uk PLC

Annual Report and Accounts 2006

THE SOLUTION

@UK PLC provides software solutions that allow eProcurement, the trading and services between purchasers such as Local Authorities, schools and hospitals, and suppliers, ranging from SMEs to multinational companies. Uniquely, the @UK solution allows all these suppliers to trade not only with public sector buyers, but also with other businesses and even consumers – all for one affordable annual fee.

@UK PLC was admitted to AIM in December 2005 to allow it to put in place the resources of personnel and equipment required to take advantage of its major growth opportunity, with almost one million suppliers to the public sector being prospective subscribers.

@UK TRADING CONNECTIONS

@UK has the software solutions to provide this trading connection:

Central Government
Local Authorities
Further Education
NHS Trusts
Schools
Private Sector
Emergency Services

IT SYSTEMS
SAP
Oracle
Sage
Cedar
Aggresso
Radius

EXAMPLES
Dell
Cannon Hygiene
Misco
Findel
Office Depot
HP

1,000+ PUBLIC SECTOR BUYERS

1,000,000 SUPPLIERS

HIGHLIGHTS

- Turnover increased by 49% to £2.2m (2005: £1.5m)
- Loss before tax of £3.2m (2005: £0.9m), before exceptional items and share based payments
- Loss before tax of £3.5m (2005: £1.7m), after exceptional items and share based payments
- Year end net cash of £4.0m (2005: £8.6m)
- Strategic review completed and now fully implemented
- Refocused sales efforts to maximise growth

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CHAIRMAN'S STATEMENT

Introduction

I am pleased to present @UK's second report to shareholders as an AIM listed company.

2006 has been a challenging year for @UK, with growth slower than we had originally anticipated. Nevertheless it has still been a year of progress towards our target of becoming the company of choice for providing eCommerce solutions to the public and private sectors. With the changes we have made in management and strategy we are confident that we are moving in the right direction.

Results

@ in the year ended 31 December 2006, @UK increased sales by 49% to £2.2m, (2005: £1.5m);

@ sales of web and eCommerce services increased by 152% to £0.9m in the year ended 31 December 2006 (2005: £0.4m);

@ loss before taxation (before exceptional items and share based payments) in 2006 was £3.2m compared to £0.9m in the prior year, which reflects the increased cost base in preparation for the roll-out of our products and services;

@ after taking account of exceptional costs and share based payments the loss before tax for 2006 was £3.5m (2005: £1.7m); and

@ at 31 December 2006 the Group had net funds of £4.0m available to take the Group through to profitability.

Strategic review

In November 2006 we announced that we had carried out a review of the business of the Group, its operating structure and cost base. The review highlighted the need to:

@ undertake a management restructuring;

@ appoint a new Chief Executive Officer;

@ implement a new cost reduction programme focusing on headcount and sales and marketing expenditure; and

@ refocus our sales efforts to maximise growth.

The overall impact of the review has been to streamline our management, whilst reducing costs on an annualised basis by £1.2m.

Strategy

The Board's strategy is to take advantage of the growth opportunities in @UK's market and to achieve profitability in the medium term. We remain focused on the provision of our buy-side eCommerce solutions, and using this as a channel to sell our supply-side solutions, but:

> With the management changes which have been made, the Group's level of funding and good progress in implementing the new strategy, the Board is confident in @UK's future.

- we have simplified our approach to implementation to make it easier for existing and new buy-side customers to achieve the benefits our solutions bring;
- we are adopting more flexible sales techniques such as offering to sell on a risk/reward model and targeting areas of spend within organisations where the return on investment is particularly quick;
- we are commencing a targeted sales campaign in the private sector for our buy-side solutions; and
- these changes on the buy-side will have a positive impact on supplier adoption.

Management

As a result of the strategic review, Chris Hoar and Dudley George, the Commercial and Marketing Directors, left the Board. I would like to take the opportunity to thank Chris Hoar and Dudley George for their contribution to the development of the Group.

Lyn Duncan moved to the role of Business Development Director in order to focus wholly on maximising her strong relationships within the Public Sector and in particular the NHS, and we also started a search for a new Chief Executive Officer.

Subsequently, I was pleased to announce in January that we had appointed Grant Oliver as our new Chief Executive Officer. The benefits of these changes are now being seen and it was pleasing to see some client wins recently.

People

On behalf of the Board I would like to thank all our employees for their hard work and effort during the year.

Summary

With the management changes which have been made, the Group's level of funding and good progress in implementing the new strategy, the Board is confident in @UK's future.

B. R. Fisher

Bernard R. Fisher
Chairman
28 March 2007

CHIEF EXECUTIVE'S REVIEW

Introduction

I am pleased to present the first Chief Executive's Review since my appointment.

Before presenting a review of operations in the year I think it would be useful to make some observations on my initial findings:

@ @UK has a well perceived product which works;

@ that product can deliver substantial savings and hence return on investment to purchasing organisations;

@ the sales cycle has been slower than anticipated. This is particularly the case in our traditional core market – Local Government;

@ there has been a tendency for projects to stall due to lack of internal resources available within our client base;

@ the Group's sales effort needed refocusing; and

@ costs had increased rapidly in anticipation of a level of sales growth which had not occurred, and needed to be reduced.

I believe we have made substantial progress in addressing these issues which I will move on to explain.

@UK's eCommerce offering

The Company has developed a unique approach to allow transactions via eCommerce between buyers such as Public Sector Bodies – Local Authorities, schools and hospitals, and corporate enterprises, and sellers such as small to medium enterprises (SMEs) as well as larger companies. Our solution has significant Local Economic Development benefits as well as allowing Local Authorities to purchase via the @UK Marketplace in a cost-effective, paperless way.

What sets @UK apart from other eProcurement suppliers in the market is that we have a solution which is used by both sides of a transaction. Buyers such as a Public Sector Body or a large private enterprise (our "buy-side" customers), interact electronically with their suppliers (our "supply-side" customers), providing seamless, user friendly eCommerce for all sizes of supplier. As the process is electronic from despatch of order through to receipt of an electronic invoice this enables process cost savings from eProcurement to be achieved.

Our strategy is to target buyers in the public sector, signing them up as customers before turning our attention to their suppliers. Once set-up work and training has been completed, we then work with the buy-side customer to adopt their suppliers onto the @UK eCommerce platform. This means that buyers can

CASE STUDY: LEEDS TEACHING HOSPITALS NHS TRUST (LTH)

THE BACKGROUND

LTH is the largest trust of its kind in Europe, employing thousands of people across several sites. An existing eProcurement network linked to their Oracle back-office was unsatisfactory. Users required one system to requisition for all their needs across all different types of suppliers, with minimal set up and maintenance for LTH.

