QONNECTIS PLC
(AIM: QTI)

RNS Number:8563Q
Qonnectis plc
27 March 2008

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

Period of continued growth

Qonnectis plc ('the Company'), the data monitoring service provider for utilities and major commercial users of energy and water, announces its results for the six months ended 31 December 2007, a period of continued growth.

Highlights:

- Sales increased 81% to £291,281
- Gross margins maintained
- Operating loss reduced to £197,168 (2007: £380,098)
- Leakfrog® domestic monitor launched
    - Major order from Thames Water
    - Significant new orders post period

Michael Tapia, Chief Executive of Qonnectis, commented:

"Repeat and new sales of the Qonnectis Smart Metering products have continued and, since the period end, further significant progress has been made with the Company receiving orders for Leakfrog® from South West Water and Three Valleys Water.

"By applying increasing resources to both the selling and volume delivery of our products, the Board expects continued rapid growth in the business."

27 March 2008

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CHAIRMAN'S STATEMENT

This is the fourth year in succession in which Qonnectis has increased its sales in the 6 months ended 31st December, this time by 81% to £291,281.

Gross margins have again been maintained above the 60% level and, as a result, the operating loss has reduced to (£197,168) ((£380,098) to 31 December 2006) whilst the loss before tax has narrowed to (£215,992) from the previous half year figure of (£378,240). This is also reflected in the loss per share improving to (0.10) pence from (0.18) pence.

Repeat and new sales of the Qonnectis Smart Metering products, such as the myMeter service, have continued and, as expected, the main improvement during the period was through sales of the new Leakfrog ® domestic leakage monitor.

Most significantly, during this period the Company won a £200,000 order from Thames Water for the Company's innovative Leakfrog ® product. The launch of Leakfrog ® to a wider customer base following the conclusion of an exclusive licence arrangement with Thames Water allows Qonnectis to market it nationally and internationally.

Since the period end, further significant progress has been made, including the Company receiving initial orders for Leakfrog ® from South West Water and Three Valleys Water, with negotiations continuing with other water companies. As announced on 20 February 2008, the Company has entered into a Memorandum of Understanding with Halma Water Management, an international distributor of leakage products, so that they can distribute the Qonnectis Leakfrog ® product.

The Leakfrog ® product has been extremely well received by the UK water industry and increasing interest in smart metering using Qonnectis' iStaq and myMeter products, provides a strong base for the Company to build upon. By combining this with additional channels to market and applying increasing resources to both the selling and volume delivery of our products, the Board expects continued rapid growth in the business.

Richard M. Taylor
Chairman

27 March 2008

Condensed consolidated interim income statement
for the six months ended 31 December 2007

	Notes	Unaudited 6 months ended 31 December 2007 £	Unaudited 6 months ended 31 December 2006 Restated under IFRS £	Audited 12 months ended 30 June 2007 Restated under IFRS £
Revenue		**291,281**	**161,185**	**304,776**
Cost of sales		(113,571)	(55,547)	(110,985)
Gross profit		**177,710**	**105,638**	**193,791**
Operating expenses		(374,878)	(485,736)	(896,730)
Other operating income		-	-	49,313
Operating loss		**(197,168)**	**(380,098)**	**(653,626)**
Finance income		1,108	4,547	7,354
Finance costs		(19,931)	(2,689)	(5,000)
Loss before taxation		**(215,992)**	**(378,240)**	**(651,272)**
Taxation		-	-	-
Loss for the period - attributable to equity shareholders		**(215,992)**	**(378,240)**	**(651,272)**
Loss per share - basic	4	(0.10 pence)	(0.18 pence)	(0.31 pence)

All of the activities of the group are classed as continuing.

There are no movements to be recognised other than the results for the period as set out above.

The notes on pages 6 to 13 form an integral part of this condensed interim financial information.

Condensed consolidated interim balance sheet
as at 31 December 2007

	Notes	Unaudited 31 December 2007 £	Unaudited 31 December 2006 Restated under IFRS £	Audited 30 June 2007 Restated under IFRS £
ASSETS				
Non-current assets				
Property plant and equipment		6,519	9,204	8,683
Goodwill		3,523,852	3,523,852	3,523,852
		3,530,371	**3,533,056**	**3,532,535**
Current assets				
Inventories		16,626	21,246	11,906
Trade and other receivables		159,961	118,044	94,785
Cash and cash equivalents	6	46,593	166,070	44,046
		223,180	**305,360**	**150,737**
TOTAL ASSETS		**3,753,551**	**3,838,416**	**3,683,272**
EQUITY				
Capital and reserves				
Share capital		10,270,588	10,270,588	10,270,588
Share premium		1,675,050	1,675,050	1,675,050
Retained earnings		(8,840,652)	(8,351,628)	(8,624,660)
TOTAL EQUITY		**3,104,986**	**3,594,010**	**3,320,978**
LIABILITIES				
Non-current liabilities				
Borrowings		-	24,000	6,000
		-	**24,000**	**6,000**
Current liabilities				
Trade and other payables		624,565	179,347	320,294
Borrowings		24,000	41,059	36,000
		648,565	**220,406**	**356,294**
TOTAL LIABILITIES		**648,565**	**244,406**	**362,294**
TOTAL EQUITY AND LIABILITIES		**3,753,551**	**3,838,416**	**3,683,272**

