

# ATLANTIC GLOBAL PLC

Interim Report 2002

Six months ended 30 June 2002

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# ATLANTIC GLOBAL PLC

## Chairman's Statement - Interim Report 2002

### 1. INTRODUCTION

I am pleased to present the Group's second interim results since joining the Alternative Investment Market ("AIM"), for the six-month period ended 30 June 2002. Despite a global downturn in economic conditions and within the technology sector our results for the period have shown further growth. This is confirmation of high levels of customer acceptance of our software products, as our clients show an increased need to maintain and improve their administration and control systems.

### 2. FINANCIAL REVIEW

To enable more useful comparisons of the Group's performance to be made, we have, as last year, included historical proforma results of the Group's performance to be compared against the actual results for the six months to 30 June 2002.

I am delighted to report that operating profit before amortisation of goodwill and exceptional costs has increased by 30.9% to £284,000, compared to a proforma basis for the first six months of 2001 of £217,000. Turnover has increased by 67.0% to £860,000 from a proforma level of £515,000 in the same period in 2001. The profit before tax for the period was £230,000 (2001: £120,000 on a proforma basis, including exceptional cost of £101,000). It is the Directors' view that these results are highly satisfactory when viewed against the general economic background and technology sector.

The increase in sales generation is a real reflection of the growth of our Company, whereas profit growth has been affected by the additional ongoing AIM administration costs incurred as a result of our listing on the market on 4 June 2001. In the six months to 30 June 2002, these costs amounted to £65,000 (compared to £11,000 in the first six months of 2001).

Operating profit margin before goodwill and exceptional costs of £284,000 as stated above for 2002 and £217,000 for 2001, was 33% and 42% respectively. The reason for this drop in margins is explained in the Operating Review below.

Earnings per share before goodwill and exceptional costs of 1.03p were generated for the six-month period, (2001: 0.94p). Comparison of the reported earnings per share with the previous period does not reflect the underlying profit growth of the business, due to the additional charges for the AIM administration costs as noted above.

As at 30 June 2002 the Group had net cash resources of £1,800,000, being cash at bank and on deposit. The reduction in our net cash position, from £2,123,000 as at 30 June 2001, was due to a number of significant factors, being the payment of a large proportion of the costs incurred in the listing on AIM, the payment of £225,000 deferred consideration to the vendors of the Atlantic business and the payment of a final cash dividend for 2001 of £104,000. Many of these payments are of a one off nature and at an operational level the Company remains cash generative.

### 3. INCOME RECOGNITION

In view of the recent press coverage, relating to how companies account for sales revenue and therefore profits, I believe that it would be useful to restate again, what our policy is.

Turnover represents the amounts invoiced and receivable, for the Group's software licences, consultancy and support services. We only account for sales directly to our customers and following the installation of a software licence. The invoice would usually include an amount for ongoing support. This support element is deferred and recognised, on an equal monthly basis, over the whole period that the support is to be provided for.

Income from the sale of software licences is recognised only when the software is installed.

The Group does not capitalise any costs incurred on research and development, or in bidding for any sale and writes all such costs off to the profit and loss account as they are incurred.

#### **4. DIVIDEND**

The Directors have previously announced and can confirm their intention to pursue a progressive dividend policy. At the current time, the Directors believe that any dividend should be proposed at the end of the year and therefore do not intend to commence a policy of paying an interim dividend on this occasion.

#### **5. OPERATING REVIEW**

The first half of 2002 has proved to be a period during which we maintained our momentum and achieved some considerable success in several areas:

- First major contract with Norwich Union Life Services Ltd with a three-year support period
- Expansion of our blue chip client base with further contracts including:
  - Logica Plc
  - NEC Technologies
  - Virgin Mobile
  - Eclipse Petroleum
- Signing of our first sales alliance partner – Morgan Hill Consultants Ltd
- Release of new software products including our new Contacts management system, which is an efficient and easy to use Customer Relationship tool
- Total re-branding of our software suite under the new name of "Adeo"
- Launch of our new website – [www.atlantic-global.net](http://www.atlantic-global.net)
- Continuous investment in research and development

As previously announced, following the listing on AIM in 2001, our strategy has been to accelerate the growth of our Company with the recruitment of new sales personnel and a significantly increased marketing budget. The immediate effect of this has been to increase our running costs and is the reason why our profit margin has fallen in the six months to 30 June 2002. Investment of this type will take some time to show results but the Directors believe that the progress being made will benefit our profit generation in the medium term.

We have outgrown our current leased premises in Bradford and will be re-locating outside Bradford into other leased premises towards the M62 motorway from October 2002. The new address will be:

**Maple House, Woodland Park, Bradford Road, Chain Bar, Cleckheaton BD19 6BW**

The new location will be more efficient for travel and improve the accommodation for all of our personnel. The additional cost is not material.

## **6. OUTLOOK**

The Group's substantial emphasis on product quality and customer partnerships has enabled us to gain market share. We believe that our current product offering is of a very high quality, represents superior value for money and a quick return on investment.

