Share premium carried forward	<u>1,343</u>	<u>1,574</u>	<u>1,646</u>

14. Reconciliation of movement in shareholders funds

	<i>As at 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Loss for the year	(382)	(393)	(385)
New shares issued	790	243	75
Opening shareholders' funds/(deficit)	<u>(675)</u>	<u>(267)</u>	<u>(417)</u>
Closing shareholders' funds	<u>(267)</u>	<u>(417)</u>	<u>(727)</u>

15. Cash flows

	<i>Year ended 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
A Reconciliation of operating profit to net cash inflow from operating activities			
Operating loss	(381)	(390)	(372)
Depreciation	11	3	8
Loss on disposal of fixed asset	—	—	1
(Increase)/decrease in debtors	16	(45)	(78)
Increase in creditors	345	129	412
Net cash outflow from operating activities	<u>(9)</u>	<u>(303)</u>	<u>(29)</u>
B Analysis of change of net debt in year			
Cash at bank and in hand	2	21	1
Bank overdrafts	—	—	(9)
Debt due within one year	—	—	(13)
Debt due after one year	—	—	(105)
Opening net funds/(debt)	<u>2</u>	<u>21</u>	<u>(126)</u>
Increase/(decrease) in cash in year	19	(20)	3
(Increase)/decrease in bank overdraft in year	—	(9)	9
(Increase)/decrease in debt due within one year	—	(13)	—
(Increase)/decrease in debt due after more than one year	—	(105)	13
Cash at bank and in hand	<u>21</u>	<u>1</u>	<u>4</u>
Bank overdrafts	—	(9)	—
Debt due within one year	—	(13)	(13)
Debt due after one year	—	(105)	(92)
Closing net funds/(debt)	<u>21</u>	<u>(126)</u>	<u>(101)</u>

16. Major non-cash transactions

During 2002 the Company issued 3,500,000 ordinary shares to Software Limited, a related party, in settlement of amounts owed to Software Limited totalling £700,000. No cash consideration was received for these shares.

During 2003, 300,000 ordinary shares (2002: 280,000 ordinary shares) were issued to individuals, the consideration for which, totalling £50,000 (2002: £56,000) was loaned to these individuals by Software Limited and settled by reducing amounts owed to Software Limited. A further 134,763 ordinary shares (2002: 20,000 ordinary shares) were issued to individuals in settlement of invoices totalling £26,953 (2002:£4,000).

17. Related party transactions

- (a) Software Limited was a related party of the Company by reason of common control.
- (b) During the year Software Limited charged the Company £42,800 (2003: £375,038; 2002: £410,325) for development services. A further £179,624 (2003:£nil; 2002: £nil) was accrued but not yet invoiced by Software Limited at 31 December 2004.
- (c) Included within creditors due within one year is an amount of £72,675 (2003: £nil; 2002: £226,943) and within creditors due after more than one year an amount of £nil (2003: £174,978; 2002: £nil) which represents a total of £72,675 (2003: £174,978; 2002: £226,943) due to Software Limited at 31 December each year. Included in accruals and deferred income at the year end is £179,624 accrued in respect of services provided by Software Limited but not yet invoiced.
- (d) During the year ended 31 December 2004 rent of £7,000 (2003: £8,000; 2002: £nil) was paid to Isabella M Deas Limited, a company in which Ronald Duncan has a minority shareholding and the balance of which is owned by other members to whom he is related, in respect of office space provided to the Company.

18. Post Balance Sheet events

In January and February 2005 the Company raised approximately £510,000 from a private placing of Ordinary Shares at a price per share of 90p.

On 31 October 2005, the authorised share capital of the Company was increased from £450,000 to £2,500,000 by the creation of an additional 159,000,000 'A' Ordinary Shares and 46,000,000 new Ordinary Shares.

On 1 November 2005, 677,778 'A' Ordinary Shares of 1p each were issued at 90p each. Convertible Loan Notes with a value of £500,000 were issued on 25 October 2005 with a further £1,090,000 being issued on 1 November 2005.

On 25 October 2005, the Company agreed to acquire the entire issued share capital of @Software Plc, a company which is 99% owned by Ronald Duncan. @Software Plc holds the entire issued share capital of Software Ltd. The consideration payable by the Company is the issue of 3,277,687 Ordinary Shares. As at the date of acquisition, @Software Plc had no assets other than its investment in Software Ltd and no liabilities, and at the same date, Software Ltd's net assets comprised of:

	<i>25 October 2005 £'000</i>
Tangible assets	2
Investment in @UK Plc	615
Issue costs of ordinary shares	617
Debtors	1
Creditors less than one year	(591)
Net current liabilities	(590)
Total assets less current liabilities	27
Creditors more than one year	(212)
Net assets	(185)

Included within debtors and creditors less than one year is net £333,000 due to @UK Plc.

Creditors due in more than one year relate to money owed to Ronald and Lyn Duncan.

SECTION B – ACCOUNTANTS’ REPORT ON @UK PLC

The following is the full text of a report on @UK Plc from Baker Tilly, the Reporting Accountants, to the Directors of @UK Plc.



2 Bloomsbury Street
London WC1B 3ST
www.bakertilly.co.uk

The Directors
@UK Plc
Unit 5
Jupiter House
Calleva Park
Aldermaston
Reading RG7 8NN

9th December 2005

Dear Sirs

@UK PLC (“the Company”)

We report on the financial information set out Section A of Part III of this document. This financial information has been prepared for inclusion in the Admission Document dated 9th December 2005 (the “Admission Document”) of @UK Plc on the basis of the accounting policies set out in note 1 to the financial information. This report is required by Paragraph 20.1 of Annex I of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

As described on page 22, the Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with the applicable financial reporting framework in the United Kingdom.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of @UK Plc as at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in note 1 and in accordance with the applicable financial reporting framework in the United Kingdom as described in note 1.

Declaration

For the purposes of item 1.2 of Annex I of the AIM Rules and item 1.2 of Annex III of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all

reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

Baker Tilly

Regulated for audit work by the Institute of Chartered Accountants of Scotland

PART IV

**UNAUDITED FINANCIAL INFORMATION RELATING TO @UK PLC
FOR THE 6 MONTHS ENDED 30 JUNE 2005**

UNAUDITED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	<i>6 months to 30 June 2005</i>	<i>6 months to 30 June 2004</i>	<i>Year ended 31 December 2004 (audited)</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover	1	828	585	1,203
Costs of sales		(291)	(265)	(474)
Gross profit		<u>537</u>	<u>320</u>	<u>729</u>
Administrative expenses		(661)	(465)	(1,101)
Other operating income		<u>—</u>	<u>—</u>	<u>—</u>
Operating loss		(124)	(145)	(372)
Interest receivable and similar income		1	—	—
Interest payable and similar charges		(5)	(4)	(13)
Loss on ordinary activities before taxation		<u>(128)</u>	<u>(149)</u>	<u>(385)</u>
Taxation		<u>—</u>	<u>—</u>	<u>—</u>
Loss on ordinary activities after taxation		(128)	(149)	(385)
Dividends payable		<u>—</u>	<u>—</u>	<u>—</u>
Retained loss		(128)	(149)	(385)
Retained deficit brought forward		<u>(2,554)</u>	<u>(2,169)</u>	<u>(2,169)</u>
Retained deficit carried forward		<u><u>(2,682)</u></u>	<u><u>(2,318)</u></u>	<u><u>(2,554)</u></u>

Turnover and operating loss all derive from continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

