@UK PLC

ANNUAL REPORT AND ACCOUNTS

2007

Contents

CHAIRMAN'S STATEMENT

Introduction

This is @UK's third report to shareholders as an AIM listed company.

2007 has been another challenging year for @UK, with a lack of impetus in our traditional markets. We have made progress in our entry into the NHS market and continue to act decisively to reduce costs.

Financial Results

This is our first Report and Accounts prepared under IFRS, with comparisons against restated 2006 results. The reconciliation of the loss and net assets under UK GAAP to IFRS is set out in note 25 to the Financial Statements. As anticipated in previous announcements, the change to IFRS had no material impact on the results.

In the year ended 31 December 2007, @UK achieved revenue of £2,330,000, an increase of 8% compared to the previous year (£2,163,000).

Sales of web and eCommerce services recorded an increase of 9% to £1,025,000 in the year ended 31 December 2007 compared to £940,000 in the prior year, while revenue from company formation services increased by 7% to £1,305,000 in the year ended 31 December 2007 compared to £1,223,000 in the prior year.

Gross margin rose to 63% from 59% reflecting the reductions in the number of staff carrying out implementation work for Supply-side customers. Operating expenses before exceptional items and share based payments reduced from £4,780,000 to £3,889,000. The reduction reflects the impact of cost savings.

Loss before taxation (adjusted for exceptional items and share based payments) in 2007 was £2,258,000 compared to £3,223,000 in the prior year.

£26,000 was charged as the cost calculated under IFRS 2 of share options granted to employees (2006: £51,000). Staff numbers were reduced further during the year, and by the year end had fallen by 41 to 44. An exceptional cost of £83,000 was incurred in making this reduction. At the peak in 2006 there were 115 employees. Following the Board changes referred to below the number of employees will shortly be 37.

After taking account of exceptional costs and share based payments the loss before tax for 2007 was £2,367,000, compared to £3,495,000 in the prior year.

At 31 December 2007 the Group had cash of £1,791,000 (2006: £4,119,000) available to take the Group through to profitability.

Half year on half year the run-rate of losses is being reduced: with the loss before tax in the second half of 2007 down 58% from the comparative period and 35% from the loss in the first half. After the Board changes the monthly cash burn will reduce to £100,000 per month.

Business focus

@UK's traditional market for its eCommerce solution was Local Authorities, and it was to service anticipated demand in this market that the Company raised funds in the AIM listing in December 2005. However activity in this market has been low throughout 2007 and there is no indication that this will change in 2008. Central Government has failed to follow through the mandated changes for each local authority to become "e"-enabled. As a result many authorities are not achieving the significant savings and benefits which eProcurement has brought to those which have embraced the concept fully.

We were pleased to win the contract from NHS Supply Chain for a new catalogue/content platform as part of the e-enablement strategy within the NHS. This provides us with a valuable entry into this market.

In 2008 we will continue to focus on developing the opportunity in the NHS market and on reducing our costs as much as possible.

CHAIRMAN'S STATEMENT (CONTINUED)

Board changes
With our smaller size and clearer focus we have decided it is now appropriate to simplify our Board structure to achieve cost savings and to better reflect the needs of the business. Today, following completion of our restructuring programme, our Chief Executive Officer Grant Oliver will be leaving the Group, and Jo Connell and Mike Tobin will be standing down as Non-Executive Directors. John Aiken, our Chief Financial Officer, will be taking on the additional responsibilities of Chief Executive Officer.

The changes will leave me as the sole Non-Executive Director: in due course if the Group's size and resources warrant it we will consider appointing additional Non-Executives.

I would like to thank Grant, Jo and Mike for the contributions they have made to the development of the Group.

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

Dividend policy
The Board is not recommending the payment of a dividend for 2007. 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.

Summary and outlook
Activity in our target markets continues to be slow and whilst there is no indication that this will change in 2008 we will continue to address our new business pipeline within the NHS and Local Authorities.

The further cost savings achieved has reduced our monthly cash burn and will help to reduce losses in the current year.

Notwithstanding the lack of visibility in our markets, the Board remains positive about the quality of @UK's offering.

Bernard R. Fisher
Chairman

31 March 2008

BOARD OF DIRECTORS AND ADVISORS

Bernard Fisher – 57
(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.

John Aiken – 48
(Chief Executive 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. From 1 April 2008 John Aiken will be acting as Chief Executive Officer in addition to his existing responsibilities as Chief Financial Officer.

Lyn Duncan – 49
(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 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 ten years' experience of leading technology-driven change initiatives in the public and private sector.

Ronald Duncan – 45
(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.

Company Secretary
Alice Mary Teresa Morwood-Leyland

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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 2007.

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 Operating and Financial 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 2007 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 £2,367,448 (2006: £3,494,537).

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

Research and development
During the year the Group expended £207,855 (2006: £291,407) 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 e-commerce and e-procurement.

Directors
JL Connell and M Tobin, who served as directors through the year, have indicated that they will leave the Board today following the approval of this Report and Accounts, as has GA Oliver who was appointed a director on 30 January 2007.

