@UK PLC - Interim Results

RNS Number:5969J
@UK PLC
28 September 2006

Under embargo until 7:00am 28 September 2006

@UK PLC

Unaudited Interim Statement for the six months ended 30 June 2006

@UK PLC (AIM:ATUK.L), a leading provider of software solutions that facilitate eCommerce and eProcurement in the local government and health sectors, today announces its unaudited interim statement for the six months ended 30 June 2006.

Interim period highlights:

*Turnover up 18% to £978,000 (2005: £828,000)

*Gross profit up 5% to £582,000 (2005: £554,000)

*Operating loss increased to £1,428,000 (2005: £124,000) reflecting an increased cost base

*A number of strategically significant client gains since we last reported (Thames Valley Police, Lewisham, and coding project for NW London Health Trusts)

*Significant progress achieved with suppliers since 31 July trading update

Commenting on the interim results, Lyn Duncan, Chief Executive, said:

'The public sector as a whole is taking longer to both initiate and implement the government's stated eProcurement objectives than was anticipated by the Board at the time of the IPO in December 2005.

We recognised the need to accelerate the rate at which we sign up suppliers to our service and have implemented a new approach which is beginning to bear fruit. However, we are limited by the speed at which the public sector is progressing the eProcurement initiative and we therefore expect our penetration of the supplier community to grow more slowly than previously hoped.

At the same time we have recognised that the public sector needs additional help in progressing eProcurement and this provides @UK with the opportunity to sell additional services to its buyside clients, something that is being pursued aggressively. We also hope to bring more of the public bodies which have chosen our solution onto the platform more quickly, but to achieve this we can only assist and cajole our clients to speed up their implementation.

The Board believes that @UK remains well positioned to exploit what continues to be a large opportunity and is therefore confident about the company's medium term outlook.'

For further information please contact:

@UK PLC +44 (0) 118 963 7000
Lyn Duncan Managing Director
John Aiken Finance Director

Shore Capital +44 (0) 151 600 3700
Mike Sawbridge
Margaret Standish
Smithfield +44 (0) 20 7360 4900
Sara Musgrave
Tania Wild

Notes to Editors:

eCommerce can be defined as the buying and selling of products and services over the internet and eProcurement as the process by which larger organisations carry out their purchasing using eCommerce. eProcurement is conducted via an eMarketplace, a secure internet platform that enables trade between one or more purchasing organisations and a variety of suppliers.

@UK is one of the UK's leading eMarketplace providers. Via the internet, @UK's software provides a secure eMarketplace enabling buyers such as local authorities, schools and hospitals to buy online from commercial suppliers such as small to medium enterprises (SMEs).

The government has set up ambitious targets for public sector bodies to practise successful eProcurement. The 2004 Gershon Review identified eProcurement as a major cost-saving opportunity for the government and all public sector bodies are now in the process of identifying, adopting and implementing eProcurement solutions. Currently, there are over 1,000 public sector bodies spending over £100 billion annually on goods and services with around one million suppliers.

@UK aims to become the market leader in its field and the partner of choice for public sector bodies requiring an eMarketplace.

@UK joined AIM in December 2005, raising £8 million before expenses at an issue price of 60p. It purchased Coding International Limited, its first acquisition since becoming a quoted company, in May 2006. @UK is included in the Software and Computer Services Sector (9530). For further information please visit www.ukplc.net.

OPERATING AND FINANCIAL REVIEW

Company Description

eCommerce can be defined as the buying and selling of products and services over the internet and eProcurement as the process by which larger organisations carry out their purchasing using eCommerce. eProcurement is conducted via an eMarketplace, a secure internet platform that enables trade between one or more purchasing organisations and a variety of suppliers.

@UK is one of the UK's leading eMarketplace providers. @UK's software provides a secure eMarketplace enabling buyers such as local authorities, schools and hospitals to buy online from commercial suppliers such as small to medium enterprises (SMEs).