Our software products are extremely competitive and are suitable for companies in a wide range of sectors ensuring that we are not reliant on any individual sector of the economy. Our expenditure on research and development will continue to enhance the attractiveness of our software.

Our growth potential remains substantial, with our software being capable of delivering considerable control and cost reduction benefits to most types of organisation in any part of the world. With the very small, but blue chip, market penetration that we have so far gained the Directors believe that Atlantic Global is capable of significant growth in future years.

We continue to discuss and develop our relationships with potential sales alliance partners and we expect to announce new agreements shortly.

Trading since the end of June 2002 has continued in line with the Directors expectations with the signing of new customers including Cattles Plc, a fully listed financial services group and Basilica Computing, a computer reseller, who have agreed to resell our products. There is no doubt that economic conditions in general, and in particular in the IT sector are challenging, we are experiencing this, and we expect this trend to continue. We are unlikely to be totally immune to these trends.

The progress made during the first six months could not have been achieved without the hard work and dedication of our personnel. I would, once again, compliment and thank them for all their efforts.

With our team's ability having been proven in both good and bad times the Directors look forward to the future with confidence.

**Michael Langmore**  
**Chairman**  
**11 September 2002**

# ATLANTIC GLOBAL PLC

## Consolidated profit and loss account for the six months ended 30 June 2002

	(notes)	<i>Six months to 30 June 2002 (Unaudited) £ 000</i>	<i>Proforma Six months to 30 June 2001 (Unaudited) £ 000</i>	<i>Proforma Year ended 31 December 2001 (Unaudited) £ 000</i>															
<b>Turnover</b>		<b>860</b>	515	1,205															
Cost of sales		<b>(287)</b>	(158)	(350)															
<b>Gross profit</b>		<b>573</b>	357	855															
Administration and establishment expenses		<b>(380)</b>	(254)	(601)															
<table> <tr> <td>Operating profit before goodwill amortisation and exceptional costs</td> <td></td> <td><b>284</b></td> <td>217</td> <td>495</td> </tr> <tr> <td>Goodwill amortisation</td> <td></td> <td><b>(91)</b></td> <td>(13)</td> <td>(104)</td> </tr> <tr> <td>Exceptional costs</td> <td></td> <td>-</td> <td>(101)</td> <td>(137)</td> </tr> </table>					Operating profit before goodwill amortisation and exceptional costs		<b>284</b>	217	495	Goodwill amortisation		<b>(91)</b>	(13)	(104)	Exceptional costs		-	(101)	(137)
Operating profit before goodwill amortisation and exceptional costs		<b>284</b>	217	495															
Goodwill amortisation		<b>(91)</b>	(13)	(104)															
Exceptional costs		-	(101)	(137)															
<b>Operating profit</b>		<b>193</b>	103	254															
Interest receivable		<b>37</b>	17	60															
<b>Profit on ordinary activities before taxation</b>		<b>230</b>	120	314															
Tax on profit on ordinary activities	4	<b>(96)</b>	(40)	(115)															
<b>Profit on ordinary activities after taxation</b>		<b>134</b>	80	199															
Dividends proposed		-	-	(104)															
<b>Retained profit for the period</b>		<b>134</b>	80	95															
Adjusted earnings per share	5	<b>1.03p</b>	0.94p	2.99p															
Basic earnings per share	5	<b>0.61p</b>	0.39p	1.36p															
Diluted earnings per share	5	<b>0.57p</b>	0.39p	1.36p															

**Consolidated balance sheet***as at 30 June 2002*

	<i>As at 30 June 2002</i>	<i>As at 30 June 2001</i>	<i>As at 31 December 2001</i>
	<i>(Unaudited) £ 000</i>	<i>(Unaudited) £ 000</i>	<i>(Unaudited) £ 000</i>
<b>Fixed assets</b>			
Tangible assets	64	20	52
Goodwill	<u>3,550</u>	<u>3,198</u>	<u>3,516</u>
	<u>3,614</u>	<u>3,218</u>	<u>3,568</u>
<b>Current assets</b>			
Debtors	592	353	329
Cash at bank and in hand	<u>1,800</u>	<u>2,123</u>	<u>2,147</u>
	<u>2,392</u>	<u>2,476</u>	<u>2,476</u>
<b>Creditors: amounts falling due within one year</b>	(531)	(837)	(886)
<b>Net current assets</b>	<u>1,861</u>	<u>1,639</u>	<u>1,590</u>
<b>Total assets less current liabilities</b>	<u>5,475</u>	<u>4,857</u>	<u>5,158</u>
<b>Creditors: amounts falling due after more than one year</b>	-	(24)	-
<b>Net assets</b>	<u>5,475</u>	<u>4,833</u>	<u>5,158</u>
<b>Capital and reserves</b>			
Called up share capital	1,137	1,036	1,036
Share premium account	1,545	1,075	1,121
Shares to be issued reserve – in relation to 2002 maximum deferred consideration	87	281	525
Other reserves	2,538	2,538	2,538
Profit & loss account	168	(97)	(62)
<b>Shareholders' funds equity</b>	<u>5,475</u>	<u>4,833</u>	<u>5,158</u>