The names of the remaining Directors of the Company, together with brief career details, are shown on page 3.

Directors' interests in shares of the Company are shown in the Remuneration Report on page 8.

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 2007 Company trade creditors represented approximately 37 days (2006: 35 days).

Going concern
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. They have reached this conclusion having reviewed the Group's accounts, budgets and forecasts, and noting that should sales fall below expected levels it will be possible to reduce the Group and Company's costs to offset the shortfall.

Financial Instruments
The risk exposure of the Group and how the Group addresses this is detailed in note 22 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.

Substantial shareholdings
As at 28 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*	32.33
Gartmore Investment Management	5,062,237	13.40
Majedie Asset Management Ltd	1,929,433	5.11

*The Company has also been notified by HL(Lyn) 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.

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.

Auditor
Baker Tilly UK Audit LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint it will be proposed at the annual general meeting.

By order of the Board

Alice Morwood-Leyland
Secretary

31 March 2008

CORPORATE GOVERNANCE STATEMENT

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.

So far as the composition of the Board and its Committees is concerned the report below reflects the position since the beginning of the year under review. Jo Connell and Mike Tobin, Non-Executive Directors, will leave the Board today following the approval of this Report and Accounts. It is not the current intention to replace them, but the Board will keep the position under review and look to do so when the Company's size and the resources available to it make this appropriate.

The Board and its Committees
The current composition of the Board is set out on page 3. During the year the Board comprised a Non-Executive Chairman, four Executive Directors and two further Non-Executive Directors. 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. 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.

The statement of the Directors' responsibilities in preparing the Financial Statements is set out on page 9 and the statement for the auditor on its reporting responsibilities is set out on page 5. The statement on going concern is set out in the Directors' Report on page 4.

Directors' attendance

	Board	*Audit*	*Remuneration*
BR Fisher	10/11	2/2	1/1
WJ Aiken	10/11	n/a	n/a
JL Connell	11/11	2/2	1/1
HL Duncan	11/11	n/a	n/a
RJ Duncan	11/11	n/a	n/a
GA Oliver (appointed 30 January 2007)	10/10	n/a	n/a
M Tobin	10/11	1/2	1/1

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

Audit Committee
The Audit Committee, which has been 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 has been chaired by Mike 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. It is intended that each year, on behalf of the Board, the Audit Committee will review the effectiveness of these systems. This will be 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 of the Company.

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

The 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-Executives 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. The Directors' remuneration for the financial year ended 31 December 2007 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 2007 ***Number***	*31 December 2006 (or date of appointment) 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*
GA Oliver (appointed 30 January 2007)	–	–
M Tobin	–	–

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

At 31 December 2007 and 2006 WJ Aiken had options over a total of 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. On his appointment GA Oliver 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.

There were no changes in the Directors' interests since 31 December 2007.

Directors' Emoluments

	2007 **£**	*2006* £
BR Fisher	**36,000**	36,000
WJ Aiken	**80,000**	80,000
JL Connell	**25,000**	25,000
HL Duncan	**80,000**	80,000
RJ Duncan	**80,000**	80,000
GA Oliver (appointed 30 January 2007)	**110,000**	–
M Tobin	**25,000**	25,000
DRC George (resigned 10 November 2006)	**–**	73,333
CD Hoar (resigned 10 November 2006)	**–**	73,333
31 December 2007	**436,000**	472,667

All of the payments above relate to salary or fees. None of the Directors receive any benefits or are 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 save for the contract of GA Oliver which provides for a notice period of one year. 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.

UK Company law requires the directors to prepare Group and Company Financial Statements for each financial year. Under that law the Directors are required to prepare Group financial statements in accordance with IFRS as adopted by the European Union ("EU") and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the Group and Company 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 they have been prepared in accordance with IFRSs adopted by the EU;
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 also responsible for the maintenance and integrity of the @UK PLC website.

Legislation in the United Kingdom 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 Group and parent Company Financial Statements on pages 11 to 27.

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 IFRS as adopted by the EU 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 whether the Financial Statements have been 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. The other information comprises only the Chairman's Statement, the Operating Review, the Directors' Report, the Corporate Governance Statement 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.

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's and Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRS as adopted by the EU, as applied in accordance with the provisions of the Companies Act 1985, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the parent Company Financial Statements give a true and fair view, in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Company's affairs as at 31 December 2007;
- the Financial Statements 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 UK AUDIT LLP
Registered Auditor
Chartered Accountants

The Clock House
140 London Road
Guildford
GU1 1UW

31 March 2008

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2007

	Notes	***2007*** **£**	*2006* £
Revenue	4		
Existing operations		**2,329,600**	2,018,004
Acquisitions		**–**	144,976
		2,329,600	2,162,980
Cost of sales		**(851,118)**	(891,124)
Gross profit		**1,478,482**	1,271,856
Administrative expenses		**(3,889,181)**	(4,780,165)
Share based payments	21	**(26,075)**	(51,178)
Operating loss before exceptional item	5	**(2,436,774)**	(3,559,487)
Exceptional reorganisation costs	5	**(83,485)**	(219,962)
Operating loss			
Existing operations		**(2,520,259)**	(3,771,930)
Acquisitions		**–**	(7,519)
		(2,520,259)	(3,779,449)
Investment income	8	**159,680**	290,901
Finance costs	9	**(6,869)**	(5,989)
Loss on ordinary activities before taxation		**(2,367,448)**	(3,494,537)
Taxation	10	**–**	–
Loss for the year attributable to equity shareholders of the parent		**(2,367,448)**	(3,494,537)
Loss per share			
Basic and diluted	11	**6.3p**	9.3p

Revenue and operating loss for the year all derive from continuing operations.