The Leeds NHS Teaching Hospitals NHS Trust

THE SOLUTION

Authorised LTH staff enter their own online, secure marketplace hosted by @UK. Staff view the agreed range and prices from authorised suppliers. Once a requisition basket has been completed, this is returned to the LTH Oracle system for authorisation, and then orders are routed out to suppliers. Following delivery eInvoices are returned from suppliers via the @UK network. The order is reconciled via an automatic 3-way matching process.

THE BENEFITS

The system is now in use and reductions in administration costs are being realised. These are anticipated to achieve a return on investment within a matter of months once the system is fully implemented. The ability to negotiate and apply attractive contracts across the entire range of needs will offer substantial savings for years to come.

use our network to purchase from their suppliers. One of the attractive features of the system for the suppliers is that they are then also immediately available to be accessed by any other buyer on the network at no extra charge.

In order to achieve the cost savings and for @UK to get good rates of sign-up with suppliers, the buying organisation must commit to the change to paperless procurement. Typically, the suppliers who individually have few purchases per year but are large in number can be a block to going 100% electronic. To help with this we have introduced our "100% Model", which provides the functionality to allow the organisation to trade with ease electronically even with those suppliers.

Operational overview

eProcurement

Since we reported in last year's Annual Report and Accounts it has become clear that the public sector was taking longer to initiate and implement eProcurement than @UK had anticipated at the time of the IPO in December 2005. This was particularly true in the Local Authority market where few signed up to an eProcurement solution during 2006.

In response to this we have:

- @ refocused our Local Authority sales effort on better quality prospects;
- @ allocated resource to progressing projects with existing prospects which had stalled;
- @ increased sales effort in the NHS sector where cost reduction is a priority;
- @ initiated test selling of our solution in the private sector; and
- @ started to work in partnership with major FMS (Financial Management Systems) vendors to broaden our sales effort.

We are currently working with 66 Public Sector Organisations and one private sector buy-side client.

CHIEF EXECUTIVE'S REVIEW
CONTINUED

Many of these organisations have moved slowly from letter of intent through to a fully functioning system. In many cases the delay is due to the customer not having sufficient resources available. To address this, in March 2007 we launched our Rapid Deployment service, which aims to get the purchasing organisation fully operational within as little as five days. To date six of our customers have signed up for this service and two have already gone live as a result.

Local Authorities – We now have a total of 59 Authorities who have adopted the @UK eProcurement solution as their chosen approach. We are pleased to announce that since the year end the London Borough of Hillingdon and Somerset County Council have become customers.

Central Government – As part of our focus on deploying our resources where we can maximise revenues, we withdrew from the Zanzibar consortium in September 2006. The demand for value added services from suppliers proved to be very low and the Board took the decision to redeploy resource where it will be more effective. This enabled us to sell direct into Central Government, which we commenced in November 2006 having recruited an experienced salesman to focus on this area.

National Health Service – 2006 saw @UK move successfully into the NHS, winning the mandate for the Leeds Teaching Hospitals Trust, while continuing to work at University Hospital Birmingham. With Leeds as a major reference site we have made sales in the NHS a key priority in 2007.

Education – We are currently working with four Local Education Authorities, three of which now have live sites. This is a net reduction of eight since we last reported. The project with the nine Greater Manchester Boroughs for an electronically based schools purchasing information service was cancelled at an early stage, by mutual agreement, after they received funding from the Department for Education and Skills to take part in a national pilot for another solution.

Other Public Sector – In 2006 we were pleased to have gained our first customer in the Emergency Services – Thames Valley Police.

Suppliers – We have attracted an impressive range of large suppliers to our marketplace. During 2006 we changed our approach to signing up suppliers from using on site supplier adoption officers to the use of supplier advisers working from a call centre environment at our offices in Aldermaston. These advisers follow up mailings sent out by buying organisations to their suppliers. The volume of sign-ups is critically dependent on the buy-side providing those mailings, and on the letters containing a call to action from the buying organisation as they change the way they procure. This inter-dependency between the buy-side and supply-side makes the push to get buy-side projects moving, referred to above, doubly important.

CASE STUDY: LONDON BOROUGH OF LEWISHAM

THE BACKGROUND

Lewisham is the first London Borough aiming for true eProcurement between itself and its key suppliers, where suppliers can send back electronic invoices against electronic orders to facilitate automatic 3-way matching. From its £210m procurement spend Lewisham expect significant savings can be achieved. The majority of this administrative benefit will be achieved quickly by e-enabling identified third party suppliers, responsible for around 100,000 of manual invoices processed.

THE SOLUTION

Staff log on to their existing (Oracle) financial system, which links to the @UK PLC eMarketplace. This accesses suppliers and special prices approved by the central purchasing department to ensure best value. Lewisham is working with @UK informing suppliers of their eProcurement programme and its benefits, including accurate orders, fewer returns costs, elimination of manual order processing and facilitating on-time payment. At the same time suppliers gain the ability to trade 24/7 with consumers and other businesses.

THE BENEFITS

Of the 4,700 suppliers contacted, over 1,900 are registered with @UK PLC so far. 486 suppliers are already developing their websites or linking existing websites to trade with Lewisham. Over 100 suppliers are already receiving orders.

Lewisham

Company Formations – Our company formation services business grew by 13% in the year. In 2006 approximately 10% of companies formed in Great Britain were completed using our system, either directly by @UK or by other agents paying a royalty for use of our service (2005: 8%). During the year we tested the marketing of our eCommerce services and third party accounting software for business start-ups directly to all newly incorporated companies. However, the take-up was not sufficient to warrant continuing with this relatively expensive, directly marketing approach. We have, therefore, reverted to making additional services available on the company formations area of our website. These are provided by third parties, on which we make a margin or commission.

Marketing – During 2006 marketing spend (including pay per click advertising) increased to £0.7m from £0.4m in the previous year. The increase was attributable to increased attendance at industry exhibitions and advertising via trade press. We consider that the aim of increasing awareness of @UK in the market has now been achieved, so spend is being reduced this year. Marketing activity will now be more focused on events such as the seminar we organised for Local Authorities.

Acquisition of Coding International Limited

The acquisition of Coding International Limited ("CIL") at the end of April 2006 was an important enhancement to our business as we believe proper coding of products is essential to gain the full benefits from eProcurement. CIL is seen as expert in this area.

The North West London Health Trusts contract was announced in July, and is progressing well. The trusts will soon be able to show savings based on the solution and it is already being showcased to other NHS bodies. The first sale of coding services into one of our Local Authority clients has just taken place, and we are confident that many more will follow.

Financial results

Turnover for the year was £2.16m an increase of 49% over the previous year (2005: £1.45m). Web and eCommerce sales rose by 152% to £0.94m, assisted by a maiden contribution of £0.15m from CIL. Gross margin fell from 67% to 59% reflecting the costs of staff carrying out implementation work for supply-side customers increasing ahead of sales.

Operating expenses before exceptional items increased from £1.88m to £4.84m. The rise reflects the increase in the cost base in preparation for the roll-out of our products and services across the UK public sector.