UNAUDITED BALANCE SHEET

		<i>30 June</i> <i>2005</i>	<i>30 June</i> <i>2004</i>	<i>31 December</i> <i>2004</i> <i>(audited)</i> <i>£'000</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	
Fixed assets				
Tangible assets		31	16	11
		<u>31</u>	<u>16</u>	<u>11</u>
Current assets				
Debtors	2	420	84	124
Cash at bank		184	—	4
		<u>604</u>	<u>84</u>	<u>128</u>
Creditors: amounts falling due within one year		<u>(575)</u>	<u>(382)</u>	<u>(774)</u>
Net current assets/(liabilities)		<u>29</u>	<u>(298)</u>	<u>(646)</u>
Total assets less current liabilities		<u>60</u>	<u>(282)</u>	<u>(635)</u>
Creditors: amounts falling due after more than one year		<u>(85)</u>	<u>(284)</u>	<u>(92)</u>
Net (liabilities)		<u>(25)</u>	<u>(566)</u>	<u>(727)</u>
Capital and reserves				
Called up share capital		192	178	181
Share premium		2,465	1,574	1,646
Profit & loss account		<u>(2,682)</u>	<u>(2,318)</u>	<u>(2,554)</u>
Shareholders' equity funds	3	<u>(25)</u>	<u>(566)</u>	<u>(727)</u>

UNAUDITED SUMMARISED CASH FLOW STATEMENT

		<i>6 months to 30 June 2005</i>	<i>6 months to 30 June 2004</i>	<i>Year ended 31 December 2004 (audited) £'000</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	
Net cash inflow/(outflow) from operating activities				
Operating loss		(124)	(145)	(372)
Depreciation		6	4	8
Loss on disposal of fixed asset		—	—	1
Increase in debtors		(296)	(38)	(78)
Increase/(decrease) in creditors		(199)	205	412
		<u>(613)</u>	<u>26</u>	<u>(29)</u>
Returns on investments and servicing of finance				
Interest received		1	—	—
Interest paid		(5)	(4)	(7)
		<u>(4)</u>	<u>(4)</u>	<u>(7)</u>
Taxation		—	—	—
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(26)	(14)	(15)
Sale of tangible fixed assets		—	—	1
		<u>(26)</u>	<u>(14)</u>	<u>(14)</u>
Cash inflow/(outflow) before use of liquid resources and financing		(643)	8	(50)
Financing				
Loan repayments		(7)	(6)	(13)
Proceeds of share issue		830	—	75
		<u>823</u>	<u>(6)</u>	<u>62</u>
Increase in cash		<u>180</u>	<u>2</u>	<u>12</u>
Reconciliation of net cash flow to movement in net debt				
Increase in cash		180	—	3
Decrease in overdraft		—	2	9
Decrease in debt and lease financing		7	6	13
Movement in funds in year		187	8	25
Opening net debt		(101)	(126)	(126)
Closing net funds/(debt)	4	<u>86</u>	<u>(118)</u>	<u>(101)</u>

NOTES TO THE FINANCIAL INFORMATION

1. Segmental information

	<i>6 months to 30 June 2005</i>	<i>6 months to 30 June 2004</i>	<i>Year ended 31 December 2004 (audited)</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Turnover – analysis by class of business:</i>			
Company formation services	585	493	996
Web and ecommerce services	243	92	207
	<u>828</u>	<u>585</u>	<u>1,203</u>

2. Debtors

Included within debtors at 30 June 2005 is a balance of £278,000 due from Software Limited.

3. Reconciliation of movement in shareholders' funds

	<i>6 months to 30 June 2005</i>	<i>6 months to 30 June 2004</i>	<i>Year ended 31 December 2004 (audited)</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Loss for the year	(128)	(149)	(385)
New shares issued	830	—	75
Opening shareholders' deficit	(727)	(417)	(417)
Closing shareholders' deficit	<u>(25)</u>	<u>(566)</u>	<u>(727)</u>

4. Analysis of change of net debt in year

	<i>6 months to 30 June 2005</i>	<i>6 months to 30 June 2004</i>	<i>Year ended 31 December 2004 (audited)</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash at bank and in hand	4	1	1
Bank overdrafts	—	(9)	(9)
Debt due within one year	(13)	(13)	(13)
Debt due after one year	(92)	(105)	(105)
Opening net deficit	(101)	(126)	(126)
Increase in cash in period	180	—	3
Decrease in bank overdraft in period	—	2	9
Decrease in debt due after more than one year	7	6	13
	<u>184</u>	<u>1</u>	<u>4</u>
Cash at bank and in hand	184	1	4
Bank overdrafts	—	(7)	—
Debt due within one year	(13)	(13)	(13)
Debt due after one year	(85)	(99)	(92)
Closing net funds/(deficit)	<u>86</u>	<u>(118)</u>	<u>(101)</u>

5. Basis of preparation

The Financial Information for the 6 months ended 30 June 2005 was approved by the Board of Directors on 23 September 2005. The Financial Information, which is unaudited, has been prepared on the basis of the accounting policies contained in the Financial Statements for the year ended 31 December 2004. The Financial Information included does not constitute statutory accounts for any of the periods within the meaning of section 240 of the Companies Act 1985. The comparative figures for the year ended 31 December 2004 have been extracted from the statutory accounts for that period, which will be filed with the Registrar of Companies. The auditors' report in respect of the year ended 31 December 2004 is unqualified and does not contain a statement under Companies Act 1985 sections 237(2) or (3).

INDEPENDENT REVIEW REPORT ON THE UNAUDITED INTERIM FINANCIAL INFORMATION OF @UK PLC

The following is the full text of a report on @UK Plc from Baker Tilly, the Reporting Accountants, to the Directors of @UK Plc.



2 Bloomsbury Street
London WC1B 3ST
www.bakertilly.co.uk

The Directors
@UK Plc
Unit 5, Jupiter House
Calleva Park
Aldermaston
Reading RG7 8NN

9th December 2005

Dear Sirs

@UK PLC (“the Company”)

Introduction

We have been instructed by the Company to review the unaudited interim financial information set out on pages 34 to 37.

This report, including the conclusion, has been prepared for and only for the Company for the purpose of the unaudited interim financial information and for no other purpose. We do not, therefore, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Directors’ responsibilities

The unaudited interim financial information is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the unaudited interim financial information in accordance with the accounting policies and presentation consistent with those that will be adopted in the Company’s annual accounts.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board as if that Bulletin applied. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the unaudited interim financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the unaudited interim financial information as presented for the six months ended 30 June 2005.

Baker Tilly
Chartered Accountants

PART V

SECTION A – PRO-FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The pro forma statement of net assets is provided for illustrative purposes only to show the effect had the acquisition of @Software plc, the private placing of 677,778 'A' Ordinary Shares and issue of £1,590,000 of convertible loan notes in October 2005, the conversion of those loan notes into Ordinary Shares on Admission, and Placing of 13,333,333 Ordinary Shares of 1p each at 60p per share (the "Placing"), which will have occurred since 30 June 2005, occurred on 30 June 2005. It has been prepared on the basis described below from:

- i) the unaudited interim financial information set out in Part IV of this document;
- ii) the net assets of @Software Plc as at acquisition on 25 October 2005 extracted from note 18 to the financial information set out in Part III of this document;
- iii) the net proceeds of the private placing of 677,778 'A' Ordinary Shares and issue of £1,590,000 of convertible loan notes in October 2005;
- iv) the estimated net proceeds of the Placing.

Because of its nature, the pro forma statement of net assets may not give a true picture of the financial position of the Group as enlarged by the acquisition referred to above.