BALANCE SHEETS
31 December 2007

		Group		Company	
		2007	*2006*	**2007**	*2006*
	Notes	**£**	£	**£**	£
Assets					
Non-current assets					
Goodwill	12	**96,274**	96,274	**–**	–
Other intangible assets	13	**46,926**	59,934	**46,926**	59,934
Property, plant and equipment	14	**501,955**	692,547	**501,395**	690,299
Investments	15	**–**	–	**61,771**	85,047
		645,155	848,755	**610,092**	835,280
Current assets					
Trade and other receivables	16	**311,739**	397,667	**329,615**	391,123
Cash and cash equivalents	17b	**1,791,189**	4,119,248	**1,784,156**	4,098,735
		2,102,928	4,516,915	**2,113,771**	4,489,858
Total assets		**2,748,083**	5,365,670	**2,723,863**	5,325,138
Liabilities					
Current liabilities					
Trade and other payables	18	**(586,349)**	(875,696)	**(546,179)**	(823,913)
Current tax liabilities		**(2,878)**	(2,878)	**–**	–
Financial liabilities – borrowings	19	**(12,500)**	(12,500)	**(12,500)**	(12,500)
		(601,727)	(891,074)	**(558,679)**	(836,413)
Non current liabilities					
Financial liabilities – borrowings	19	**(54,800)**	(66,667)	**(862,465)**	(874,332)
		(54,800)	(66,667)	**(862,465)**	(874,332)
Total liabilities		**(656,527)**	(957,741)	**(1,421,144)**	(1,710,745)
Total net assets		**2,091,556**	4,407,929	**1,302,719**	3,614,393
Shareholders' equity					
Called up share capital	20	**377,798**	376,074	**377,798**	376,074
Share premium account	20	**10,113,881**	10,113,881	**10,113,881**	10,113,881
Other reserve		**630,030**	606,754	**–**	–
Share-based payment reserve		**77,253**	51,178	**77,253**	51,178
Accumulated losses		**(9,107,406)**	(6,739,958)	**(9,266,213)**	(6,926,740)
Total equity attributable to equity shareholders of the parent		**2,091,556**	4,407,929	**1,302,719**	3,614,393

The financial statements on pages 11 to 27 were approved by the Board of Directors on 31 March 2008 and authorised for issue on 31 March 2008 and signed on their behalf by:

John Aiken
CFO

CASH FLOW STATEMENTS
For the year ended 31 December 2007

		Group		Company	
	Notes	**2007** £	2006 £	**2007** £	2006 £
Cash flows from operating activities					
Loss before taxation		**(2,367,448)**	(3,494,537)	**(2,339,473)**	(3,487,203)
Adjustments for:					
Interest		**(152,811)**	(284,912)	**(152,404)**	(284,725)
Depreciation of property, plant & equipment		**262,238**	140,207	**260,551**	139,234
Amortisation of other intangible assets		**28,328**	14,983	**28,328**	14,983
Share based payments		**26,075**	51,178	**26,075**	51,178
Changes in working capital					
Trade and other receivables		**85,928**	(149,323)	**61,508**	(164,541)
Trade and other payables		**(264,347)**	(195,471)	**(252,735)**	(268,129)
Net cash used by operations		**(2,382,037)**	(3,917,875)	**(2,368,150)**	(3,999,203)
Tax paid		**–**	(65,783)	**–**	–
Net cash outflow from operating activities		**(2,382,037)**	(3,983,658)	**(2,368,150)**	(3,999,203)
Cash flows from investing activities					
Interest received		**159,680**	290,901	**159,273**	290,714
Interest paid		**(6,869)**	(5,989)	**(6,869)**	(5,989)
Acquisition of subsidiary	17a	**–**	(21,994)	**–**	(28,250)
Purchase of intangible assets		**(15,320)**	(74,917)	**(15,320)**	(74,917)
Purchase of property, plant and equipment		**(71,646)**	(716,941)	**(71,646)**	(715,466)
Cash inflow/(outflow) from investing activities		**65,845**	(528,940)	**65,438**	(533,908)
Cash flows from financing activities					
Repayment of borrowings		**(11,867)**	(12,500)	**(11,867)**	(12,500)
Net cash outflow from financing		**(11,867)**	(12,500)	**(11,867)**	(12,500)
Net decrease in cash and cash equivalents		**(2,328,059)**	(4,525,098)	**(2,314,579)**	(4,545,611)
Cash and cash equivalents at beginning of period		**4,119,248**	8,644,346	**4,098,735**	8,644,346
Cash and cash equivalents at end of period	17b	**1,791,189**	4,119,248	**1,784,156**	4,098,735