£0.05m was charged as the cost calculated under FRS 20 of share options granted to employees (2005: £Nil). Following the strategic review carried out in November staff numbers were reduced and have fallen from a peak of 115 to 85, including eleven at CIL. An exceptional cost of £0.2m was incurred in making this reduction.

After taking account of exceptional items, the loss before tax for the year was £3.51m compared to £1.68m in the previous year.

CHIEF EXECUTIVE'S REVIEW
CONTINUED

As anticipated, cash outflow before financing increased substantially in 2006 to £4.51m (2005: £1.58m). The larger part of the outflow went on operating costs, but capital expenditure increased significantly to £792,000 from £121,000 in 2005, with the expenditure on the new data centre in London and office refurbishment as well as equipment for the additional staff. Following the reduction in operating expenses as a result of the strategic review in November, our cash burn has been reduced to a rate of £0.2m per month.

At 31 December 2006 the Group had net funds of £4.04m available, which we are confident is sufficient to take us through to profitability.

Dividend policy

The Board is not recommending the payment of a dividend for 2006. In the immediate future, the Board is committed to building the Group's business and accordingly all the Group's financial resources are being applied to this end. In the longer term, the Directors intend to adopt a progressive dividend policy appropriate to the Group's financial performance.

Transition to International Financial Reporting Standards (IFRS)

As an AIM listed company @UK will adopt IFRS for our financial statements for the year ending 31 December 2007 and the interim results to 30 June 2007 will be prepared under the new standards.

The Audit Committee has been regularly briefed on the development of IFRS and the associated International Accounting Standards (IAS) so that it can understand their impact and oversee the transition to IFRS.

As well as the different presentation formats, the most notable changes for our results are likely to be related to:

@ acquisitions and goodwill – Under IAS 38 ('Intangible Assets') there will be no amortisation of goodwill. Instead it will be carried as a permanent item and be subject to an annual impairment review of the carrying value. Future acquisitions will involve the identification and evaluation of separate intangible assets;

@ research and development expenditure – IAS 38 requires expenditure meeting certain recognition criteria to be capitalised, amortised over its useful economic life and subject to impairment review; and

> There are still significant opportunities to substantially grow our business and I am looking forward to the challenges of the next year as we take advantage of these.

@ increased disclosure generally, but in particular in relation to IAS 14 'Segmental Reporting' and IAS 24 'Related Party Transactions'.

Overall the change to IAS is not expected to have a material impact on the results.

Outlook

The beginning of this year has been satisfactory as a result of the benefits of the action plan put in place following the strategic review. Our financial performance has stabilised as a result of the reduction in our cash burn and we aim to sustain this improvement. At the year end we had £4.0m of cash available to take the Group through to profitability.

There are still significant opportunities to substantially grow our business and I am looking forward to the challenges of the next year as we take advantage of these.

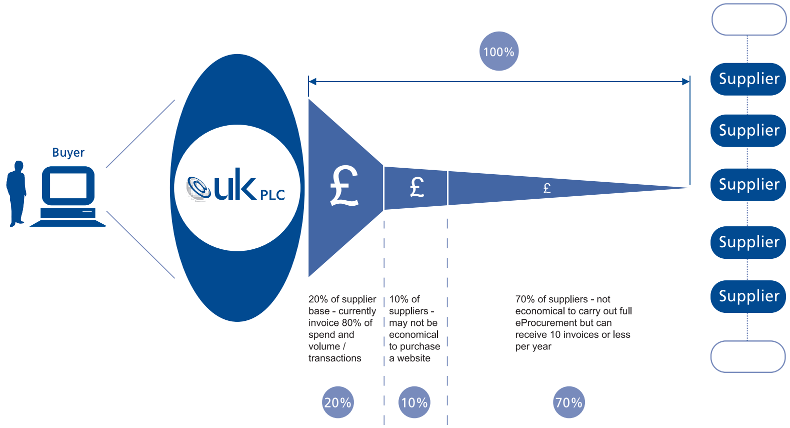
Grant Oliver
Chief Executive
28 March 2007

@UK PLC eProcurement system
The 100% Model

The 100% Model has been designed to help significantly reduce costs associated with 'manual' processing of purchase orders and invoices over the whole supplier base in a Buying Organisation. The aim is to recruit all of a Buying Organisation's suppliers, including those suppliers who do very low volumes of trade with that Buying Organisation.

The analysis of data from several Buying Organisations that are currently using the @UK eProcurement System would suggest that the typical 20/80 rule applies. This means that the top 20% of suppliers generate 80% of the value and 80% of the transactions. It is the 70%-80% of suppliers who do low volumes of trade with the Buying Organisation that @UK aims to get on Board with eProcurement.

The 100% Model aims to increase the ROI by engaging with all suppliers electronically, where the savings would be significantly higher than engaging only the top 20% of suppliers.



BOARD OF DIRECTORS AND ADVISERS

Bernard Fisher – 56
(Non Executive Chairman)
Bernard Fisher brings extensive plc experience to @UK. Most notably he was a main Board Director at Sage Software plc between 1989 and 1996. Previous roles include Managing Director of Ashton Tate Inc.'s European subsidiaries and International Managing Director of Ansa Software Inc. Bernard has held Non Executive and executive roles on the Boards of European and American public and private companies and has run French, German and American businesses.

Grant Oliver – 54
(Chief Executive Officer)
Grant Oliver has worked in the IT and Software sector for more than 15 years both with public and private companies. His recent experience has been in providing supply chain management software which reduces costs by rationalising the supply base. He has many years' experience of working with multinationals in the UK, Europe and the USA and has managed companies that have provided software and services to the Local Authorities, NHS, IT and telecommunications, financial services, petrochemical and manufacturing sectors.

Lyn Duncan – 48
(Business Development Director)
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 1980s 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, introducing 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 ten years' experience of leading technology-driven change initiatives in the public and private sectors.

John Aiken – 47

(Chief Financial Officer)
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, Usborne 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.

Jo Connell – 59

(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 is also a Non Executive Director of Cornwell Management Consultants plc, Thus plc and is a governor of the University of Hertfordshire.

Ronald Duncan – 44

(Chief Technical Officer)
Ronald Duncan co-founded @UK in 1999. Prior to @UK, he spent ten years running his own computer software consultancy, servicing projects using a range of languages and platforms. Ronald 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 ten years, including at two Olympics.

Michael Tobin – 43

(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.

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DIRECTORS' REPORT

The Directors present their report with the Financial Statements of the Company and Group for the year ended 31 December 2006.

Principal activities

@UK PLC provides software solutions that facilitate eProcurement, the trading of products and services between purchasers – public sector bodies such as Local Authorities, schools and hospitals – and suppliers, such as SMEs as well as larger companies. It also provides online company incorporation and registration services.

Review of the business

A review of the business during the year is given in the Chairman's Statement and in the Chief Executive's Review. Included in those reviews are references to the Group's future prospects and these statements should be read as part of this report.