	<i>Net assets of the Company at 30 June 2005 Note 1 £'000</i>	<i>Net assets of @Software plc at acquisition Note 2 £'000</i>	<i>Proceeds from Private Placing and debt issue Note 3 £'000</i>	<i>Net Proceeds from Placing Note 4 £'000</i>	<i>Net Acquisition adjustments Note 5 £'000</i>	<i>Pro forma net assets of the Group following the Placing £'000</i>
Fixed assets						
Tangible assets	31	2	—	—	—	33
Investments	—	615	—	—	(615)	—
	31	617	—	—	(615)	33
Current assets						
Debtors	420	1	—	—	(278)	143
Cash at bank	184	—	2,000	7,350	—	9,534
	604	1	2,000	7,350	(278)	9,677
Creditors – amounts falling due within one year	(575)	(513)	—	—	333	(755)
Net current assets/(liabilities)	29	(512)	2,000	7,350	55	8,922
Total assets less current liabilities	60	105	2,000	7,350	(560)	8,955
Creditors – amounts falling due after more than one year	(85)	(290)	—	—	—	(375)
Net assets/(liabilities)	(25)	(185)	2,000	7,350	(560)	8,580

Notes:

- 1 Extracted from the interim financial information on @UK as at 30 June 2005, as set out in Part IV of this document.
- 2 The net assets of @Software Plc at acquisition, on 25 October 2005, are extracted from note 18 to the financial information of @UK Plc as set out in Part III of this document.
- 3 During October 2005, £610,000 was raised through a private placing of 677,778 'A' ordinary shares and £1,590,000 was raised through the issue of secured convertible 2010 loan notes. Issue costs totalled £200,000. The loan notes are convertible into ordinary shares on Admission, therefore are treated as shares above (see paragraph 3.5 of Part VI).
- 4 The proceeds of the Placing are estimated to be £8.0m (£7.35m net of expenses of £650,000) (see paragraph 13.2 of Part VI).
- 5 Elimination of the debtors and creditors in @UK and Software Limited in respect of amounts due between the companies, and the transfer of the investment of £615,000, being shares held in @UK, to reserves. At 30 June 2005 Software Limited owed @UK Plc £278,000, and at 25 October 2005, Software Limited owed @UK Plc £333,000.
- 6 No account has been taken of the trading results since 30 June 2005.

SECTION B – ACCOUNTANTS’ REPORT

The following is the full text of a report on @UK Plc from Baker Tilly, the Reporting Accountants, to the Directors of @UK Plc.



2 Bloomsbury Street
London WC1B 3ST
www.bakertilly.co.uk

The Directors
@UK Plc
Unit 5, Jupiter House
Calleva Park
Aldermaston
Reading RG7 8NN

9th December 2005

Dear Sirs

@UK PLC (“the Company”)

We report on the pro forma statement of net assets (the “Pro forma Statement of Net Assets”) set out in Section A of Part V of the Admission Document dated 9th December 2005 (“Admission Document”) of the Company, which has been prepared on the basis described in Section A of Part V, for illustrative purposes only, to provide information about how the acquisition by the Company of @Software Plc on 25 October 2005, the private placing and loan note issue in October 2005 and the Placing of 13,333,333 Ordinary Shares of 1p each at 60p per share and Admission of Ordinary Shares to trading on AIM might have affected the financial position as at 30 June 2005 presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements.

Responsibilities

It is the responsibility of the directors of Company to prepare the Pro Forma Statement of Net Assets.

It is our responsibility to form an opinion as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Statement of Net Assets, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Statement of Net Assets with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Statement of Net Assets has been properly compiled on the basis stated.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion:

- (a) the Pro Forma Statement of Net Assets has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of item 1.2 of Annex I of the AIM Rules and item 1.2 of Annex III of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

Baker Tilly

Regulated for audit work by the Institute of Chartered Accountants of Scotland

PART VI

ADDITIONAL INFORMATION

1. The Company

- 1.1 The Company was incorporated and registered in England and Wales on 12 March 1999 under the Act as a public limited company limited by shares with the name @UK PLC and with the registration number 3732253 . The liability of members is limited. On 24 January 2000, the Company obtained a trading certificate pursuant to Section 117 of the Act.
- 1.2 The Company's registered office is Unit 5 Jupiter House, Calleva Park, Aldermaston, Reading RG7 8NN
- 1.3 The principal legislation under which the Company operates is the Act and the regulations made thereunder.

2. Subsidiaries

- 2.1 The Company has no subsidiaries other than dormant companies

3. Share Capital

- 3.1 The Company was incorporated with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each, two of which were issued credited as fully paid to the subscriber to the memorandum of association.
- 3.2 On 18 January 2000, each ordinary share of £1 each in the capital of the Company was sub-divided into 100 ordinary shares of 1p each. The authorised share capital of the Company was also increased from £50,000 to £96,000 by the creation of an additional 4,600,000 ordinary shares of 1p each.
- 3.3 On 24 February 2000, the authorised share capital of the Company was increased from £96,000 to £110,657.50 by the creation of an additional 1,465,750 Ordinary Shares.
- 3.4 On 2 March 2000, each Ordinary Share was converted into 10 ordinary shares of 0.1p each. The authorised share capital of the Company was also increased from £110,657.50 to £119,798.75 by the creation of an additional 9,141,250 ordinary shares of 0.1p each.
- 3.5 On 16 March 2000, the authorised share capital of the Company was increased from £119,798.75 to £121,008.838 by the creation of 1,210,088 ordinary shares of 0.1p each.
- 3.6 On 31 March 2000, the authorised share capital of the Company was increased from £121,008.838 to £130,000 by the creation of an additional 8,991,162 ordinary shares of 0.1p each.
- 3.7 On 22 February 2001, the authorised share capital of the Company was increased from £130,000 to £140,000 by the creation of an additional 10,000,000 ordinary shares of 0.1p each.
- 3.8 On 11 September 2002, every 10 ordinary shares of 0.1p each in the capital of the Company were converted into 1 Ordinary Share. The authorised share capital of the Company was also increased from £140,000 to £200,000 by the creation of an additional 6,000,000 Ordinary Shares.
- 3.9 On 13 June 2005, the authorised share capital of the Company was increased from £200,000 to £450,000 by the creation of an additional 25,000,000 Ordinary Shares.
- 3.10 On 31 October 2005 by or pursuant to resolutions of the Company passed on that date:
 - 3.10.1 the authorised share capital of the Company was increased from £450,000 to £2,500,000 by the creation of an additional 159,000,000 'A' ordinary shares of 1p each and 46,000,000 new Ordinary Shares;
 - 3.10.2 for the purposes of and pursuant to section 80 of the Act, the Directors were generally and unconditionally authorised and empowered to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £100,000 in connection with the Placing and Admission to be carried out by Shore Capital (or such other person appointed by the Company in connection therewith) as agent for the Company;

3.10.3 for the purposes of and pursuant to section 80 of the Act, the Directors were generally and unconditionally authorised and empowered to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £200,000 to such persons at such times and upon such terms and conditions as they may determine (subject always to the articles of association of the Company) provided this authority and power shall, unless reviewed, varied or revoked, expire at the conclusion of the next annual general meeting of the Company or 15 months from the date of the passing of the resolution (whichever is the earlier) and provided further that the Company may before the expiry of such period make an offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may then allot relevant securities pursuant to any such offer, agreement or arrangement as if the authority or power hereby conferred had not expired; and

3.10.4 for the purposes of and pursuant to section 95(1) of the Act, the Directors were authorised and empowered to allot equity securities (within the meaning of section 94 of the Act) pursuant to the general authority and power conferred by the resolution referred to in paragraph 3.10.2 above as if section 89(1) of the Act need not apply to any such allotment provided that this authority and power shall, unless renewed, varied or revoked, expire at the conclusion of the next annual general meeting of the company or 15 months from the date of the passing of the resolution (whichever is the earlier) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired and provided further that the authority and power shall be limited to:

- (a) the allotment of equity securities pursuant to the Placing;
- (b) the allotment of equity securities pursuant to a rights issue in favour of ordinary shares where the equity securities respectively attributable to the interests of ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of the ordinary shares held by them subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with fraction of entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory;
- (c) the allotment (otherwise than pursuant to paragraphs (a) and (b) above) for cash of equity securities up to an aggregate nominal amount of £25,000.

3.11 Immediately prior to Admission each 'A' ordinary share of 1p each in the capital of the Company will convert into one Ordinary Share.

3.12 The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 743 of the Act) will apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 3.10.4 above.