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2007

Group	*Share capital* £	*Share premium* £	*Other reserve* £	*Share based payments reserve* £	*Accumulated losses* £	*Shareholders' equity* £
At 31 December 2005	375,654	10,113,881	582,174	–	(3,245,421)	7,826,288
Shares issued in the year	420	–	24,580	–	–	25,000
Share based payments	–	–	–	51,178	–	51,178
Retained loss for the year	–	–	–	–	(3,494,537)	(3,494,537)
At 31 December 2006	**376,074**	**10,113,881**	**606,754**	**51,178**	**(6,739,958)**	**4,407,929**
Shares issued in the year	1,724	–	23,276	–	–	25,000
Share based payments	–	–	–	26,075	–	26,075
Retained loss for the year	–	–	–	–	(2,367,448)	(2,367,448)
At 31 December 2007	**377,798**	**10,113,881**	**630,030**	**77,253**	**(9,107,406)**	**2,091,556**

Company	*Share capital* £	*Share premium* £	*Other reserve* £	*Share based payments reserve* £	*Accumulated losses* £	*Shareholders' equity* £
At 31 December 2005	375,654	10,113,881		–	(3,439,537)	7,049,998
Shares issued in the year	420	–		–	–	420
Share based payments	–	–		51,178	–	51,178
Retained loss for the year	–	–		–	(3,487,203)	(3,487,203)
At 31 December 2006	**376,074**	**10,113,881**		**51,178**	**(6,926,740)**	**3,614,393**
Shares issued in the year	1,724	–		–	–	1,724
Share based payments	–	–		26,075	–	26,075
Retained loss for the year	–	–		–	(2,339,473)	(2,339,473)
At 31 December 2007	**377,798**	**10,113,881**		**77,253**	**(9,266,213)**	**1,302,719**

The other reserve arises because shares issued on the acquisition of subsidiaries have been recorded at par value and no share premium recognised as allowed by the Companies Act 1985.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

@UK PLC ("the Company") and its subsidiaries (together "the Group") provide solutions that allow eProcurement, the trading of goods and services between purchasers such as public sector bodies and their suppliers. The Group also offers services to new businesses, including incorporation, company secretary services and filing annual returns. The Company is a public limited company which is listed on the Alternative Investment Market of the London Stock Exchange and is incorporated and operates in the UK. The address of the registered office is 5 Jupiter House, Calleva Park, Aldermaston, Berkshire RG7 8NN.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated, and in preparing an opening IFRS balance sheet at 1 January 2006 for the purpose of transition to IFRS.

2.1 Basis of accounting

These financial statements have been prepared for the first time in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 25. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 3.

A separate income statement for the parent company has not been presented as permitted by section 230(4) of the Companies Act 1985.

2.2 Going concern

The Directors have reviewed the projections for the forthcoming 12 month period from the date of signing of these financial statements and based on the level of existing cash, projected income and expenditure, the Directors are satisfied that the Company and Group have adequate resources to continue in business for the foreseeable future. Accordingly the going concern basis has been used in preparing the financial statements.

2.3 Consolidation

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefit from their activities. Subsidiaries are fully consolidated from the date on which control is transferred until the date control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The investment in subsidiaries in the Company's balance sheet are shown at cost less provision for diminution in value.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

2.4 Goodwill

Goodwill arising on acquisitions represents the excess of the consideration given plus any associated costs for investments in subsidiary undertakings over the fair value of the identifiable assets and liabilities acquired. Adjustments are made to fair values to bring the accounting policies of acquired businesses into alignment with those of the Group. Provision is made for any impairment in the value of goodwill. The costs of integrating and reorganising acquired businesses are charged to the post acquisition income statement.

In accordance with IFRS1, the Group has applied the exemption from retrospectively recalculating goodwill which arose on acquisitions prior to 1 January 2006. This goodwill is included at its deemed cost, being the amount recorded under UK GAAP as at 1 January 2006. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of these cash generating units represents the group's investment in each country of operation by primary reporting segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.5 Other intangible assets

Other intangible assets are shown at historical cost less accumulated amortisation and impairment losses.

Amortisation is charged to administrative expense in the income statement on a straight-line basis over the estimated useful lives of the intangible asset unless such lives are indefinite. Intangible assets with an indefinite useful life are tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The useful lives are as follows:

- Software – 3 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

Research and development expenditure is written-off to the income statement in the year in which it is incurred unless the costs are directly associated with the development of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, when they are recognised as intangible assets and amortised over their estimated useful lives.

2.6 Property, plant and equipment

All are stated at cost less accumulated depreciation.

Depreciation of property, plant and equipment is provided to write each asset down to its estimated residual value on a straight-line basis over its estimated useful life, as follows:

Computer equipment	3 years
Fixtures, fittings and equipment	3 to 5 years

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

Gains or losses on disposal are included in the income statement.

2.7 Impairment of assets

The Group assess at each balance sheet date whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value.

For goodwill and intangible assets that have an indefinite life and intangible assets not yet available for use, the recoverable amount is estimated at each balance sheet date and whenever there is an indication of impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the income statement.