The government has set up ambitious targets for public sector bodies to practise successful eProcurement. The 2004 Gershon Review identified eProcurement as a major cost-saving opportunity for the government and all public sector bodies are now in the process of identifying, adopting and implementing eProcurement solutions. Currently, there are over 1,000 public sector bodies spending over £100 billion annually on goods and services with around one million suppliers - all of whom may be considered potential customers for @UK.
@UK aims to become the market leader in its field and the partner of choice for public sector bodies requiring an eMarketplace.

Financial results

Turnover for the six months to 30 June 2006 increased 18% to £978,000 (2005: £828,000).

The operating loss rose to £1,428,000 (2005: £124,000), reflecting the planned increase in our cost base as we commence the necessary roll-out of our products and services across the public sector. After net interest income of £168,000 (2005: net interest charge of £4,000), the loss before tax was £1,260,000 compared to £128,000 in 2005. During the six months our net cash reduced by

£1,919,000 to £6,634,000.

Strategy and Operating Review

The public sector is taking longer to initiate and implement eProcurement than anticipated at the time of IPO in December 2005.

To date there has been a lack of sanction for failure to meet the deadlines and targets set by government. However, many of the bodies who have actively chosen an eProcurement solution have selected @UK, so despite the delays we continue to believe that we are positioned to be one of the key players as this very large market develops.

A move to eProcurement requires a mix of technology, training and change management processes. @UK had been providing the technology element and relying on the public sector body to manage the change process. As this is not a core skill in the majority of these organisations, implementations have proven to be patchy, impacting on @UK's ability to identify, communicate with and adopt suppliers. We have recognised that the overall process is critical to our success and are putting in place changes within the business so we can better help our buying organisations to drive change. In so doing, we should increase the number of suppliers being presented for adoption onto the @UK platform. This approach should also increase our revenues from the buyside, whilst giving us greater control over the management of the implementation project.

Supplyside customers
During the earlier part of the year we went through a similar exercise looking at the methodology for successful supplier adoption, as our implanted supplier adoption officers were being diverted by the buyers to assist with change management and training, resulting in a low sign up of suppliers. We have changed the process and recruited 20 supplier advisors to work from a call centre environment, at our Aldermaston head office, with a structured mailing and sales process across all of our buying organisations. Although it is early days and the majority of the team has only been in post since the beginning of September, they have adopted 399 suppliers in the first three weeks of September alone.

Central Government - As part of our focus on deploying our resources where we will maximize supplier revenues, we have withdrawn from the Zanzibar consortium. 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.

National Health Service - This year has seen @UK move successfully into the NHS, gaining the Leeds Teaching Hospitals Trust. With this flagship Trust now implemented and running successfully we can extend our sales focus across the NHS, and have more recently gained the Royal Devon and Exeter Trust.

Local Authorities - a total of 58 authorities have adopted the @UK eProcurement solution as their chosen approach, an increase of 48 from the figure we reported at our Preliminary Results in April 2006. During the period our geographic spread was further increased when East Renfrewshire in Scotland adopted our solution. We were pleased to announce this week that the London Borough of Lewisham has also adopted our solution.

Education - We continue to promote our initiative in this area and are now working with 12 authorities, including the nine Greater Manchester Boroughs where we are providing an electronically based schools purchasing information service.

Following the half year end, we were recently delighted to announce @UK's successful move into a new vertical market by being selected to provide an eMarketplace to Thames Valley Police (TVP). @UK has a strong pipeline for prospects and continues to investigate opportunities for expansion into other vertical markets, including in the private sector.

Company Formations
Our company formation services business grew revenues by 12% to £655,000 compared to the same period last year (2005: £585,000). We continue to look at enhancements to our services in this area.

Acquisition of Coding International Limited

The acquisition of Coding International Limited 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. We are introducing the benefits of using Coding International to our existing clients as well as to our sales pipeline. Work commenced around the period end on the NW London Health Trusts contract which we announced in July.

Transition to International Financial Reporting Standards

As an AIM quoted company @UK will adopt IFRS for our financial statements for

the year ending 31 December 2007. Our IFRS evaluation is ongoing.

Outlook and current trading

The public sector as a whole is taking longer to both initiate and implement the government's stated eProcurement objectives than was anticipated by the Board at the time of the IPO in December 2005. This has adversely affected our revenue growth on both the buyside and supplyside.