Result for the year

The results for the year ended 31 December 2006 and the financial position at that date are set out in the Financial Statements. The loss of the Group for the year after taxation amounted to £3,507,373 (2005: £1,683,883).

Dividend

The Directors do not recommend the payment of a dividend on the ordinary shares.

Research and development

During the year the Group expended £291,407 (2005: £221,950) on research and development activities. As well as ongoing development of the features and functionality within its service, @UK is working with Reading University and Goldsmiths College, University of London to develop new techniques in eCommerce and eProcurement.

Directors

The names of the present Directors of the Company, together with brief career details, are shown on pages 10 and 11.

CD Hoar and DRC George resigned as Directors on 10 November 2006. GA Oliver was appointed a Director on 30 January 2007.

Directors' interests in shares of the Company are shown in the Remuneration Report on page 16.

Policy on payment of suppliers

The Company agrees terms and conditions for its business transactions with suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier. At 31 December 2006 Company trade creditors represented approximately 35 days (2005: 46 days).

Going concern

Having reviewed the Group's accounts, budgets and forecasts, the Directors are satisfied that the Company and the Group have adequate resources to continue to operate for the foreseeable future and confirm that the Company and Group are going concerns.

Substantial shareholdings

As at 27 March 2007 the Company had been notified of the following interests of 5% or more in its issued share capital:

	Number of ordinary shares	Percentage
RJ Duncan	12,214,285*	32.48
Gartmore Investment Management	5,062,237	13.46
Majedie Asset Management Ltd	1,929,433	5.13

* The Company has also been notified by HL Duncan of an interest in 7,064,000 shares, which includes a joint interest in 7,000,000 shares which is included in RJ Duncan's interest shown above.

Financial instuments

The risk exposure of the Group and how the Group addresses this is detailed in note 17 of the Financial Statements.

Directors' and officers' liability insurance

The Company has maintained throughout the year and continues to maintain liability insurance for its Directors and officers.

Statement as to information disclosed to auditors

The Directors who were in office on the date of approval of these Financial Statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

Baker Tilly have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

Alice Morwood-Leyland
Secretary
28 March 2007

CORPORATE GOVERNANCE

Introduction

@UK PLC was listed on AIM on 14 December 2005. Although the rules of AIM do not require the Company to comply with the Combined Code on Corporate Governance ("the Code"), the Company supports the principles set out in the Code and will attempt to comply wherever appropriate given both the size of and resources available to the Company.

The Board and its Committees

Details of the changes in Directors in the year are provided in the Directors' Report on page 12. The Board comprises a Non Executive Chairman, four Executive Directors and two further Non Executive Directors. Brief biographical details of each Director are set out on pages 10 and 11. All of the Non Executive members of the Board are considered by the Board to be independent of the Company and the Group. Each Non Executive Director possesses considerable outside expertise, and is able to exercise detached judgement in dealing with matters before the Board. As well as undertaking formal governance roles the Non Executive Directors are involved in mentoring of the Executive Directors and challenge and agreement of Corporate Strategy. The Board considers that the current composition provides an appropriate level of independence.

The Board meets regularly and has a formal schedule of matters which are reserved for its decision. It has delegated specific responsibilities to the Remuneration and Audit Committees which have specific terms of reference approved by the Board. Nominations are considered by the Board as a whole. Board and Committee papers are circulated in advance of each meeting and are supplemented by reports and presentations so that all Directors are fully briefed and provided with the information they need. All Directors may take independent professional advice in furtherance of their duties at the Company's expense.

It is the Board's primary function to formulate, review and approve @UK's strategy, budgets and major items of expenditure. The Board also considers employee issues, key appointments and reporting to shareholders.

Details of the Directors' service agreements are given in the Report of the Remuneration Committee.

The statement of the Directors' responsibilities in preparing the Financial Statements is set out on page 18 and the statement for the auditor on its reporting responsibilities is set out on 19. The statement on going concern is set out in the Directors' Report on page 13.

Directors' attendance

	Board	Audit	Remuneration
BR Fisher	8/8	2/2	2/2
WJ Aiken	8/8	n/a	n/a
JL Connell	8/8	2/2	2/2
HL Duncan	8/8	n/a	n/a
RJ Duncan	8/8	n/a	n/a
DRC George	5/6	n/a	n/a
CD Hoar	6/6	n/a	n/a
M Tobin	7/8	2/2	2/2

Scoring indicates Directors' attendance for those meetings when they were members of the Board or Committee.

Audit Committee

The Audit Committee, which is chaired by Jo Connell, comprises the Non Executive Directors, with Executive Directors in attendance by invitation. It meets not less than twice annually. The Committee provides a forum for reporting by the Group's external auditors.

The Audit Committee is responsible for reviewing a wide range of financial matters including the half yearly and annual accounts before their submission to the Board, and monitoring the controls that are in force to ensure the integrity of the financial information reported to the shareholders. The Audit Committee advises the Board on the appointment of external auditors and on their remuneration both for audit and non-audit work, and discusses the nature and scope of the audit with the external auditors.

Remuneration Committee

The Remuneration Committee is chaired by Michael Tobin and consists of the Non Executive Directors. It is responsible for determining the contract terms, remuneration and other benefits for Executive Directors, including performance related bonuses. The remuneration of the Non Executive Directors is reviewed by the Board.

Shareholder relations

The Company meets with its institutional shareholders and analysts as appropriate and will use the annual general meeting to encourage communication with shareholders. In addition, the Company intends to use the Annual Report and Accounts, Interim Statements and website (www.ukplc.net) to provide further information to shareholders.

Internal control and risk management

The Board is responsible for the system of internal control and for reviewing its effectiveness. Such systems are designed to manage rather than eliminate risks and can only provide reasonable and not absolute assurance against misstatement or loss. Each year, on behalf of the Board, the Audit Committee reviews the effectiveness of these systems. This is achieved primarily by considering the risks potentially affecting the Group and from discussions with the external auditors.

@UK does not have an internal audit function as the Board considers that such a function is not appropriate given the size and risk profile of the Group.

Auditor independence

The external auditors do not carry out any engagement on non-audit work other than in connection with corporation tax compliance. Prior to carrying out such work approval of the Audit Committee would be required and such approval would not be given unless it was considered to be in the Company's best interests and after careful consideration as to potential conflicts and the possibility of actual or perceived threats to the independence of the auditor.

REMUNERATION REPORT

Companies trading on AIM are not required to provide a formal Remuneration Report. However, in line with current best practice this report provides information to enable a greater understanding as to how Directors' remuneration is determined.

Remuneration Committee

The Remuneration Committee of the Board is responsible for considering Executive Directors' remuneration packages and makes its recommendations to the Board. The Committee comprises the Non Executive Directors and meets at least once a year. The remuneration of the Non Executive Directors is considered by the Board as a whole.