3.13 The Company's authorised and issued ordinary share capital, at the date of this document is, and immediately following the Placing (assuming full subscription thereunder, and will be, as follows:

	<i>As at the date of this document</i>		<i>Following Admission</i>		
	<i>Amount £</i>	<i>Number of Ordinary Shares</i>	<i>Number of 'A' Ordinary Shares</i>	<i>Amount £</i>	<i>Number of Ordinary Shares</i>
Authorised	2,500,000	76,000,000	174,000,000	2,500,000	250,000,000
Issued and fully paid	199,376.17	19,259,839	677,778	375,654	37,565,394

3.14 In addition to the warrant described in paragraphs 8.7 and 8.8 the Company has granted options, under the Share Option Scheme, over 750,000 Ordinary Shares at an exercise price of 45p per share.

3.15 Save as disclosed in this part VI:

3.15.1 no shares or loan capital of the Company or any of its subsidiaries has within three years immediately preceding the date of this document been issued or agreed to be issued or is

proposed to be issued fully or partly paid, for cash or any other consideration or has been purchased by the Company or any of its subsidiaries;

3.15.2 no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share capital; and

3.15.3 no share or loan capital of the Company or of any other company within the Group, is under option or has been agreed conditionally or unconditionally to be put under option.

4. Memorandum and Articles of Association

4.1 Memorandum of Association

The objects of the Company are set out in full in clause 4 of its Memorandum of Association and include the carrying on of business as a general commercial company.

4.2 Articles of Association

Save as amended at the extraordinary general meeting of the Company held on 31 October 2005, the Articles of Association of the Company (the "Articles") which were adopted pursuant to a resolution of the Company passed on 13 June 2005 contain provisions, *inter alia*, to the following effect:

4.2.1 Voting Rights

Subject to any rights or restrictions attached to the shares (including as a result of unpaid calls) and/or as mentioned below, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative and is entitled to have a vote shall have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for every share of which he is the holder. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then not earlier than 14 days after service of such notice the shares in question may be disenfranchised.

4.2.1 Variation of Rights

Subject to the Act and every other statute for the time being in force concerning companies and affecting the Company (the "Statutes"), if at any time the capital of the Company is divided into different classes of shares, all or any of the rights and privileges attached to any class of share may be varied or abrogated either (i) in such a manner (if any) as may be provided by the rights attaching to such class or (ii) in the absence of any such provision, with the consent in writing of the holders of at least 75 per cent. of the nominal amount of the issued shares of the relevant class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of the relevant class. At any such separate meeting the holders present in person or by proxy of one third of the issued shares of the class in question shall be a quorum. Unless otherwise provided by the rights attaching to any shares, these rights shall be deemed to be varied by the creation or issue of further shares ranking in any respect in priority thereto.

4.2.3 Alteration of Capital

The Company may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and cancel any shares not taken or agreed to be taken by any person.

The Company may, subject to the statutes, by special resolution reduce its share capital, any capital redemption reserve and any share premium account. Subject to and in accordance with the provisions of the Statutes, the Company may purchase its own shares (including redeemable shares).

4.2.4 Transfer of Shares

The Ordinary Shares are in registered form and may be in certificated or uncertificated form. Shares in uncertificated form may be transferred otherwise than by written instrument

in accordance with the Statutes and relevant subordinate legislation. Transfers of shares in certificated form may be effected by instrument in writing in any usual or common form or in any other form acceptable to the Directors. Any instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the Register of Members.

The Directors may refuse to register the transfer of a share which is in respect of a share which is not fully paid, or which is in favour of more than four transferees or which is in respect of more than one class of shares or which has not been presented for registration duly stamped accompanied by the share certificates for the shares to which the transfer relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

Where in respect of any shares any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then the Company may prohibit transfers of such shares otherwise than following a sale shown to the satisfaction of the Directors to be of the full legal and beneficial ownership of such shares at arm's length. The registration of transfers may be suspended by the Directors for any period not exceeding 30 days in a year.

4.2.5 ***Dividends and other distributions***

Subject to the provisions of the Statutes, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but not exceeding the amount recommended by the Directors. The Directors may pay interim dividends if it appears to them that they are justified by the profits of the Company. Except as otherwise provided by the Articles or the rights attached to any shares issued by the Company, the holders of shares are entitled *pari passu* amongst themselves to share in the whole of the profits of the Company paid out as dividends and the whole of any surplus in the event of liquidation of the Company. A liquidator may, with the sanction of an extraordinary resolution, divide the assets among the members in specie. The Directors may, with the sanction of an ordinary resolution, offer the shareholders or any class of them (other than those not entitled to the relevant dividend or dividends) the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole or part of any dividend or dividends which are the subject of the ordinary resolution.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in shares of the Company fails to comply with any notice given by the Company under Section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal amount of the issued shares of the relevant class, the Company may withhold dividends on such shares.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. Any dividend which is unclaimed for a period of 12 years from the date on which the dividend became due for payment shall be forfeited and cease to remain owing by the Company.

4.2.6 ***Borrowing Powers***

Subject to the provisions of the Act and as provided in the Articles, the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The Directors shall restrict the borrowings of the Company and the borrowings of any other companies within the Group so as to secure that the aggregate amount for the time being outstanding (after adjustments provided for in the Articles) at any one time owing by the Group in respect of monies borrowed, determined in accordance with the Articles, shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to £15,000,000.

4.2.7 ***Constitution of Board of Directors***

The minimum number of Directors shall not be less than two and unless and until otherwise determined by the Company in general meeting shall not be more than nine. No shareholder qualification is required of any Director.

4.2.8 ***Retirement of Directors by rotation***

The Articles do not contain any provision to exclude the operations of section 293(2) of the Act and, accordingly, special notice will be required of any resolution appointing or approving the appointment of a Director who has attained the age of 70.

At every annual general meeting of the Company one third of the Directors or the number nearest to but not exceeding one third shall retire by rotation and be eligible for re-election. The Directors to retire will be those who have been longest in office or, in the case of those who were appointed or re-appointed on the same day, will (unless they otherwise agree) be determined by lot.

4.2.9 ***Remuneration of Directors***

The fees to be paid to the Directors shall be determined by the Remuneration Committee of the Company from time to time.

Each Director may also be paid all travelling, hotel and other expenses properly incurred by him in connection with his attendance at meetings of the Directors of the Company or otherwise in the discharge of his duties as a Director. Any Director who holds any executive office or who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, lump sum, participation in profits or otherwise as the Directors determine.

4.2.10 ***Permitted interests of Directors***

Subject to the provisions of the Statutes, a Director is not disqualified by his office from contracting with the Company in any manner, nor is any contract in which he is interested liable to be avoided, and any Director who is so interested is not liable to account to the Company for any profit realised by the contract, by reason of the Director holding that office or of the fiduciary relationship thereby established.

A Director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director and may act in a professional capacity for the Company (other than as auditor) on such terms as to tenure of office, remuneration or otherwise as the Directors may determine. A Director may also hold office as a director or other officer or be otherwise interested in any other company of which the Company is a member or in which the Company is otherwise interested and shall not be liable to account to the Company for any remuneration or other benefits received by him from that company.

4.2.11 ***Restrictions on voting by Directors***

Save as provided below, a Director shall not vote on or in respect of any contract or arrangement or any other proposal in which he has an interest which is to his knowledge a material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

- (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

- (c) any proposal concerning a Placing of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which Placing he is or is to be interested as a holder of securities or as a participant in the undertaking or sub-underwriting thereof;
- (d) any proposal concerning any other company in which he does not to his knowledge hold directly or indirectly an interest in shares representing one per cent or more of any class of the equity share capital or voting rights;
- (e) any arrangement for the benefit of employees of the Company and its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
- (f) any contract for the purchase or maintenance of insurance against any liability of any Directors.

4.2.12 **General Meetings**

An annual general meeting shall be held once a year, within 15 months of the previous annual general meeting.