We recognised the need to accelerate the rate at which we sign up suppliers to our service and have implemented a new approach which is beginning to bear fruit. However, we are limited by the speed at which the public sector is progressing the eProcurement initiative and we therefore expect our penetration of the supplier community to grow more slowly than previously hoped.

At the same time we have recognised that the public sector needs additional help in progressing eProcurement and this provides @UK with the opportunity to sell additional services to its buyside clients, something that is being pursued aggressively. We also hope to bring more of the public bodies which have chosen our solution onto the platform more quickly, but to achieve this we can only assist and cajole our clients to speed up their implementation.

We are taking steps to ensure that our resources and costs are better matched to our revised growth expectations.

The Board believes that @UK remains well positioned to exploit what continues to be a large opportunity and is therefore confident about the company's medium term outlook.

Lyn Duncan
Chief Executive

28 September 2006

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000 (restated)	Year ended 31 Dec 2005 £'000 (restated)
Turnover	2	978	828	1,454
Costs of sales		(396)	(274)	(474)
Gross profit		582	554	980
Administrative expenses		(1,977)	(678)	(1,883)
Share based payments		(33)	-	-
Operating loss before exceptional item		(1,428)	(124)	(903)
Exceptional goodwill write-off		-	-	(799)
Operating loss		(1,428)	(124)	(1,702)
Interest receivable and similar income		171	1	28
Interest payable and similar charges		(3)	(5)	(10)

Loss on ordinary activities before taxation		(1,260)	(128)	(1,684)
Taxation		-	-	-
Loss on ordinary activities after taxation		(1,260)	(128)	(1,684)
Dividends payable		-	-	-
Retained deficit		(1,260)	(128)	(1,684)
Loss per share - basic and diluted	3	3.3p	0.7p	8.5p

Turnover and operating loss all derive from continuing operations.

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

The comparative figures are restated for the reclassification within the profit and loss account of certain expenses (see note 1)

UNAUDITED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2006 £'000	30 June 2005 £'000	31 Dec 2005 £'000
Fixed assets				
Intangible assets	4	69	-	-
Tangible assets		302	31	114
		371	31	114
Current assets				
Debtors		280	420	227
Cash at bank	5	6,719	184	8,644
		6,999	604	8,871
Creditors: amounts falling due within one year		(673)	(575)	(1,080)
Net current assets		6,326	29	7,791
Total assets less current liabilities		6,697	60	7,905
Creditors: amounts falling due after more than one year		(73)	(85)	(79)
Net assets/(liabilities)		6,624	(25)	7,826
Capital and reserves				
Called up share capital		376	192	376
Share premium		10,114	2,465	10,114
Other reserve - merger		607	-	582
Other reserve - share based payments		33	-	-
Profit & Loss		(4,506)	(2,682)	(3,246)
Shareholders' equity funds	6	6,624	(25)	7,826

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Notes	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000	Year ended 31 Dec 2005 £'000
Net cash outflow from operating activities				

Operating loss		(1,428)	(124)	(1,702)
Depreciation		39	6	17
Amortisation of goodwill		3	-	-
Write-off of goodwill		-	-	799
Share based payments		33	-	-
Increase in debtors		(31)	(296)	(376)
Decrease in creditors		(389)	(199)	(45)
		(1,773)	(613)	(1,307)
Returns on investments and servicing of finance				
Interest received		171	1	10
Interest paid		(3)	(5)	(16)
		168	(4)	(6)
Taxation		(66)	-	(25)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(225)	(26)	(121)
Acquisitions				
Consideration		(29)	-	-
Cash/(overdraft) in subsidiary acquired		6	-	(126)
		(23)	-	(126)
Cash outflow before use of liquid resources and financing		(1,919)	(643)	(1,585)
Management of liquid resources		1,112	-	(7,568)
Financing				
Loan repayments		(6)	(7)	(13)
New Loans		-	-	-
Proceeds of share issue		-	830	10,238
		(6)	823	10,225
(Decrease)/increase in cash	7	(813)	180	1,072