Remuneration policy

Remuneration packages are designed to be competitive and to reward above average performance. The elements of remuneration for Executive Directors include salary, bonus and share options. Bonuses are paid for exceeding targets which are set at the beginning of the year. These targets relate to the financial performance of the Group against budget. The Directors' remuneration for the financial year ended 31 December 2006 is shown below.

Directors' share interests

The interests of the Directors in office at the year end in the 1p ordinary shares of the Company were as follows:

	31 December 2006 Number	31 December 2005 Number
BR Fisher	**—**	—
WJ Aiken	**37,778**	37,778
JL Connell	**10,000**	10,000
HL Duncan	**7,064,039***	7,064,039*
RJ Duncan	**12,214,285***	12,214,285*
M Tobin	**—**	—

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

At 31 December 2006 and 2005 WJ Aiken had been granted options over 250,000 ordinary shares at an exercise price of 45p per share under the @UK Share Option Scheme. The options are exercisable between December 2008 and December 2015.

There were no changes in the Directors' interests since 31 December 2006 but GA Oliver was appointed as a Director on 30 January 2007. On that date he was granted options over 1,000,000 ordinary shares at an exercise price of 14.75p per share under the @UK Share Option Scheme. The options are exercisable as to one third from January 2008, one third from January 2009 and one third from January 2010. In all cases they must be exercised by January 2017.

Directors’ emoluments

	Salary/fees and total 2006 £	Total 2005 £
BR Fisher	**36,000**	24,000
WJ Aiken	**80,000**	67,279
JL Connell	**25,000**	3,403
HL Duncan	**80,000**	40,000
RJ Duncan	**80,000**	40,000
DRC George (resigned 10 November 2006)	**73,333**	62,500
CD Hoar (resigned 10 November 2006)	**73,333**	72,200
M Tobin	**25,000**	3,333
31 DECEMBER 2006	**472,666**	312,715

All of the payments in 2006 relate to salary or fees, there are no benefits in kind and no bonuses were earned in respect of the year. In 2005 the payments to each of the Executive Directors included a bonus payment of £20,000, of which WJ Aiken elected to have £5,000 paid into a personal pension plan. None of the Directors receives any benefits or is accruing benefits under a Company pension plan.

In addition to the payments shown above, in 2006 DRC George and CD Hoar each received £60,000 as compensation for loss of office and in lieu of notice.

Contracts of service

The contracts of each of the Executive Directors have an indefinite term providing for a notice period of six months. The letters of appointment of the Non Executive Directors each contain a notice period of three months.

DIRECTORS' RESPONSIBILITIES
IN THE PREPARATION OF FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those Financial Statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and estimates that are reasonable and prudent;

c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and

d. prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF @UK PLC

We have audited the Financial Statements on pages 21 to 37.

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

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report, including the information cross referenced to other statements, is consistent with the Financial Statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the Audited Financial Statements. This other information comprises only the Chairman's Statement, the Chief Executive's Review, the Directors' Report, Corporate Governance and the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF @UK PLC CONTINUED

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion:

@ the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and parent company's affairs as at 31 December 2006 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and

@ the information given in the Directors' Report is consistent with the Financial Statements.

BAKER TILLY
Registered Auditor
Chartered Accountants
The Clock House
140 London Road
Guildford GU1 1UW

28 March 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £ (restated)*
TURNOVER	5		
Existing operations		**2,018,004**	1,454,073
Acquisitions		**144,976**	—
		2,162,980	1,454,073
Cost of sales		**(891,124)**	(474,570)
Gross profit		**1,271,856**	979,503
Administrative expenses		**(4,844,179)**	(1,882,939)
OPERATING LOSS BEFORE EXCEPTIONAL ITEM	2	**(3,572,323)**	(903,436)
Exceptional reorganisation costs	2	**(219,962)**	—
Exceptional goodwill write-off		**—**	(798,408)
OPERATING LOSS			
Existing operations		**(3,784,766)**	(1,701,844)
Acquisitions		**(7,519)**	—
		(3,792,285)	(1,701,844)
Interest receivable		**290,901**	27,510
Interest payable	3	**(5,989)**	(9,549)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(3,507,373)**	(1,683,883)
Taxation	6	**—**	—
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION, RETAINED	15	**(3,507,373)**	(1,683,883)
LOSS PER SHARE			
Basic and diluted	7	**9.3p**	8.5p

The turnover and operating loss for the year arises from the Group's 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.

* certain expenses have been reclassified within the Profit and Loss Account in the prior year (see note 1).

BALANCE SHEETS
31 DECEMBER 2006

		Group		Company	
	Notes	**2006 £**	2005 £	**2006 £**	2005 £
FIXED ASSETS					
Intangible assets	8	**83,438**	—	**—**	—
Tangible assets	9	**752,481**	114,067	**750,233**	114,067
Investments	10	**—**	—	**85,047**	31,377
		835,919	114,067	**835,280**	145,444
CURRENT ASSETS					
Debtors	11	**397,667**	226,839	**391,123**	226,582
Cash at bank and in hand		**4,119,248**	8,644,345	**4,098,735**	8,644,345
		4,516,915	8,871,184	**4,489,858**	8,870,927
CREDITORS: Amounts falling due within one year	12	**(891,074)**	(1,079,796)	**(836,413)**	(1,887,206)
NET CURRENT ASSETS		**3,625,841**	7,791,388	**3,653,445**	6,983,721
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,461,760**	7,905,455	**4,488,725**	7,129,165
CREDITORS: Amounts falling due in more than one year	13	**(66,667)**	(79,167)	**(874,332)**	(79,167)
TOTAL NET ASSETS		**4,395,093**	7,826,288	**3,614,393**	7,049,998
CAPITAL AND RESERVES					
Called up share capital	14	**376,074**	375,654	**376,074**	375,654
Share premium account	15	**10,113,881**	10,113,881	**10,113,881**	10,113,881
Other reserve – merger	15	**606,754**	582,174	**—**	—
Other reserve – share based payments	15	**51,178**	—	**51,178**	—
Profit and Loss Account	15	**(6,752,794)**	(3,245,421)	**(6,926,740)**	(3,439,537)
EQUITY SHAREHOLDERS' FUNDS	16	**4,395,093**	7,826,288	**3,614,393**	7,049,998

The Financial Statements on pages 21 to 37 were approved and authorised for issue by the Board of Directors on 28 March 2007 and signed on their behalf by:

Grant Oliver
Chief Executive

John Aiken
Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	18a	**(3,917,875)**	(1,307,510)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	18b	**284,912**	(5,747)
TAXATION		**(65,783)**	(25,012)
CAPITAL EXPENDITURE	18b	**(791,858)**	(120,755)
ACQUISITIONS	18b	**(21,994)**	(125,918)
CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		**(4,512,598)**	(1,584,942)
MANAGEMENT OF LIQUID RESOURCES		**3,652,998**	(7,567,974)
FINANCING	18b	**(12,500)**	10,224,927
(DECREASE)/INCREASE IN CASH	18c, 18d	**(872,100)**	1,072,011

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Save as explained in the following paragraph the following accounting policies have been applied consistently throughout the year and in the prior year in dealing with items which are considered to be material in relation to the Company's Financial Statements.