Subject to a member's right to requisition an extraordinary general meeting pursuant to section 368 of the Act, general meetings of the Company shall be convened at the discretion of the Board and, with the exception of the annual general meeting, all such general meetings of the Company shall be extraordinary general meetings.

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution or (except as provided by statute) a resolution of which special notice has been given to the Company, shall be called by at least 21 clear days' notice in writing. Any other extraordinary general meeting shall be called by at least 14 clear days' notice. Notice may be via a website where the member agrees and is informed that the notice has been published on the website, the address at which is known to him. Notice shall be given to all members and to the Directors and to the auditors of the Company.

Every notice calling a general meeting shall specify the place, date and our of the meeting. Every notice must include a reasonably prominent statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of the Company.

A general meeting may be called by shorter notice if it is agreed (i) in the case of an annual general meeting, by all the members entitled to attend and vote; and (ii) in the case of an extraordinary general meeting, by a majority in the number of the members having a right to attend and vote, being a majority together holding at least 95% nominal value of the shares giving that right.

5. **Directors Interests**

- 5.1 The interests of the Directors and their immediate families, all of which are or will be beneficial (unless otherwise stated) and of connected persons within the meaning of section 346 of the Act, in the issued share capital of the Company which have been or will be notified to the Company pursuant to sections 324 to 328 of the Act, together with the percentages which such interests represent of the Ordinary Shares in issue at the date of this document are as follows:

	<i>Ordinary Shares</i>	<i>Percentage of issued Ordinary Shares</i>	
		<i>Pre-Admission</i>	<i>Post Admission</i>
B R Fisher	—	—	—
H L Duncan	7,064,039*	35.43	18.80
R J Duncan	12,214,285*	61.26	32.60
W J Aiken	37,778	0.19	0.10
D R C George	300,000	1.50	0.80
C D Hoar	275,000	1.38	0.73
J L Connell	—	—	—
M Tobin	—	—	—

*The interests shown for HL and RJ Duncan each include a joint interest in 7,000,000 Ordinary Shares.

- 5.2 As at the date of this document, the following persons, other than Directors or those persons referred to in paragraph 5.1 above, are interested in 3 per cent. or more of the current issued share capital of the Company (namely prior Admission):

	<i>Ordinary Shares</i>	<i>As at the date of this document Percentage of issued Ordinary Shares</i>
Gartmore	5,000,000	13.31
Morley Fund Management	1,621,666	4.31
Rathbone Nominees Ltd	1,661,110	4.42
Michael Louis Pasternak	1,150,000	3.06

- 5.3 On 1 August 2004, Ronald James Duncan and Helen Lyn Duncan entered into a lease as landlords with the Company in respect of Unit 5, Jupiter House, Calleva Park, Aldermaston RG7 8NN and Isabella M Deas Limited, a company owned by Ronald's parents, is the landlord on Unit 4 of the same property.
- 5.4 Save as disclosed in this paragraph 5 of the document, no Director nor any member of his immediate family nor any person connected with him (within the meaning of section 346 of the Act) has any interests in the issued share capital of the Company.
- 5.5 Save as disclosed in this paragraph 5 of the document, the Directors are not aware of any person who will directly or indirectly be interested in 3 per cent. or more of the issued share capital of the Company as enlarged immediately following Admission.
- 5.6 Save as disclosed in this document:
- 5.6.1 no Director is or has been interested in any contract or arrangement with the Company or any of its subsidiaries and no contract or arrangement subsists or has subsisted within the period of two years immediately preceding the date hereof in which any Director is or was materially interested and which is or was unusual in its nature or conditions or significant in relation to the business of the Company and its subsidiaries taken as a whole and remains in any respect outstanding or under performed;
- 5.6.2 no Director has had any interest, directly or indirectly, in any assets which within the period of two years immediately preceding the date hereof has been or which is proposed to be acquired disposed of by or leased to the Company or any of its subsidiaries; and
- 5.6.3 no amount or benefit has been paid or given by the Company within two years before the date hereof to any promoter nor is any such payment or gift intended.
- 5.7 None of the Directors, their spouses or infant children have any interest in any financial products whose value is wholly or partly determined, directly or indirectly by reference to the price of the Ordinary Shares.
- 5.8 Save as disclosed in this paragraph 5 above and in so far as the Company has the information, the Directors are not aware of any person or persons who either alone or, if connected jointly, following the completion of the fundraising will (directly or indirectly) exercise or could exercise control of the Company.

6. Additional Information on the Directors

- 6.1 Save as disclosed in this document, none of the Directors has:
- 6.1.1 any unspent convictions in relation to indictable offences;
- 6.1.2 had any bankruptcy order made against him or entered into any individual voluntary arrangements;
- 6.1.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangements or been subject to any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;
- 6.1.4 been a partner of any partnership which, while he was a partner or within 12 months of his ceasing to be a partner entered into compulsory liquidation, administration or a partnership voluntary arrangement;

- 6.1.5 has owned an asset over which a receiver has been appointed nor has any of the Directors been a partner of any partnership at the time of or within 12 months of receivership of any assets of the partnership;
- 6.1.6 has been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies);
- 6.1.7 has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of any company; or
- 6.1.8 has had a name other than his present name.
- 6.2 John Aiken was a director of :
- 6.2.1 SEP Presstech Limited (“SEP”) until its sale on 2 May 2000 by SEP Industrial Holdings plc (“Holdings”) (which subsequently changed its name to iRevolution Group plc) to European Commercial Holdings Limited (“ECH”) an unconnected party. On 7 July 2000, SEP went into administration
- 6.2.2 Holdings until 19 June 2001. Holdings went into creditors’ voluntary liquidation on 20 October 2003.
- 6.3 Other directorships and partnerships of the Directors currently held and held over the five years preceding the date of this document are as follows:

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
J W Aiken	Archdene Limited	Old Street Realisation No 1 Limited Fund Management Services Limited Harpenden (Southdown) Limited London Fastener Merchants Limited Old Street Realisation No 2 Limited IMS Socket Screw Products Limited SEP Developments Limited Express Fasteners Limited Linkirk Hardware Limited Intech Enterprises Limited CI Power Accessories Limited Coppice Fastenings Limited Neuburger Engineering Products Limited SEP Jatton Holdings Limited Quintech in Touch Limited S.E.P. Overseas Limited Quintech Holdings Limited SEP Clyde Limited Linkage Components Limited Isisweb Limited CI Fasteners Limited Superbit Systems Limited S.E.P. Technologies Limited IRevolution Limited Synartra Limited Symbiotic Information Services Limited SEP Presstech Limited Springfix Linkages Limited Components & Linkages Group Limited

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
H L Duncan	Isabella M Deas Limited Calleva Technology Limited Calleva Computer Aided Modelling and Application Development Limited Calleva Carnad Limited Calleva Management Consultants Limited Cambridge Blues Teamwork Limited Cambridge Blues Clothing Limited Cambridge Blues Teambuilding Limited Calleva Computing Limited Accelerated Business Development Limited Ski Sunday Travel Limited Cambridge Blues Travel Limited @Wats on plc @Savings plc @Football plc @England plc @Sheffield plc @Amusement plc @Skips plc @Art plc @Auctions plc @Hotels plc @Kitchens plc @Air plc @Airconditioning plc @Airlines plc @Alarms plc Cyberski Limited World Cup Snowboarding Limited World Cup Skiing Limited World Cup Snowboard School Limited Cambridge Blues Events Limited World Cup Ski and Snowboard School Limited Cambridge Blues Europe Limited Cambridge Blues Entertainment Limited Ski Monday Limited Ski Sunday Limited Cambridge Blues Hospitality Limited Camblue Limited Calleva Web Design Limited ABD Limited Marketing FM Limited Duncan Partnership Secretary Limited @Consultancy plc @London plc Duncan Partnership Limited	