2.8 Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group has become a party to the contractual provisions of the instrument.

2.8.1 Trade receivables

Trade receivables are initially recognised at fair value and then subsequently measured at amortised cost using the effective interest rate method. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

2.8.2 Trade payables

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

2.8.3 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

2.9 Share based payments

The group has applied the requirements of IFRS 2: Share-based Payments.

The group issues equity-settled share-based payments to its employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

2.10 Pensions

All pension schemes operated by the Group are defined contribution schemes. The costs are charged to the income statement in the year in which they are incurred.

2.11 Revenue

Revenue is measured at fair value of consideration received or receivable for goods sold and services provided to customers outside the Group, net of Value Added Tax and any discounts. 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.

2.12 Leases

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 and has not received any benefits as an incentive to sign a lease of whatever type.

2.13 Current and deferred taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in jointly controlled entities, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

2.14 Provisions

Provisions are recognised in the balance sheet when there is a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

2.15 Standards and interpretations not applied

At the date of authorisation of these Financial Statements, the following Standards and Interpretations (International Financial Reporting Interpretation Committee – IFRIC), which have not been applied in these Financial Statements, were in issue but not yet effective:

IFRS 2	Share-based payment – Amendment relating to vesting conditions and cancellations.
IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method.
IFRS 8	Operating segments.
IAS 1	Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income.
IAS 23	Borrowing Costs – Comprehensive revision to prohibit immediate expensing.
IAS 27	Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3.
IAS 28	Investments in Associates – Consequential amendments arising from amendments to IFRS 3.
IAS 31	Investments in Joint Ventures – Consequential amendments arising from amendments to IFRS 3.
IAS 32	Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation.

IFRIC 11 IFRS 2 : Group and Treasury Share Transactions.

IFRIC 12 Service Concession Arrangements.

IFRIC 13 Customer Loyalty Programmes.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group when the relevant standards and interpretations come into effect.

3. Accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Goodwill has been tested for impairment by comparing the amount of goodwill against future forecast results including cash flows expected to be generated in the future by the appropriate asset, cash-generating unit, or business segment.
- The fair value of share-based payments is measured using a binomial model which inherently makes use of significant estimates and assumptions concerning the future applied by the directors.

4. Revenue

For management purposes, the Group is currently organised into one operating division – e-commerce. This is the basis on which the Group reports its primary segment information. Set out below is an analysis of revenue recognised between principal product categories, which the Directors use to assess future revenue flows from customers.

Revenue	***2007*** **£**	*2006* £
Company formation services	**1,304,812**	1,223,130
Web and eCommerce services	**1,024,788**	939,850
	2,329,600	2,162,980

All of the revenue derives from services provided in the United Kingdom.

5. Operating loss

	2007 **£**	*2006* £
This is stated after the following:		
Staff costs (see note 7)	**2,312,904**	2,688,615
Depreciation of property, plant and equipment (see note 14)	**262,238**	140,207
Amortisation of other intangible assets	**28,328**	14,983
Research and development costs	**207,855**	291,407
Exceptional item – reorganisation costs (see note below)	**83,485**	219,962
In relation to acquisitions:		
Costs of sales	**–**	–
Administrative expenses	**–**	152,495

Reorganisation costs represent the costs incurred in reducing staff numbers.

6. Auditors remuneration

Amounts payable to Baker Tilly UK Audit LLP (2006: Baker Tilly) in respect of audit and non-audit services

	2007	*2006*
	£	£
Audit of Company and consolidated accounts	**29,050**	26,050
Audit of subsidiaries	**4,250**	4,500
Other assurance services – interim review	**5,500**	4,750
Other services relating to:		
Taxation	**4,350**	4,000

7. Employees

	2007	*2006*
	£	£
Staff costs including directors comprised:		
Wages and salaries	**2,057,845**	2,386,246
Pension	**2,256**	2,556
Social security costs	**226,728**	248,635
Share based payments	**26,075**	51,178
	2,312,904	2,688,615

	2007	*2006*
	No.	*No.*
The average monthly number of persons (including Directors) employed by the Group during the year was:		
Management and administration	**15**	16
Technical and delivery	**39**	38
Sales and marketing	**15**	29
	69	83

Directors' remuneration

	2007	*2006*
	£	£
Emoluments for qualifying services	**436,000**	472,667
Compensation for loss of office	**–**	120,000
	436,000	592,667

The emoluments of the highest paid Director were £110,000 (2006: £80,000). No Directors were accruing benefits under a company pension scheme.

8. Investment income

	2007	*2006*
	£	£
Interest on short term deposits	**159,680**	290,901

9. Finance costs

	2007	*2006*
	£	£
Interest on borrowings	**6,869**	5,989

10. Taxation

	2007	*2006*
	£	£
Tax charge for the year	**–**	–
Factors affecting tax charge for the year		
Loss on ordinary activities before taxation	**(2,367,448)**	(3,494,537)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28% (2006: 30%)	**(662,885)**	(1,048,361)
Effects of:		
Expenses not deductible for tax purposes	**73**	11,637
Share based payments	**7,301**	15,353
Capital allowances less than/(in excess of) depreciation	**31,192**	(55,201)
Carry forward of tax losses	**624,319**	1,076,572
	662,885	1,048,361
Total tax expense	**–**	–

The Group has estimated tax losses of £9,500,000 (2006: £7,200,000) 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.