Certain expenses, principally relating to "pay per click" advertising are now classified within administrative expenses and not cost of sales as the Directors believe that this gives a fairer presentation. The amount reclassified in the prior period is £289,616.

Basis of accounting

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated Profit and Loss Account and Balance Sheet include the Financial Statements of the Company and its subsidiary undertakings made up to 31 December 2006. The results of subsidiaries sold or acquired are included in the Profit and Loss Account up to, or from, the date control passes. Intra Group sales and profits are eliminated fully on consolidation.

Goodwill

Goodwill arising on acquisitions, representing the excess of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written-off on a straight line basis over its useful economic life of a maximum of 20 years, on an acquisition by acquisition basis. Provision is made for any impairment in the value of goodwill.

Turnover

Turnover represents the value, net of Value Added Tax, of goods sold and services provided to customers outside the Group. Where invoices are raised in advance of the income being earned through the performance of the service, the unearned portion is included in the accounts as deferred income, and released to the Profit and Loss Account as earned.

Research and development

Research and development expenditure is written-off to the Profit and Loss Account in the year in which it is incurred.

Tangible fixed assets

Fixed assets are stated in the Balance Sheet at cost, net of depreciation and any provision for impairment.

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

Computer equipment and software	$33.\dot{3}\%$ straight line
Fixtures, fittings and equipment	20% to $33.\dot{3}\%$ straight line

Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term. The Group does not hold any assets under hire purchase contracts or finance leases.

1. Accounting policies (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the Balance Sheet date.

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 Company's taxable profits and its results as stated in the Financial Statements.

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.

Pensions

All pension schemes operated by the Group are defined contribution schemes. The costs are charged to the Profit and Loss Account in the year in which they are incurred.

Share options

The cost of share options issued under employee share schemes is charged to the Profit and Loss Account over the vesting period. The charge is determined by reference to the fair value of the options issued at the time of grant, and the effect of any non-market vesting conditions such as option lapses. An option may lapse if, for example, an employee ceases to be employed by the Group before the end of the vesting period. Estimates of future such employee departures are taken into account when accruing the cost.

2. Operating loss

	2006 **£**	2005 £
This is stated after charging:		
Amortisation, depreciation and amounts written-off fixed assets:		
– amortisation of intangible fixed assets: goodwill	**12,836**	—
– depreciation of tangible fixed assets: owned assets	**155,190**	17,252
Research and development costs	**291,407**	221,950
Share based payments (see note 14)	**51,178**	—
Exceptional item – reorganisation costs (see note below)	**219,962**	—
Exceptional item – write-off of goodwill	**—**	798,408
In relation to acquisitions:		
Costs of sales	**—**	—
Administrative expenses	**152,495**	—

Note: reorganisation costs represent the costs incurred in reducing staff numbers following the review announced in November 2006.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

2. Operating loss (continued)

Amounts payable to Baker Tilly in respect of audit and non-audit services:

	2006 £	2005 £
Audit of Company	**26,050**	23,500
Audit of subsidiaries	**4,500**	2,250
Other assurance services - Interim review	**4,750**	—
Other services relating to:		
Taxation	**4,000**	5,800
Corporate finance transactions	**—**	80,316
	39,300	111,866

3. Interest payable and similar charges

	2006 £	2005 £
Bank interest	**5,989**	5,627
Other interest	**—**	3,922
	5,989	9,549

4. Employees

	2006 Number	2005 Number
The average monthly number of persons (including Directors) employed by the Group during the year was:		
Management and administration	**16**	12
Technical and delivery	**38**	9
Sales and marketing	**29**	4
	83	25

	2006 £	2005 £
Staff costs for the above persons:		
Wages and salaries	**2,386,246**	760,859
Pension	**2,556**	376
Social security costs	**248,635**	80,595
	2,637,437	841,830

4. Employees (continued)

Directors' remuneration

	2006	2005
	£	£
Emoluments for qualifying services	**472,666**	312,715
Compensation for loss of office	**120,000**	—
	592,666	312,715

The emoluments of the highest paid Director were £80,000 (2005: £72,200). No Directors were accruing benefits under a company pension scheme.

5. Analysis of turnover

	2006	2005
	£	£
Turnover by class of business		
Company formation services	**1,223,130**	1,081,607
Web and eCommerce services	**939,850**	372,466
	2,162,980	1,454,073

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. All turnover arose in the UK.

6. Taxation

	2006	2005
	£	£
Tax charge for the year	**—**	—
Factors affecting tax charge for the year		
Loss on ordinary activities before taxation	**(3,507,373)**	(1,683,883)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2005: 30%)	**(1,052,211)**	(505,165)
Effects of:		
Expenses not deductible for tax purposes	**15,487**	340,995
Share based payments	**15,353**	—
Capital allowances in excess of depreciation	**(55,201)**	(10,845)
Carry forward of tax losses	**1,076,572**	175,015
	1,052,211	505,165
Current tax charge	**—**	—

The Group has estimated tax losses of £7,200,000 (2005: £3,664,000) available for carry forward against future trading profit. No deferred tax asset has been recognised in respect of the losses given the uncertainty regarding available future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

7. Loss per share

The calculations for loss per share are based on the weighted average number of shares in issue during the year 37,593,941 (2005: 19,920,248) and the following losses:

	2006 **£**	2005 £
Unadjusted earnings:		
Loss on ordinary activities after tax	**(3,507,373)**	(1,683,883)
Add back:		
Exceptional reorganisation costs	**219,962**	—
Exceptional write-off of goodwill	**—**	798,408
Share based payments	**51,178**	—
Adjusted earnings	**(3,236,233)**	(885,475)

The share options and warrants are non-dilutive as they would not increase the loss per share in the year.

The basic and diluted loss per share calculated on the adjusted earnings is 8.6p (2005: 4.4p).