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
R J Duncan	<p>Isabella M Deas Limited Calleva Technology Limited Calleva Computer Aided Modelling and Application Development Limited Calleva Carnad Limited Calleva Management Consultants Limited Cambridge Blues Teamwork Limited Cambridge Blues Clothing Limited Cambridge Blues Teambuilding Limited Calleva Computing Limited Accelerated Business Development Limited Ski Sunday Travel Limited Cambridge Blues Travel Limited @Wats on plc @Savings plc @Football plc @England plc @Sheffield plc @Amusement plc @Skips plc @Art plc @Auctions plc @Hotels plc @Kitchens plc @Air plc @Airconditioning plc @Airlines plc @Alarms plc Cyberski Limited World Cup Snowboarding Limited World Cup Skiing Limited World Cup Snowboard School Limited Cambridge Blues Events Limited World Cup Ski and Snowboard School Limited Cambridge Blues Europe Limited Cambridge Blues Entertainment Limited Ski Monday Limited Ski Sunday Limited Cambridge Blues Hospitality Limited Camblue Limited Calleva Web Design Limited ABD Limited Marketing FM Limited Duncan Partnership Secretary Limited @Consultancy plc @London plc Duncan Partnership Limited</p>	

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
C D Hoar	CTEK Consulting Limited	CATA4 Limited
D R C George		Studentpacks Limited Hamond Bridge Limited The Consortium for Purchasing and Distribution Limited The Consortium Limited
B R Fisher	BIBC Limited BIBC Holdings PLC Chemistry Communications Group PLC Analysoft Development Limited PGB 123 Limited Musashi Partners Invu plc	Activeintranet PLC RTS Networks Group PLC Knowledge Technology Services Limited Adaytum Limited Knowledge Technology Solutions PLC Camwood Limited Newfield Information Technology Limited Advancefirst Technologies Limited
J L Connell	Thurs Group PLC Hospice of St Francis (Berkhamsted) Limited Third Age Challenge Trust Polyfield Property Limited Cornwell Management Consultants PLC Thus PLC	Xansa PLC First Banking Systems Limited Xansa Systems Limited ASL Information Services Limited Druid Group Limited FI Academy Limited F I Kernel Limited Firth Solutions Limited Sprint Telecoms Limited Xansa Recruitment Limited Xansa Trustee Company Limited Xansa UK Limited London Bridge Software Holdings Limited Xansa Employee Trustee Company Limited Xansa Quest Limited Synstar Limited
M Tobin	Redbus Interhouse PLC Redbus Interhouse (Holdings) Limited Redbus Interhouse (UK) Limited Think London	

7. Directors' Service Contracts and Remuneration

- 7.1 On 4 August 2005, Lyn Duncan entered into a service agreement with the Company. The service agreement has an initial fixed term of 12 months whereafter it is terminable on not less than 6 months notice given by either party to the other at any time. The basic annual salary payable to Lyn is £80,000 per annum to be reviewed annually (without any obligation to increase the same). In addition, an annual bonus is payable to Lyn subject to and conditional upon the satisfaction of to be agreed performance criteria. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by Lyn.
- 7.2 On 4 August 2005, Ronald Duncan entered into a service agreement with the Company. The service agreement has an initial fixed term of 12 months whereafter it is terminable on not less than 6 months notice given by either party to the other at any time. The basic annual salary payable to Ronald is £80,000 per annum to be reviewed annually (without any obligation to increase the same). In addition, an annual bonus is payable to Ronald subject to and conditional upon the satisfaction of to be agreed performance criteria. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by Ronald.

- 7.3 On 4 August 2005, Christopher Hoar entered into a service agreement with the Company. The service agreement has an initial fixed term of 12 months whereafter it is terminable on not less than 6 months notice given by either party to the other at any time. The basic annual salary payable to Christopher is £80,000 per annum to be reviewed annually (without any obligation to increase the same). In addition, an annual bonus is payable to Christopher subject to and conditional upon the satisfaction of to be agreed performance criteria. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by Christopher.
- 7.4 On 4 August 2005, Dudley George entered into a service agreement with the Company. The service agreement has an initial fixed term of 12 months whereafter it is terminable on not less than 6 months notice given by either party to the other at any time. The basic annual salary payable to Dudley is £80,000 per annum to be reviewed annually (without any obligation to increase the same). In addition, an annual bonus is payable to Dudley subject to and conditional upon the satisfaction of to be agreed performance criteria. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by Dudley.
- 7.5 On 4 August 2005, John Aiken entered into a service agreement with the Company. The service agreement has an initial fixed term of 12 months whereafter it is terminable on not less than 6 months notice given by either party to the other at any time. The basic annual salary payable to John is £80,000 per annum to be reviewed annually (without any obligation to increase the same). In addition, an annual bonus is payable to John subject to and conditional upon the satisfaction of to be agreed performance criteria. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by John.
- 7.6 On 13 May 2005, Bernard Fisher entered into an agreement with the Company in respect of the provision of his services as a non-executive director of the Company. The agreement may be terminated by three months notice or by the Company forthwith in certain circumstances or in a situation where Bernard is not re-elected as a director at any general meeting. An annual fee of £36,000 is payable to Bernard. No benefits are provided to Bernard under the agreement.
- 7.7 In November 2005, Jo Connell entered into an agreement with the Company in respect of the provision of her services as a non-executive director of the Company. The agreement may be terminated by three months notice or by the Company forthwith in certain circumstances or in a situation where Jo is not re-elected as a director at any general meeting. An annual fee of £25,000 is payable to Jo. No benefits are provided to Jo under the agreement.
- 7.8 In November 2005, Michael Tobin entered into an agreement with the Company in respect of the provision of his services as a non-executive director of the Company. The agreement may be terminated by three months notice or by the Company forthwith in certain circumstances or in a situation where Michael is not re-elected as a director at any general meeting. An annual fee of £25,000 is payable to Michael. No benefits are provided to Michael under the agreement.
- 7.9 Save as disclosed in this paragraph 7 there are no existing or proposed service or consultancy agreements between any Director and the Group.
- 7.10 In the 12 month period ended 31 December 2004 the total aggregate remuneration paid and benefits-in-kind granted to the Directors was £17,000. The amounts payable to the Directors by the Company are estimated to be £250,000 in the year to 31 December 2005 (excluding any discretionary payments).
- 7.11 There is no arrangement under which any Director has waived or agreed to waive future emoluments.

8. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the date of this document and are, or may be material:

- 8.1 an agreement dated 25th October 2005 and made between the shareholders of @Software plc (the "Vendors") (1) and the Company (2) pursuant to which the Company agreed to acquire the entire issued share capital of @Software plc from the Vendors. The consideration payable by the Company in relation to this acquisition was the allotment to the Vendors of, in aggregate, 3,277,687 Ordinary Shares;
- 8.2 the Placing Agreement dated 9th December 2005 and made between the Company (1), the Directors (2), Shore Capital (3) and Software Limited (4) whereby Shore Capital was appointed as agent of the Company and Software Limited to use its reasonable endeavours to procure places for Placing Shares for a fee of £100,000 and commission of 3.5% on the value of the Placing Shares placed.