11. Loss per share

The calculations for loss per share are based on the weighted average number of shares in issue during the year 37,723,138 (2006: 37,593,941) and the following losses:

	2007	*2006*
	£	£
Unadjusted earnings:		
Loss for the year attributable to equity shareholders of the parent	**(2,367,448)**	(3,494,537)
Add back:		
Exceptional reorganisation costs	**83,485**	219,962
Share-based payments	**26,075**	51,178
Adjusted earnings	**(2,257,888)**	(3,223,397)

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 6.0p (2006: 8.6p).

12. Goodwill

Group	£
1 January 2006	–
Acquisition of Coding International Limited	96,274
Cost and carrying value at 31 December 2007 and 2006	96,274

13. Other intangible assets

Group and Company	*Computer software* £
Cost:	
1 January 2006	–
Additions	74,917
1 January 2007	74,917
Additions	15,320
31 December 2007	**90,237**
Amortisation:	
1 January 2006	–
Charge for the year	14,983
1 January 2007	14,983
Charge for the year	28,328
31 December 2007	**43,311**

Carrying value at 1 January 2006	–
Carrying value at 1 January 2007	59,934
Carrying value at 31 December 2007	**46,926**

14. Property, plant and equipment

Group	*Fixtures fittings and equipment* £	*Computer equipment* £	*Total* £
Cost:			
1 January 2006	28,105	156,935	185,040
Acquisitions	858	888	1,746
Additions	263,915	453,026	716,941
1 January 2007	292,878	610,849	903,727
Additions	15,220	56,426	71,646
31 December 2007	**308,098**	**667,275**	**975,373**
Depreciation:			
1 January 2006	4,596	66,377	70,973
Additions	38,253	101,954	140,207
1 January 2007	42,849	168,331	211,180
Charge for the year	65,114	197,124	262,238
31 December 2007	**107,963**	**365,455**	**473,418**

Carrying value at 1 January 2006	23,509	90,558	114,067
Carrying value at 1 January 2007	250,029	442,518	692,547
Closing carrying value at 31 December 2007	**200,135**	**301,820**	**501,955**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Property, plant and equipment (continued)

Company	*Fixtures fittings and equipment* £	*Computer equipment* £	*Total* £
Cost:			
1 January 2006	28,105	156,935	185,040
Additions	263,915	451,551	715,466
1 January 2007	292,020	608,486	900,506
Additions	15,220	56,427	71,647
31 December 2007	**307,240**	**664,913**	**972,153**
Depreciation:			
1 January 2006	4,596	66,377	70,973
Additions	38,074	101,160	139,23
1 January 2007	42,670	167,537	210,207
Charge for the year	64,994	195,557	260,551
31 December 2007	**107,664**	**363,094**	**470,758**
Carrying value at 1 January 2006	23,509	90,558	114,067
Carrying value at 1 January 2007	249,350	440,949	690,299
Closing carrying value at 31 December 2007	**199,576**	**301,819**	**501,395**

15. Fixed asset investment

Company	£
Subsidiary undertakings (at cost):	
1 January 2006	31,377
Additions	53,670
1 January 2007	85,047
Adjustment	(23,276)
31 December 2007	**61,771**

The investments represent the Company's 100% holding in the ordinary shares of @Software PLC and its wholly owned subsidiary Software Limited (incorporated in the United Kingdom; non-trading) and Coding International Limited (incorporated in the United Kingdom; provides coding services for use in procurement). The adjustment to cost in the year arose when an amount of £25,000 payable for deferred consideration and included in the cost of subsidiaries at 31 December 2006 was settled by the issue of shares which were recorded in the accounts at par value, no premium being recognised as a result of merger relief.

16. Trade and other receivables

	Group		*Company*	
	2007 £	*2006* £	***2007*** £	*2006* £
Prepayments and accrued income	**128,859**	70,417	**117,021**	67,958
Amounts owed by related undertakings	**–**	–	**51,941**	15,658
Other receivables	**7,353**	13,829	**7,090**	13,723
Trade receivables	**175,527**	313,421	**153,563**	293,784
	311,739	397,667	**329,615**	391,123

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

17. Notes to the cash flow statement

a. *Analysis of cash flows*

	Group		*Company*	
	2007	*2006*	***2007***	*2006*
	£	£	**£**	£
Acquisitions				
Purchase of subsidiary undertaking	**–**	(28,250)	**–**	(28,250)
Cash in subsidiary acquired	**–**	6,256	**–**	–
Net cash outflow for acquisitions	**–**	(21,994)	**–**	(28,250

b. *Analysis of changes in net funds/debt*

	Group		*Company*	
	31 December 2007	*1 January 2007*	***31 December 2007***	*1 January 2007*
Net cash:				
Cash at bank and in hand	**118,183**	204,272	**111,150**	183,759
Money market deposits	**1,673,006**	3,914,976	**1,673,006**	3,914,976
	1,791,189	4,119,248	**1,784,156**	4,098,735