The condensed consolidated interim financial information was authorized for issue by the directors on 27 March 2008.

The notes on pages 6 to 13 form an integral part of this condensed interim financial information.

Condensed consolidated statement of changes in equity as at 31 December 2007

	Share capital £	Share premium £	Retained earnings £	Total equity £
As at 1 July 2006	9,658,588	1,675,050	(7,973,388)	3,360,250
Loss for the period	-	-	(378,240)	(378,240)
Shares issued in the period	612,000	-	-	612,000
As at 31 December 2006	**10,270,588**	**1,675,050**	**(8,351,628)**	**3,594,010**
As at 1 July 2006	9,658,588	1,675,050	(7,973,388)	3,360,250
Loss for the period	-	-	(651,272)	(651,272)
Shares issued in the period	612,000	-	-	612,000
As at 30 June 2007	**10,270,588**	**1,675,050**	**(8,624,660)**	**3,320,978**
As at 1 July 2007	10,270,588	1,675,050	(8,624,660)	3,320,978
Loss for the period	-	-	(215,992)	(215,992)
As at 31 December 2007	**10,270,588**	**1,675,050**	**(8,840,652)**	**3,104,986**

The notes on pages 6 to 13 form an integral part of this condensed interim financial information.

Condensed consolidated interim cash flow statement
for the six months ended 31 December 2007

	Notes	Unaudited 6 months ended 31 December 2007 £	Unaudited 6 months ended 31 December 2006	Audited 12 months ended 30 June 2007 £
Cash flows from operating activities				
Cash utilised by operations	5	(210,630)	(440,739)	(538,386)
Interest paid		(19,931)	(2,689)	(5,000)
Taxation paid		-	-	-
Net cash utilised by operating activities		**(230,561)**	**(443,428)**	**(543,386)**
Cash flows from investing activities				
Purchases of property plant and equipment		-	(4,518)	(6,332)
Interest received		1,108	4,547	7,354
Net cash from investing activities		**1,108**	**29**	**1,022**
Cash flows from financing activities				
Issue of share capital		-	612,000	612,000
Issue of convertible bonds		250,000	-	-
Repayment of borrowings		(18,000)	(18,000)	(36,000)
Net cash from financing activities		**232,000**	**594,000**	**576,000**
Net increase in cash and cash equivalents		**2,547**	**150,601**	**33,636**
Cash and bank overdrafts at start of period		44,046	10,410	10,410
Cash and bank overdrafts at end of period	**6**	**46,593**	**161,011**	**44,046**

The notes on pages 6 to 13 form an integral part of this condensed interim financial information.

Notes to condensed consolidated interim financial information
For the six months ended 31 December 2007

1. General information

Qonnectis PLC (the “company”) and its subsidiaries (together, the “Group”) are engaged in the research, development and supply of an integrated solution for remote data communications to established businesses, such as energy and water utilities, primarily in the United Kingdom and Western Europe.

The company is a public limited company domiciled in England, registered number 03923150, and is listed on the Alternative Investment Market (“AIM”) of the London Stock Exchange.

2. Summary of significant accounting policies

The principal policies applied in the preparation of this condensed consolidated financial information are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

a) Basis of preparation
The condensed consolidated interim financial information for the six months ended 31 December 2007 has been prepared in accordance with the accounting policies which will be adopted in presenting the full year annual report and financial statements for the year ended 30 June 2008. These financial statements will be prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. For periods to 30 June 2007, the group prepared financial statements in accordance with Generally Accepted Accounting Principles in the United Kingdom (“UK GAAP”). The IFRS standards that will be applicable at 30 June 2008 are not known with certainty at the time of preparing this interim financial information.

The interim financial information is unaudited and does not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985. This interim financial information does not include all of the disclosures required in full financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2007. The financial statements for the year ended 30 June 2007, which were presented under UK GAAP, have been delivered to the Registrar of Companies. The report of the auditors on those financial statements provided an emphasis of matter on their opinion relating to going concern and was not qualified and did not contain a statement under either Section 237 (2) (accounting records or returns inadequate or accounts not agreeing with records and returns) or Section 237 (3) (failure to obtain necessary information and explanations) of the Companies Act 1985.