Pursuant to the Placing Agreement, the Company, Software Limited and the Directors have given certain warranties and indemnities to Shore Capital regarding, *inter alia*, the accuracy of the information in this document. The Placing is not underwritten. The Placing Agreement is conditional, *inter alia*, on Admission taking place by no later than 16th January 2006 and the Company and the Directors complying with certain obligations under the Placing Agreement. Shore Capital is entitled, in certain limited circumstances, to terminate the Placing Agreement prior to Admission and, in such circumstances, will be entitled to payment of its outstanding costs at the time of such termination;

- 8.3 the Lock-in Agreements dated 9 December 2005 between Shore Capital (1), the Company (2) and each of the Restricted Shareholders (3) under which the Restricted Shareholders have each agreed with Shore Capital and the Company not to dispose of any interest in Ordinary Shares held by them for a period of 12 months from the date of Admission, except in limited circumstances or with the prior written consent of Shore Capital and the Company. The Agreements also contain orderly market provisions which apply for a further period of 12 months after expiry of the lock-in period;
- 8.4 a letter of engagement dated 12 May 2005 between the Company and Shore Capital pursuant to which Shore Capital is retained as nominated adviser and broker to the Company in connection with the Placing and Admission;
- 8.5 an investment agreement dated 1 November 2005 and made between Puma VCT plc and others (the "Investors") (1), the Directors (2), the Company (3) and Shore Capital (4) pursuant to which the Investors agreed to invest £2.2 million into the Company by way of a subscription for £610,000 of A Ordinary Shares and the balance by way of the Convertible Loan Notes. The Company and the Directors gave certain warranties to the Investors under the terms of this agreement. The investment agreement will terminate immediately prior to Admission;
- 8.6 the Convertible Loan Notes created pursuant to the Loan Note Instrument. The Convertible Loan Notes were issued to the Investors and carry interest at the following rates:
 - (i) 0% per annum for the first four months after the date of the instrument;
 - (ii) thereafter 10% per annum for the following 12 months increasing by 7.5% per annum for each subsequent period of 12 months.

Save as set out below, the Convertible Loan Notes are redeemable on the fifth anniversary of the date of the Loan Note Instrument, namely 1 November 2010. Immediately prior to Admission, the Convertible Loan Notes will convert into, in aggregate, 3,533,333 Ordinary Shares;

- 8.7 an agreement dated 1st November 2005 pursuant to which the Company granted to Shore Capital, conditional upon Admission, a warrant to subscribe for such number of Ordinary Shares as shall equal 1% of the issued share capital of the Company upon Admission at the Placing Price. This warrant is exercisable, in whole or in part, at any time for a period of three years from the date of Admission;

9. Summary of Principal Features of the Share Option Scheme

On 5 July 2005, the Company adopted the Share Scheme, and a summary of the principal terms of the scheme are set out below. Options have been granted over Ordinary Shares to certain Directors and employees of the Group. Some of the Options have been granted under the provisions of the Enterprise Management Incentives ("EMI") legislation contained in Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003 ("ITEPA") ("Schedule 5"). The Options take the form of an individual contract (the "Option Agreement") between the Company and each of the Directors or employees. The Company intends to grant further Options to Directors and employees of the Group and rules of the Group Share Scheme in the future.

9.1 Tax Treatment of EMI Options

The EMI Options are to be granted over Ordinary Shares (the "Option Shares"). Provided the EMI Option is not capable of being exercised more than 10 years after the date of grant there will be no income tax or national insurance contribution ("NIC") liability on the occasion of the grant of the option. If the option exercise price is set at below the market value of the Option Shares as at the date of grant, the employees will be liable to income tax at the date of exercise on the discount, i.e. the difference between the option exercise price and the market value of the Option Shares as at the date of the option grant or, if lower, the market value of the Option Shares as at the date of exercise.

In addition as the Option Shares will be readily convertible assets as a result of having a ready market, NICs will be due on this amount and both the income tax and any employee NICs due will have to be accounted for under the PAYE system.

Under the terms of the EMI Option Agreement, the Company is entitled to be indemnified by the employees for any income tax payable under PAYE and any employer's NIC liability arising on exercise. The employees would be entitled to a tax deduction on the employee's and employer's NIC liability so indemnified. On the sale of the Option Shares the employee will be liable to capital gains tax on chargeable gains after any taper relief on the difference between the market value of the Option Shares at the date of disposal and the price paid for the acquisition of those shares subject to a credit for any income tax liability which may have already arisen on the exercise of the option. For taper relief purposes, the period of ownership of the Option Shares starts from the date of grant of the EMI Option.

9.2 *Employee Eligibility for EMI Options*

Any employee of the Company or the Group who works either at least 25 hours per week or commits 75 per cent. of his working time to the business of the Company or the business of the Group and who does not already beneficially own either directly or indirectly through his associates more than 30 per cent. of the Ordinary Share capital of the Company may be granted an EMI Option.

9.3 *Individual Limit on Participation for EMI Options*

An individual employee's participation under the EMI Scheme is limited so that the aggregate market value of the shares placed under the EMI Option, and of shares granted under any share option scheme approved by the Inland Revenue under Schedule 4 of ITEPA valued at the date of the grant of the relevant option which is held by that employee, cannot exceed £100,000.

9.4 *Company Limit for EMI Options*

The maximum value of unexercised qualifying EMI Options (valued as at the date of grant) that may exist is restricted to £3 million.

9.5 *Performance Targets*

Performance targets may be incorporated into Option Agreements granted in the future.

9.6 *Exercise*

The Options to be granted will become exercisable on or after a period of time after the date of grant provided the director or employee holding the EMI Option is still in continuous employment with the Company or the Group at that date. Any unexercised EMI Options will lapse on the cessation of employment except in the circumstances specifically prescribed under the Option Agreement. Early exercise may also be permitted in a Company takeover. In the event of a Company reorganisation the employees may be offered replacement options in the appropriate company involved in the reorganisation provided the relevant conditions set out in Schedule 5 are met.

9.7 *Non transferability of options*

The Options are non-transferable, except on death to the personal representatives of the employee. An Option shall lapse immediately if it is purportedly transferred, mortgaged, charged or assigned.

9.8 *Variation of share capital*

For these purposes "variation" of share capital includes any capitalisation, rights issue, sub-division, consolidation or reduction or any other variation in the Ordinary Share Capital of the Company occurring after the date of grant. Upon a Variation of the Ordinary Share Capital of the Company, the Directors may adjust either the number of Ordinary Shares an employee is entitled to acquire under the Option Agreement or adjust the exercise price in a manner they consider fair and reasonable, provided this is confirmed in writing by the Company's auditors and, in the case of EMI Options, provided any such Variation is approved in advance by the Inland Revenue.

9.9 *Alterations to EMI Option Agreements*

Subject to procuring advance approval from the Inland Revenue, the Directors may alter the provisions of the EMI Option Agreement provided any such variations is in writing and is signed by or on behalf of each party and it does not breach the provisions of Schedule 5.

9.10 *Disqualifying Events for EMI Options*

Sections 533 to 539 ITEPA set out specific events which are to be treated as disqualifying events. The consequence of a disqualifying event occurring prior to the exercise of the EMI Options will be the loss of the qualifying status and the tax benefits under the EMI legislation unless the options are exercised within 40 days of the date of the occurrence of the disqualifying event. Under the terms of the proposed EMI Option Agreements where certain disqualifying events occur, the Board may permit exercise within the 40 day timescale or such longer period as they shall determine. Failure to exercise the option within the stipulated period would cause the option to lapse on the expiry of such period.

9.11 *Options which are not EMI Options*

Options granted under the scheme which are not EMI Options are unapproved options and differ from EMI Options in the following respects:

- (a) holders of unapproved options do not have to satisfy any minimum working time requirements;
- (b) there is no maximum value of shares which can be subject to unapproved options or of unapproved options which can be granted to an employee or director;
- (c) the Inland Revenue does not have to be notified of any changes to unapproved options; and
- (d) holders of unapproved options are subject to income tax and NICs on the difference between the exercise price and the market value on the date of exercise.

10. **Working Capital**

The Directors are of the opinion that, having made due and careful enquiry and taking into account the net proceeds of the Placing receivable by the Company, the working capital available to it and its group will be sufficient for its present circumstances, that is for at least twelve months from the date of Admission.

11. **Taxation**

United Kingdom Taxation

The following statements are intended only as a general guide to the current tax position under UK taxation law and practice. They assume shareholders are resident in the UK for UK tax purposes, are absolute beneficial owners of their existing holding of Ordinary Shares and are not dealers in securities or any other person with special tax status. Any shareholder who is in any doubt as to his or her tax position or is subject to tax in any jurisdiction other than the UK should consult his or her professional adviser without delay.