8. Intangible fixed assets

Group	Goodwill £
Cost:	
Additions	96,274
31 DECEMBER 2006	**96,274**
Amortisation:	
Charge for the year	12,836
31 DECEMBER 2006	**12,836**
Net book value	
31 DECEMBER 2006	**83,438**

9. Tangible fixed assets

Group	Fixtures, fittings and equipment £	Computer equipment and software £	Total £
Cost:			
1 January 2006	28,105	156,935	185,040
Acquisitions	858	888	1,746
Additions	263,915	527,943	791,858
31 DECEMBER 2006	**292,878**	**685,766**	**978,644**
Depreciation:			
1 January 2006	4,596	66,377	70,973
Charge for the year	38,253	116,937	155,190
31 DECEMBER 2006	**42,849**	**183,314**	**226,163**
Net book value			
31 DECEMBER 2006	**250,029**	**502,452**	**752,481**
31 December 2005	23,509	90,558	114,067

Company	Fixtures, fittings and equipment £	Computer equipment and software £	Total £
Cost:			
1 January 2006	28,105	156,935	185,040
Additions	263,915	526,468	790,383
31 DECEMBER 2006	**292,020**	**683,403**	**975,423**
Depreciation:			
1 January 2006	4,596	66,377	70,973
Charge for the year	38,074	116,143	154,217
31 DECEMBER 2006	**42,670**	**182,520**	**225,190**
Net book value			
31 DECEMBER 2006	**249,350**	**500,883**	**750,233**
31 December 2005	23,509	90,558	114,067

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

10. Fixed asset investments

Company	£
Subsidiary undertakings (at cost):	
1 January 2006	31,377
Additions	53,670
31 DECEMBER 2006	**85,047**

The investment brought forward represents the Company's 100% holding in the ordinary shares of @Software PLC and its wholly owned subsidiary Software Limited. These companies, which are incorporated in the United Kingdom, are now non-trading.

On 28 April 2006 the Company acquired 100% of the issued share capital of Coding International Limited, a company incorporated in the United Kingdom whose business is the provision of coding services for use in procurement, for an initial consideration of £50,000, satisfied by £25,000 in cash and £25,000 by the issue of 42,015 ordinary 1p shares in the Company at 59.5p. Deferred consideration of up to £25,000 per year, to be satisfied by the issue of further shares in the Company, is payable dependent on Coding International's performance for the years ended 31 December 2006 and 2007. The amount in respect of 2006 has been earned in full. It is too early to know if any of the payment in respect of 2007 will be earned. In accordance with Sections 131 and 133 of the Companies Act 1985, the Company has taken no account of any premium on the shares issued and has recorded the cost of the investment at the nominal value of the shares issued plus the fair value of the other consideration. The resulting difference on consolidation has been credited to other reserves.

The following table sets out the book values, which were also the fair values to the Group, of the identifiable assets and liabilities acquired:

	Fair value £
Tangible fixed assets	1,746
Trade debtors	17,182
Other debtors	4,323
Cash at bank and in hand	6,256
Trade creditors	(8,706)
Other creditors	(38,825)
Net liabilities	(18,024)
Goodwill	96,274
	78,250
Satisfied by:	
Cash, including costs of acquisition	28,250
Shares issued	25,000
Shares to be issued	25,000
	78,250

The goodwill is being amortised over its estimated useful economic life of five years.

In the period from 1 October 2005 (the start of its accounting period) to the date of acquisition Coding International Limited had turnover of £79,000, an operating profit of £4,000 and a profit before tax of £3,000. For the year ended 30 September 2005 the comparative figures were £148,331, loss of £225 and loss of £14 respectively.

11. Debtors

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Due within one year:				
Trade debtors	**313,421**	84,624	**293,784**	84,624
Amounts owed by Group undertakings	**—**	—	**15,658**	—
Other debtors	**13,829**	96,571	**13,723**	96,314
Prepayments and accrued income	**70,417**	45,644	**67,958**	45,644
	397,667	226,839	**391,123**	226,582

12. Creditors

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Amounts falling due within one year:				
Bank loan (see note 13)	**12,500**	12,500	**12,500**	12,500
Trade creditors	**268,929**	297,348	**265,861**	297,348
Amounts owed to Group undertakings	**—**	—	**—**	1,082,055
Corporation tax	**2,878**	65,783	**—**	—
Other taxation and social security	**230,188**	232,612	**213,164**	232,612
Other creditors	**25,000**	320,440	**25,000**	102,632
Accruals and deferred income	**351,579**	151,113	**319,888**	160,059
	891,074	1,079,796	**836,413**	1,887,206

13. Creditors

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Amounts falling due in more than one year:				
Bank loan	**66,667**	79,167	**66,667**	79,167
Amounts owed to Group undertakings	**—**	—	**807,665**	—
	66,667	79,167	**874,332**	79,167
Analysis of debt maturity				
Bank loan:				
Amounts payable within one year	**12,500**	12,500	**12,500**	12,500
Amounts payable within one to two years	**12,500**	12,500	**12,500**	12,500
Amounts payable within two to five years	**37,500**	37,500	**37,500**	37,500
Amounts payable after five years	**16,667**	29,167	**16,667**	29,167
	79,167	91,667	**79,167**	91,667

The bank loan is repayable by instalments until 2013 and bears interest at a rate of 2½% over the bank's base rate. The bank loan is secured by a fixed and floating charge over the Company's assets. The amount owed to Group undertakings has no fixed repayment schedule.

14. Share capital

	2006	2005
	£	£
AUTHORISED:		
250,000,000 (2005: 250,000,000) ordinary shares of 1p each	**2,500,000**	2,500,000
ALLOTTED, ISSUED AND FULLY PAID:		
37,607,409 (2005: 37,565,394) ordinary shares of 1p each	**376,074**	375,654

During the year 42,015 ordinary shares were issued at 59.5p in connection with the acquisition of Coding International Limited (see note 10).

At 31 December 2006 options had been granted under the @UK PLC Share Option Scheme to subscribe for ordinary shares in the Company as follows:

Number of options under grant	Subscription price per share	Exercise period
750,000	45p	December 2008 to December 2015
489,677	63p	January 2009 to January 2016
225,501	61.5p	June 2009 to June 2016

The Company has granted to Shore Capital a warrant to subscribe for 375,654 ordinary shares at 60p per share. The warrant is exercisable, in whole or in part, at any time for a period up to 14 December 2008.

14. Share capital (continued)

Share based payments

	2006 £	2005 £
Charge for share based payments	**51,178**	—

The Group has a share option scheme under which the Remuneration Committee can grant options over shares in the Company to employees of the Group. Options are granted with a fixed option price equal to the market price of the shares under option at the date of grant. The contractual life of an option is ten years. There are no performance criteria or market conditions attached to the options. Options are valued using the Black Scholes option pricing model. The fair value of options granted and the assumptions used in the calculations are as follows:

Grant date	8 December 2005	31 January 2006	30 June 2006
Share price at grant date	60p	63p	61.5p
Exercise price	45p	63p	61.5p
Number of employees	1	31	20
Shares originally under option	250,000	644,121	270,895
Vesting period (years)	3	3	3
Expected volatility	31%	31%	31%
Expected life (years)	4	4	4
Risk free rate	4.30%	4.30%	4.78%
Rate ceasing employment before vesting (annual)	0%	12.5%	35.0%
Fair value per option	£0.17	£0.15	£0.15

No dividends were assumed. The expected volatility is based on the historical volatility of the Company's shares to the extent information was available and of the shares of similar entities. In addition to the grant above on 8 December 2005, options over 500,000 shares were also granted to former Directors of the Company on the same terms. As part of the terms of their compensation for loss of office they were allowed to retain those options. These were valued at the date on which the Directors ceased to be employees and the value written-off as it was in respect of past services.