18. Trade and other payables

	Group		*Company*	
	2007	*2006*	***2007***	*2006*
	£	£	**£**	£
Trade creditors	**228,194**	268,929	**211,332**	265,861
Other taxation and social security	**117,075**	230,188	**102,483**	213,164
Other creditors	**–**	25,000	**–**	25,000
Accruals and deferred income	**241,080**	351,579	**232,364**	319,888
	586,349	875,696	**546,179**	823,913

19. Borrowings

	Group		*Company*	
	2007	*2006*	***2007***	*2006*
	£	£	**£**	£
Non current:				
Bank loan	**54,800**	66,667	**54,800**	66,667
Amounts owed to Group undertakings	**–**	–	**807,665**	807,665
	54,800	66,667	**862,465**	874,332
Current:				
Bank loan	**12,500**	12,500	**12,500**	12,500
	12,500	12,500	**12,500**	12,500
Analysis of maturity of 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	**4,800**	16,667	**4,800**	16,667
	67,300	79,167	**67,300**	79,167

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.

20. Share capital and share premium

	Number of shares	*Ordinary shares* £	*Share premium* £
At 1 January 2006	37,565,394	375,654	10,113,881
Shares issued in connection with acquisition	42,015	420	–
At 31 December 2006	37,607,409	376,074	10,113,881
Shares issued in connection with acquisition	172,413	1,724	–
At 31 December 2007	**37,779,822**	**377,798**	**10,113,881**

The total authorised number of ordinary shares is 250 million (2006: 250 million) with a par value of 1p each.

During the year 172,413 ordinary shares were issued at 14.5p in satisfaction of £25,000 of deferred consideration for the acquisition of Coding International Limited.

During 2007 the number of options granted under the @UK PLC Share Option Scheme to subscribe for ordinary shares in the Company changed as follows:

	Number of options under grant
At 1 January 2007	1,465,178
Options granted during the year	1,367,000
Options lapsed during the year	(523,874)
At 31 December 2007	2,308,304

The options which have been granted at 31 December 2007 are as follows:

Number of options under grant	*Subscription price per share*	*Exercise period*
750,000	45p	December 2008 to December 2015
373,174	63p	January 2009 to January 2016
8,130	61.5p	June 2009 to June 2016
1,000,000	14.75p	January 2008 to January 2017
177,000	13p	June 2010 to June 2017

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.

21. Share based payments

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 10 years. The scheme allows for performance criteria or market conditions to be attached to the options, but this has not generally been done. 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*	*26 June 2007*
Share price at grant date	60p	63p	61.5p	14.75p
Exercise price	45p	63p	61.5p	14.75p
Number of employees	1	31	20	2
Shares originally under option	250,000	644,121	270,895	367,000
Vesting period (years)	3	3	3	3
Expected volatility	31%	31%	31%	100%
Expected life (years)	4	4	4	4
Risk free rate	4.30%	4.30%	4.78%	4.78%
Rate ceasing employment before vesting (total)	0%	50%	95%	50%
Fair value per option	17p	15p	15p	6p

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 in 2006 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. A grant of 1 million shares on 30 January 2007 is not included above as the rate ceasing employment before vesting is 100%.

22. Financial instruments

	2007	*2006*
	£	£
Financial assets		
Floating rate interest bearing – cash	**1,791,189**	4,119,248

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

Financial liabilities		
Floating rate interest bearing – bank loan (see note 19)	**67,300**	79,167

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Financial commitments

Group and Company	**2007** £	*2006* £
Future commitments under non-cancellable operating leases:		
Land and buildings, with expiry date		
– within one year	**68,500**	11,750
– between two and five years	**–**	153,000
	68,500	164,750

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

At the beginning of the year Mr RJ Duncan had an advance of £5,000 against expenses, which was repaid during the year. This balance, which represents principal, was also the maximum balance outstanding.

25. Reconciliation of Loss and Net Assets under UK GAAP to IFRS

In implementing the transition to IFRS, the Group has followed the requirements of IFRS 1 "First Time Adoption of International Financial Reporting Standards", which in general requires IFRS accounting policies to be applied fully retrospectively in deriving the opening balance sheet at the date of transition. In the Group's case this is 1 January 2006 being the start of the previous period that has been presented as comparative information. IFRS 1 contains certain mandatory exceptions and some optional exemptions to this principle of retrospective application. Where the Group has taken advantage of the exemptions they are noted below. The adoption of IFRS represents an accounting change only and does not affect the operations or cash flows of the Group. The principal areas of impact are described below.