Shareholders are strongly advised to seek professional advice on the availability of tax reliefs including EIS relief and VCT scheme relief.

Dividends

Under current UK legislation, no tax is withheld from dividend payments by the Company.

A UK resident individual shareholder will be entitled to a tax credit in respect of any dividend received equal to one ninth of the amount of the dividend. The tax credit therefore equals 10 per cent. of the aggregate amount of the dividend and tax credit. Liability to UK income tax is calculated on the sum of the dividend and the tax credit. The tax credit will be available to offset such a shareholder's liability to income tax on the dividend.

Individual shareholders whose income is within the starting rate or basic rate tax bands are subject to income tax at the rate of 10 per cent. on their dividend income, so that such shareholders will have no further liability to income tax on their dividends. The higher rate of income tax is 32.5 per cent. in respect of dividend income (rather than the main rate of 40 per cent.) so that a shareholder whose income is subject to a higher rate of income tax will, after allowing for the ten per cent. tax credit, be liable to pay further income tax equal to 22.5 per cent. of the amount of the dividend and the tax credit. A shareholder who is not liable to income tax on the dividend (or any part of it) is not able to claim payment of the tax credit (or part of it) in cash from the Inland Revenue, save where the dividend is paid on or before 5 April 2004 in respect of Ordinary Shares held in a personal equity plan or an individual savings account.

UK resident corporate shareholders (including authorised unit trusts and open-ended investment companies) and pension funds will not normally be liable to UK taxation on any dividend received and are not entitled to payment in cash of the tax credit.

Whether shareholders who are resident for tax purposes in countries other than the UK are entitled to the whole or a proportion of the tax credit in respect of dividends on their Ordinary Shares depends in general upon the provisions of any double taxation convention or agreement which exists between such countries and the UK. However, in general, no cash payment is recoverable from the Inland Revenue in respect of the tax credit.

Disposal of Ordinary Shares

Individual shareholders who are resident or ordinarily resident for tax purposes in the UK may, depending upon their individual circumstances, be liable to UK capital gains tax on a disposal of Ordinary Shares subject to any taper relief available. Individual shareholders who qualify for EIS relief may not be subject to capital gains tax on a disposal of Ordinary Shares three years after the date of acquisition provided that the EIS provisions are complied with.

Corporate shareholders who are resident for tax purposes in the UK will usually be liable to UK corporation tax on chargeable gains on a disposal of Ordinary Shares unless they qualify for the substantial shareholdings exemption introduced by the Finance Act 2002.

Shareholders who are not resident or ordinarily resident for tax purposes in the UK will not be liable to UK taxation on chargeable gains unless the shareholder carries on a trade, profession or vocation in the UK through a branch or agency in the UK and the Ordinary Shares are, or have been, used held or acquired for the purposes of such trade, profession or vocation or for the purposes of such branch or agency.

Enterprise Investment Scheme (EIS)

The Company has received provisional assurance from the Inland Revenue that an investment in the Company's Ordinary Shares should qualify for EIS tax reliefs. However, investors should note that the Company does not and the Directors do not make any representations nor give any warranty as to whether any investment in the Company will be one in respect of which tax relief under the EIS scheme will be available or that, in the event that any such tax relief is available, it will not be subsequently withdrawn by virtue of the Company's future actions.

Following the issue of new Ordinary Shares, the Company must apply to the Inland Revenue for the authorisation to issue tax relief certificates (form EIS3) to investors. Although the time taken by the Inland Revenue to grant authorisation cannot be controlled by the Company, every effort will be made by the Directors to expedite matters and, as soon as authorisation is given, forms EIS3 will be distributed to investors. Investors should then submit the form EIS3 to the Inspector of Taxes dealing with their own tax affairs.

Venture Capital Trust Scheme

The Company has received provisional confirmation from the Inland Revenue that an investment in the Company should be a qualifying holding for VCT purposes. However, investors should note that the Company does not and the Directors do not make any representations nor give any warranty as to whether any investment in the Company will be a qualifying holding for VCT purposes or that, in the event that it is such a holding it will not subsequently cease to be by virtue of the Company's future actions.

Inheritance Tax

Shares are assets situated in the UK for the purposes of UK inheritance tax. A gift of shares by, or the death of, an individual shareholder may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the shareholder is neither domiciled nor deemed to be domiciled in the UK.

Stamp Duty and Stamp Duty Reserve Tax

The subscription of New Ordinary Shares under the fundraising will be free of stamp duty and stamp duty reserve tax unless the Ordinary Shares are acquired for the purposes of an arrangement for the provision of clearance services or the issue of depository receipts. The Company will not be responsible for the payment of stamp duty or stamp duty reserve tax in any such case.

12. Litigation

There are no governmental, legal or arbitration proceedings in which any Group Company is involved or of which any Group Company is aware are pending or threatened by or against any Group Company which may have or have had in the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability.

13. General

13.1 Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 30 June 2005, being the date to which the last financial statements of the Group were prepared.

13.2 The proceeds of the Placing will be utilised by the Company as follows:

	£
Working capital	7,350,000
Expenses related to the Admission	650,000
Other	0
	<u>8,000,000</u>

13.3 The total costs and expenses connected with the Placing, all of which are payable by the Company, are estimated to amount to £650,000 (exclusive of value added tax).

13.4 Baker Tilly, which is regulated for audit work by the Institute of Chartered Accountants of Scotland, has given and not withdrawn its written consent to the inclusion in this document of its accountants' report, independent review report on the unaudited interim financial information, and report on the pro forma statement of net assets, in the form and context in which they are included, and has authorised the contents of the accountants' report for the purposes of Schedule Two of the AIM Rules and accepts responsibility for these reports for the purposes of the AIM Rules.

13.5 Shore Capital, which is regulated by the Financial Services Authority, has given and not withdrawn its written consent to the inclusion herein of its name and the references to it in the form and context in which they appear.

13.6 The financial information in relation to @UK set out in Parts III to V and otherwise in this document does not comprise statutory financial statements as referred to in section 240 of the Act.

13.7 The accounting reference date of the Company is 31 December.

13.8 There are no arrangements in force for the waiver of future dividends.

13.9 There are no specified dates on which entitlements to dividends or interest payable by the Company arises.

13.10 The Ordinary Shares are in registered form. No temporary documents of title will be issue.

13.11 Save as set out in this document, there are no patents or intellectual property rights, licences or particular contracts which are of fundamental importance to the Group's business;

13.12 Save as set out in this document, there are no investments by the Group in progress which are significant.

13.13 The Placing Price represents a premium of 59p over the nominal value of 1p per Ordinary Share. The premium arising on the Placing amounts to £7,375,000 in aggregate.

13.14 Save as disclosed in this document there have been no payments by the Group to promoters in the two years prior to the date of this document and no fees have been paid in the 12 months preceding the date of this document (other than to trade suppliers) in the sum of £10,000 or more in cash or in kind.

13.15 Save as disclosed in this document, no person (other than a professional adviser referred to herein as trade suppliers dealing with members of the Group) has:

13.15.1 received, directly or indirectly, from any member of the Group within 12 months preceding the Company's application for Admission; or

13.15.2 entered into any contractual arrangement to receive, directly or indirectly, from any member of the Group on or after Admission, any of the following:

- (a) fees totalling £10,000 or more;
- (b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
- (c) any other benefit with a value of £10,000 or more at the date of Admission.

13.16 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Group's activities.

13.17 Copies of this document will be available free of charge to the public at the offices of Shore Capital at Bond Street House, 14 Clifford Street, London W1S 4JV from the date of this document until one month from Admission and is available for download from www.ukplc.net.

Dated: 9 December 2005



JUPITER HOUSE
Calleva Park
Aldermaston
Berkshire
RG7 8NN
www.ukplc.net