The interim financial information has been prepared under the historical cost convention.

b) Going concern
The interim financial information has been prepared on the assumption that the company is a going concern. The validity of this assumption is dependent on the company’s ability to generate sufficient cash flow from revenues or additional borrowing or equity financing to enable it to meet its debts as they fall due for the foreseeable future. When assessing the foreseeable future the directors have considered a period of twelve months from the date of approval of the interim financial information.

Should the going concern assumption not be valid then adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for any further liabilities which might then arise and to reclassify fixed assets and long-term liabilities as current assets and liabilities.

c) Consolidation

The consolidated interim financial information includes the financial information of the company and all of its subsidiary undertakings up to 31 December 2007. Subsidiaries are consolidated from the date on which control is transferred to the group and are de-consolidated from the date on which control ceases. Intra-group transactions and balances between group companies are eliminated on consolidation.

d) Goodwill

Purchased goodwill represents the difference between the cost of an acquired entity and the fair values of that entity's identifiable assets and liabilities. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

There is no re-instatement of goodwill that was amortised prior to transition to IFRS.

e) Property, plant and equipment

Property, plant and equipment are shown at cost less subsequent depreciation and impairment. Cost includes any incidental costs of acquisition. Depreciation on assets is calculated using the straight-line method to allocate the cost, less any residual value, of each asset over its expected useful economic life as follows:

- Development tools and equipment 4 years
- Computer equipment 4 years
- Fixtures, fittings and equipment 5 years

f) Inventories

Inventories are stated at the lower of cost or net realisable value.

g) Revenue recognition

Revenue comprises the fair value of the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the group. Revenue is recognised as follows:

i) Sales of goods: The company recognises revenue at the date that the customer's order is shipped.
ii) Sales of services: Sales of services are recognised in the accounting period in which the services are rendered.
iii) Interest income: Interest income is recognised on a time-proportion basis.
iv) Dividend income: Dividend income is recognised when the right to receive payment is established.

h) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalised are amortised from the commencement of the commercial production of the product on a straight line basis over the period of its expected benefit, not exceeding five years.

i) Leased assets

Payments made under operating lease agreements (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

j) Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the rates of exchange ruling at the year end or at contracted rates. Exchange differences arising on foreign currency transactions are recognised in the income statement.

k) Taxation

Taxation is provided at amounts expected to be paid using rates that have been enacted or substantively enacted. Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the assets can be utilised. Deferred tax assets and liabilities are not discounted.

l) Pensions

Contributions to individuals' defined contribution pension schemes are recognised in the income statement in the period in which they become payable.

3. Transition to IFRS

This interim financial information has been prepared for the first time under IFRS, as described in note 2. The group's transition date is 1 July 2006. The group prepared its opening IFRS balance sheet at that date. The reporting date of this interim consolidated financial information is 31 December 2007. The Group's IFRS adoption date is 1 July 2007.

Estimates under IFRS at 1 July 2006 should be consistent with estimates made for the same date under UK GAAP, unless there is evidence that those estimates were in error.

Reconciliations of profit and equity have been provided below to facilitate comparison of the interim financial information with those previously reported for the prior period.

a) Reconciliation of equity as at 1 July 2006

The group has elected to take advantage of provisions within IFRS 1, "First-time adoption of International Financial Reporting Standards", which offer certain exemptions from applying IFRS to the opening IFRS balance sheet prepared as at 1 July 2006, as follows:

Business combinations

The group has applied the business combinations exemption in IFRS 1. Accordingly it has not restated business combinations that took place prior to the 1 July 2006 transition date.

b) Reconciliation of equity as at 31 December 2006

	As reported under UK GAAP £	Derecognition of goodwill amortisation £	As restated under IFRS £
ASSETS			
Non-current assets			
Property plant and equipment	9,204	-	9,204
Goodwill	3,418,923	104,929	3,523,852
	3,428,127	**104,929**	**3,533,056**
Current assets			
Inventories	21,246	-	21,246
Trade and other receivables	118,044	-	118,044
Cash and cash equivalents	166,070	-	166,070
	305,360	**-**	**305,360**
TOTAL ASSETS	**3,733,487**	**104,929**	**3,838,416**
EQUITY			
Capital and reserves			
Share capital	10,270,588	-	10,270,588
Share premium	1,675,050	-	1,675,050
Retained earnings	(8,456,557)	104,929	(8,351,628)
TOTAL EQUITY	**3,489,081**	**104,929**	**3,594,010**
LIABILITIES			
Non-current liabilities			
Borrowings	24,000	-	24,000
	24,000	**-**	**24,000**
Current liabilities			
Trade and other payables	179,347	-	179,347
Borrowings	41,059	-	41,059
	220,406	**-**	**220,406**
TOTAL LIABILITIES	**244,406**	**-**	**244,406**
TOTAL EQUITY AND LIABILITIES	**3,733,487**	**104,929**	**3,838,416**