## Summarised group cash flow statement

for the 6 months ended 30 June 2002

	<i>Six months to 30 June 2002 £000</i>	<i>Proforma Six months to 30 June 2001 £000</i>	<i>Proforma 12 months to 31 December 2001 £000</i>
<b>Cash inflow from operating activities</b>			
Operating profit before goodwill amortisation and exceptional costs	284	217	495
Goodwill amortisation	(91)	(13)	(104)
Exceptional costs	-	(101)	(137)
Operating profit	<u>193</u>	<u>103</u>	<u>254</u>
Depreciation	14	6	16
Goodwill amortisation	91	13	104
Increase in debtors	(265)	(211)	(167)
(Decrease) / increase in creditors	(64)	484	226
<b>Net cash (outflow) / inflow from operating activities</b>	<u>(31)</u>	<u>395</u>	<u>433</u>
Returns on investment	39	13	55
Taxation	-	-	(60)
Capital expenditure	(26)	(183)	(48)
Free cash flow	<u>(18)</u>	<u>225</u>	<u>380</u>
Acquisitions and disposals – 2001 deferred consideration paid	(225)	-	-
Equity dividends paid – in respect of year ended 31 December 2001	(104)	-	-
Cash (outflow) / inflow before management of liquid resources and financing	<u>(347)</u>	<u>225</u>	<u>380</u>
Management of liquid resources and financing	250	(1,200)	(2,050)
Financing	-	1,449	1,318
Net (decrease) / increase in cash in the period	<u>(97)</u>	<u>474</u>	<u>(352)</u>

## Notes to the interim report

1. The interim financial statements for the six months ended 30 June 2002 have been prepared using accounting policies consistent with those set out in the annual report and accounts of Atlantic Global Plc for the year ended 31 December 2001.
2. The interim financial information for the six months ended 30 June 2002 is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The information has been reviewed by the Company's auditors and their report is set out on page 8 of this interim report.
3. Atlantic Global acquired Atlantic EC Limited on 29 May 2001. In order to enable more useful comparisons of the Group's performance proforma results have been included in this interim report. The proforma results for the six months ended 30 June 2001 and the twelve months ended 31 December 2001 represent the actual consolidated results of the Group from 1 January 2001 plus the results of Atlantic EC Limited from 1 January 2001 until its acquisition by the Group.
4. The tax charge for the period is based on the anticipated effective tax rate for the year to 31 December 2002.

5. Earnings per share	<i>Six months ended 30 June 2002 £000</i>	<i>Proforma six months ended 30 June 2001 £000</i>	<i>Proforma year ended 31 December 2001 £000</i>
Profit after tax	134	80	199
Adjustments			
- Goodwill amortisation	91	13	104
- Exceptional costs	-	101	137
Adjusted profits	<u>225</u>	<u>194</u>	<u>440</u>
	<i>Number 000</i>	<i>Number 000</i>	<i>Number 000</i>
Weighted average number of shares in issue	21,806	20,720	14,685
Dilutive effect of maximum deferred consideration shares	233	-	1,422
Options and warrants	1,277	-	-
Diluted number of shares	<u>23,316</u>	<u>20,720</u>	<u>16,107</u>
Basic earnings per share (based on profit after tax)	0.61p	0.39p	1.36p
Diluted earnings per share (based on profit after tax)	0.57p	0.39p	1.36p
Adjusted earnings per share (based on adjusted profits)	1.03p	0.94p	2.99p

6. Copies of this interim report are being sent to all shareholders. Further copies of this interim report and the Company's annual report to 31 December 2001 are available from:

Mr R Hutton, Finance Direct & Company Secretary, Atlantic Global Plc, The Design Exchange, 34 Peckover Street, Bradford, West Yorkshire BD1 5BD and, following 1 October, Maple House, Woodland Park, Bradford Road, Chain Bar, Cleckheaton, BD19 6BW.

Website: [www.atlantic-global.net](http://www.atlantic-global.net) email: [info@Atlantic-global.co.uk](mailto:info@Atlantic-global.co.uk)

## **Independent review report by KPMG Audit Plc to Atlantic Global Plc**

### **INTRODUCTION**

We have been instructed by the Company to review the financial information set out on pages 4 to 7, and we have read the other information contained in the interim report, and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

### **DIRECTORS' RESPONSIBILITIES**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors have decided in preparing this interim report that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts, except where they are to be changed in the next annual accounts, in which case any changes, and the reasons for them, are to be disclosed.

### **REVIEW WORK PERFORMED**

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of Interim financial information issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the 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 2002.

### **KPMG Audit Plc**

Chartered Accountants

11 September 2002