NOTES TO THE UNAUDITED INTERIM STATEMENT

1. Basis of preparation

The unaudited interim statement has been prepared on a basis consistent with the accounting policies set out in the annual report and accounts for the year ended 31 December 2005 save for the reclassification within expenses referred to below. It was approved by the Board of Directors on 28 September 2006 and is unaudited. The financial information set out does not constitute statutory accounts for the purposes of section 240 of the Companies Act 1985. The comparative figures for the year end 31 December 2005 have been extracted from the statutory accounts for that period, which have been filed with the Registrar of Companies. The auditors' report on the statutory accounts for the year ended 31 December 2005 was unqualified and does not contain a statement under Companies Act 1985 sections 237(2) or (3).

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 £170,000 (Year ended 31 December 2005: £290,000).

2. Segmental analysis

	6 months	6 months	Year

	to 30 June 2006 £'000	to 30 June 2005 £'000	ended 31 Dec 2005 £'000
Turnover - analysis by class of business:			
Company formation services	655	585	1,082
Web and ecommerce services	323	243	372
	978	828	1,454

Turnover for the 6 months to 30 June 2006 includes £15,000 from acquisitions.

3. Loss per share
The calculations for loss per share are based on the weighted average number of shares in issue during the period 37,580,250 (6 months to 30 June 2005: 18,624,874; year ended 31 December 2005: 19,920,248) and the following losses:

	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000	Year ended 31 Dec 2005 £'000
Unadjusted earnings:			
Loss on ordinary activities after tax	(1,260)	(128)	(1,684)
Add back:			
Exceptional write-off of goodwill	-	-	798
Share based payments	33	-	-
Adjusted earnings:	(1,227)	(128)	(886)

The share options and warrants are not 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 3.3p (6 months to 30 June 2005: 0.7p; year ended 31 December 2005: 4.4p).

4. Acquisition of Coding International Limited
On 28 April 2006 the company acquired 100 per cent of the issued capital of Coding International Limited for an initial consideration of £50,000, satisfied as to £25,000 in cash and £25,000 by the issue of 42,015 ordinary shares in the Company at 59.5p. Goodwill of £71,918 arose on the acquisition. This goodwill is being amortised over 5 years.

5. Cash
Included within cash at 30 June 2006 is £5.5 million invested in a sterling liquidity fund from which investments can be converted into cash on 1 day's notice.

6. Reconciliation of movement in shareholders funds

	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000	Year ended 31 Dec 2005 £'000
Loss for the period	(1,260)	(128)	(1,684)
New shares issued	25	830	11,155
Share based payments	33	-	-
Purchase of own shares	-	-	(1,112)
Gain on placing and purchase of own shares	-	-	194
Opening shareholders' funds/(deficit)	7,826	(727)	(727)
Closing shareholders' funds	6,624	(25)	7,826

7. Reconciliation of net cash flow to movement in net funds

	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000	Year ended 31 Dec 2005 £'000
(Decrease)/increase in cash	(813)	180	1,072
Cash (inflow)/outflow from management of liquid resources	(1,112)	-	7,568
Decrease in debt	6	7	13
Movement in funds in year	(1,919)	187	8,653
Opening net funds/(debt)	8,553	(100)	(100)
Closing net funds	6,634	87	8,553

8. Circulation to shareholders
Copies of the interim statement will be sent to shareholders and the AIM team with further copies available from the Company Secretary, @UK plc, 5 Jupiter House, Calleva Park, Aldermaston, Reading RG7 8NN or from the investors section of the @UK Website, www.ukplc.net.

INDEPENDENT REVIEW REPORT TO @UK PLC

Introduction
We have been instructed by the company to review the financial information set out on pages 6 to 10 and we have read the other information in the interim statement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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

Directors' responsibilities
The interim statement, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim Statement in accordance with the AIM Market Rules which require that the accounting policies and presentation applied to the interim figures must be consistent with those that will be adopted in the company's annual accounts.

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

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

BAKER TILLY

Chartered Accountants
The Clock House
140 London Road
Guildford
GU1 1UW

28 September 2006

END
IR AKOKNFBKDCCB