15. Reserves

Group	Share premium £	Other reserve merger £	Other reserve share based payments £	Profit and loss account £
At 1 January 2006	10,113,881	582,174	—	(3,245,421)
Shares issued in the year	—	24,580	—	—
Share based payments	—	—	51,178	—
Retained loss for the year	—	—	—	(3,507,373)
AT 31 DECEMBER 2006	**10,113,881**	**606,754**	**51,178**	**(6,752,794)**

15. Reserves (continued)

Company	Share premium £	Other reserve share based payments £	Profit and loss account £
At 1 January 2006	10,113,881	—	(3,439,537)
Share based payments	—	51,178	—
Retained loss for the year	—	—	(3,487,203)
AT 31 DECEMBER 2006	**10,113,881**	**51,178**	**(6,926,740)**

As permitted by Section 230 of the Companies Acts 1985, the Parent Company's Profit and Loss Account has not been included in these Financial Statements. The loss for the financial year was £3,487,203 (2005: loss £885,459).

16. Reconciliation of movements in shareholders' funds

Group	**2006 £**	2005 £
Loss for the year	**(3,507,373)**	(1,683,883)
Shares issued in the year	**25,000**	11,154,920
Share based payment	**51,178**	—
Purchase of own shares	**—**	(1,111,624)
Gain on placing and purchase of own shares	**—**	194,132
Net (depletion)/addition to shareholders' funds	**(3,431,195)**	8,553,545
Opening shareholders' funds	**7,826,288**	(727,257)
Closing shareholders' funds	**4,395,093**	7,826,288
Company		
Loss for the year	**(3,487,203)**	(885,459)
Shares issued in the year	**420**	9,774,338
Share based payment	**51,178**	—
Purchase of own shares	**—**	(1,111,624)
Net (depletion)/addition to shareholders' funds	**(3,435,605)**	7,777,255
Opening shareholders' funds	**7,049,998**	(727,257)
Closing shareholders' funds	**3,614,393**	7,049,998

17. Financial instruments

The Group has taken advantage of the exemption available in FRS 13 "Derivatives and other financial instruments: disclosures" to exclude short-term debtors and creditors from the disclosure of financial assets and liabilities.

	2006 £	2005 £
FINANCIAL ASSETS		
Floating rate interest bearing – cash	**4,119,248**	8,644,345

Cash is held on short-term money market deposit or interest bearing deposit.

FINANCIAL LIABILITIES		
Floating rate interest bearing – bank loan (see note 13)	**79,167**	91,667

There is no material difference between the book value of financial assets and liabilities noted above, and the fair value.

The main objective of the Group's treasury policy is to protect post-tax cash flows of the business from the adverse effects of financial risks.

The Group's financial assets and liabilities comprise cash and liquid resources, and various items, such as trade debtors and trade creditors that arise directly from its operations. The Group has no undrawn borrowing facilities. The Group is not exposed to significant foreign exchange risk. The Group does not enter into instruments for speculative purposes.

The Group finances its operations through funds raised from share issues. The Group is exposed to falling interest rates. The Group uses a combination of fixed and floating deposits for its cash balances. The Group has not hedged the exposure to interest rate fluctuations through the use of derivative instruments. Funds on deposit bear interest rates based on LIBOR.

18. Notes to the cash flow statement

a. Reconciliation of operating loss to net cash outflow from operating activities

	2006 £	2005 £
Operating loss	**(3,792,285)**	(1,701,844)
Depreciation	**155,190**	17,252
Amortisation of goodwill	**12,836**	—
Write-off of goodwill	**—**	798,408
Share based payments	**51,178**	—
Increase in debtors	**(149,323)**	(376,312)
Decrease in creditors	**(195,471)**	(45,014)
	(3,917,875)	(1,307,510)

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

18. Notes to the cash flow statement (continued)

b. Analysis of cash flows

	2006 £	2005 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	**290,901**	9,802
Bank interest	**(5,989)**	(5,627)
Other interest	**—**	(9,922)
Net cash inflow/(outflow) for returns on investments and servicing of finance	**284,912**	(5,747)
CAPITAL EXPENDITURE		
Purchase of tangible fixed assets	**(791,858)**	(120,755)
Net cash outflow for capital expenditure	**(791,858)**	(120,755)
ACQUISITIONS		
Purchase of subsidiary undertaking	**(28,250)**	—
Cash/(Overdraft) in subsidiary acquired	**6,256**	(125,918)
Net cash outflow for acquisitions	**(21,994)**	(125,918)
FINANCING		
Loan repayments in year	**(12,500)**	(12,500)
Proceeds on issue of shares	**—**	10,237,427
Net cash (outflow)/inflow from financing	**(12,500)**	10,224,927

c. Analysis of changes in net funds/debt

	1 January 2006	Cash flows	Non-cash movement	31 December 2006
Net cash:				
Cash at bank and in hand	1,076,371	(872,100)	—	**204,271**
Money market deposits	7,567,974	(3,652,998)	—	**3,914,976**
Debt:				
Bank loan due within one year	(12,500)	12,500	(12,500)	**(12,500)**
Bank loan due after one year	(79,167)	—	12,500	**(66,667)**
	8,552,678	(4,512,598)	—	**4,040,080**

18. Notes to the cash flow statement (continued)

d. Reconciliation of net funds/debt

	2006 £	2005 £
(Decrease)/Increase in cash for the year	**(872,100)**	1,072,011
Cash (inflow)/outflow from management of liquid resources	**(3,652,998)**	7,567,974
Cash outflow from decrease in net debt	**12,500**	12,500
Change in net debt arising from cash flows	**(4,512,598)**	8,652,485
Net Funds/(Debt) at 1 January	**8,552,678**	(99,807)
Net Funds at 31 December	**4,040,080**	8,552,678

Coding International Limited, acquired in the year, contributed £15,545 to the Group's net operating cash flows, received £187 in respect of net returns on investment and servicing of finance and utilised £1,476 for capital expenditure.

19. Financial commitments

Group and Company	2006 £	2005 £
Annual commitments under non-cancellable operating leases:		
Land and buildings, with expiry date		
– within one year	**23,500**	—
– between two and five years	**84,500**	72,000

20. Related party transactions

Mr RJ Duncan and Mrs HL Duncan are the landlords of a property which is occupied by the Group. The annual rent is currently £24,000. Isabella M Deas Limited, a company owned by Mr Duncan's parents and in which he has a minority interest, is the landlord of a property which is occupied by the Group. The annual rent is currently £24,000.

Prior to its acquisition by @UK PLC, Software Limited had granted an interest free loan to Mr WJ Aiken for the acquisition of shares in the @UK PLC. At the year end the balance outstanding was £25,000. This balance, which represents principal, was also the maximum balance outstanding.

During the year an advance against expenses was made to Mr RJ Duncan. At the year end the balance outstanding was £5,000. This balance, which represents principal, was also the maximum balance outstanding.

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