Group	**2007** £	*2006* £
Operating loss under UK GAAP	**(2,517,122)**	(3,792,285)
Change in amortisation period of goodwill (note (a) below)	19,255	12,836
Operating loss under IFRS	**(2,497,867)**	(3,779,449)
Retained loss under UK GAAP	**(2,358,728)**	(3,507,373)
Change in amortisation period of goodwill (note (a) below)	19,255	12,836
Retained loss under IFRS	**(2,339,473)**	(3,494,537)

25. Reconciliation of Loss and Net Assets under UK GAAP to IFRS (continued)

	UK GAAP £	31 December 2006 Effect of change £	IFRS £
Assets			
Non-current assets			
Goodwill (note (a) below)	83,438	12,836	96,274
Intangible assets (note (b) below)	–	59,934	59,934
Property, plant and equipment (note (b) below)	752,481	(59,934)	692,547
	835,919	12,836	848,755
Current assets			
Trade and other receivables	397,667	–	397,667
Cash and cash equivalents	4,119,248	–	4,119,248
	4,516,915	–	4,516,915
Total assets	5,352,834	12,836	5,365,670
Liabilities			
Current liabilities			
Trade and other payables	(875,696)	–	(875,696)
Current tax liabilities	(2,878)	–	(2,878)
Financial liabilities – borrowings	(12,500)	–	(12,500
	(891,074)	–	(891,074
Non-current liabilities			
Financial liabilities – borrowings	(66,667)	–	(66,667)
	(66,667)	–	(66,667)
Total liabilities	(957,741)	–	(957,741)
Net assets	4,395,093	12,836	4,407,929
Shareholders' equity			
Called up share capital	376,074	–	376,074
Share premium	10,113,881	–	10,113,881
Other reserve	606,754	–	606,754
Share based payments reserve	51,178	–	51,178
Accumulated losses	(6,752,794)	12,836	(6,739,958)
Total shareholders' equity	4,395,093	12,836	4,407,929

There is no difference between UK GAAP and IFRS for the balance sheet as at 1 January 2006.

Explanation of reconciling differences between UK GAAP and IFRS

(a) The goodwill arising from the acquisition of Coding International Limited was previously amortised under UK GAAP on a straight-line basis over its estimated useful life of 5 years. This goodwill is no longer amortised, but is subject to reviews for impairment. The Group has taken advantage of the exemption not to apply IFRS 3 retrospectively to business combinations occurring prior to the date of transition to IFRS.

(b) Purchased computer software costs were previously recorded as property, plant and equipment as permitted by UK GAAP. In accordance with IAS 38, all purchased computer software is recorded as an intangible asset.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2008 annual general meeting of the Company will be held on Friday 30 May 2008 at 10 am at 6a Vulcan House, Calleva Park, Aldermaston, Berks RG7 8NN, to consider and if thought fit, pass the following resolutions:

Ordinary business

1. To receive the audited accounts of the Company for the year ended 31 December 2007 and the reports of the Directors and Auditor thereon.
2. To re-elect Bernard Fisher, who is retiring by rotation in accordance with article 118, as a Director of the Company.
3. To re-appoint Baker Tilly Audit UK LLP as auditor of the Company and to authorise the Directors to fix their remuneration.
4. That the Directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act ("the Act") to exercise all powers of the Company to allot relevant securities within the meaning of section 80 of the Act up to the aggregate nominal amount of the authorised but unissued ordinary share capital of the Company immediately following the passing of this resolution, provided that the authority hereby conferred shall operate in substitution for and to the exclusion of any previous authority given to the Directors pursuant to section 80 of the Act and shall expire 15 months after the passing of this resolution or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2007 unless such authority is renewed, varied or revoked by the Company in general meeting save that the Company may at any time before such expiry make an offer or agreement which might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired.

Special business

5. That the Directors be empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash as if section 89(1) of the Act did not apply to any such allotment pursuant to the general authority conferred on them by the above resolution (as varied from time to time by the Company in General Meeting), provided that such power shall be limited to:
   (a) The allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective amounts of equity securities held by them subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or legal or practical difficulties under the laws of or requirements of any recognised regulatory body in any territory or otherwise; and
   (b) The allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal amount of £40,000 representing approximately 10% of the current issued share capital of the Company.
6. And the power hereby conferred shall operate in substitution for and to the exclusion of any previous power given to the Directors pursuant to section 95 of the Act and shall expire on whichever is the earliest of the conclusion of the annual general meeting of the Company held in 2007 or the date falling 15 months from the date of the passing of this resolution unless such power is renewed or extended prior to such meeting except that the Company may before the expiry of any power contained in this resolution 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 power conferred hereby had not expired.

By order of the Board

Alice Morwood-Leyland
Secretary

22 April 2008

Registered Office:
5 Jupiter House
Calleva Park
Aldermaston
Berks RG7 8NN

Note as to proxies:

a. Shareholders may appoint another person (a 'proxy') to exercise all or any of their rights to attend and to speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy does not need to be a shareholder in @UK PLC.
b. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
c. The statement of the rights of shareholders in relation to the appointment of proxies in note a. above does not apply to Nominated Persons. The rights described in note a. can only be exercised by shareholders of the Company.
d. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those members entered on the register of members of the Company no later than 10.00 a.m. on 28 May 2008 will be entitled to attend and vote at the meeting in respect of the number of shares appearing in their name at that time. Changes to entries on the register after this time will be disregarded in determining the rights of any person to attend or vote at the meeting.

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