c) Reconciliation of equity as at 30 June 2007

	As reported under UK GAAP £	Derecognition of goodwill amortisation £	As restated under IFRS £
ASSETS			
Non-current assets			
Property plant and equipment	8,683	-	8,683
Goodwill	3,313,995	209,857	3,523,852
	3,322,678	**209,857**	**3,532,535**
Current assets			
Inventories	11,906	-	11,906
Trade and other receivables	94,785	-	94,785
Cash and cash equivalents	44,046	-	44,046
	150,737	**-**	**150,737**
TOTAL ASSETS	**3,473,415**	**209,857**	**3,683,272**
EQUITY			
Capital and reserves			
Share capital	10,270,588	-	10,270,588
Share premium	1,675,050	-	1,675,050
Retained earnings	(8,834,517)	209,857	(8,624,660)
TOTAL EQUITY	**3,111,121**	**209,857**	**3,320,978**
LIABILITIES			
Non-current liabilities			
Borrowings	6,000	-	6,000
	6,000	**-**	**6,000**
Current liabilities			
Trade and other payables	320,294	-	320,294
Borrowings	36,000	-	36,000
	356,294	**-**	**356,294**
TOTAL LIABILITIES	**362,294**	**-**	**362,294**
TOTAL EQUITY AND LIABILITIES	**3,473,415**	**209,857**	**3,683,272**

d) Reconciliation of net loss for the six months ended 31 December 2006

	As reported under UK GAAP £	Derecognition of goodwill amortisation £	As restated under IFRS £
Revenue	**161,185**	**-**	**161,185**
Cost of sales	(55,547)	-	(55,547)
Gross profit	**105,638**	**-**	**105,638**
Operating expenses	(590,665)	104,929	(485,736)
Other operating income	-	-	-
Operating loss	**(485,027)**	**104,929**	**(380,098)**
Finance income	4,547	-	4,547
Finance costs	(2,689)	-	(2,689)
Loss before taxation	**(483,169)**	**104,929**	**(378,240)**
Taxation	-	-	-
Loss for the period	**(483,169)**	**104,929**	**(378,240)**
Loss per share - basic	(0.23 pence)	0.05 pence	(0.18 pence)

e) Reconciliation of net loss for the year ended 30 June 2007

	As reported under UK GAAP £	Derecognition of goodwill amortisation £	As restated under IFRS £
Revenue	**304,776**	**-**	**304,776**
Cost of sales	(110,985)	-	(110,985)
Gross profit	**193,791**	**-**	**193,791**
Operating expenses	(1,106,587)	209,857	(896,730)
Other operating income	49,313	-	49,313
Operating loss	**(863,483)**	**209,857**	**(653,626)**
Finance income	7,354	-	7,354
Finance costs	(5,000)	-	(5,000)
Loss before taxation	**(861,129)**	**209,857**	**(651,272)**
Taxation	-	-	-
Loss for the period	**(861,129)**	**209,857**	**(651,272)**
Loss per share - basic	(0.40 pence)	0.09 pence	(0.31 pence)

3. Loss per share

	6 months ended 31 December 2007 £	6 months ended 31 December 2006 Restated under IFRS £	12 months ended 30 June 2007 Restated under IFRS £
Basic			
Net loss for the period	(215,992)	(378,240)	(651,272)
Weighted average number of ordinary shares outstanding	218,608,023	208,408,023	213,508,023
Loss per share	**(0.10 pence)**	**(0.18 pence)**	**(0.31 pence)**

No diluted earnings per share figure has been presented as an issue of shares would decrease the net loss per share.

4. Cash utilised by operations

	6 months ended 31 December 2007 £	6 months ended 31 December 2006 Restated under IFRS £	12 months ended 30 June 2007 Restated under IFRS £
Loss for the period	**(215,992)**	**(378,240)**	**(651,272)**
Adjusted for:			
• Taxation	-	-	-
• Depreciation	2,164	1,230	3,565
• Interest income	(1,108)	(4,547)	(7,354)
• Interest expense	19,931	2,689	5,000
Changes in working capital:			
• Inventories	(4,720)	(2,037)	7,303
• Trade and other receivables	(65,176)	(18,713)	4,546
• Trade and other payables	54,271	(41,121)	99,826
Cash utilised by operations	**(210,630)**	**(440,739)**	**(538,386)**

5. Cash and cash equivalents

Cash and bank overdrafts include the following for the purposes of the cash flow statement:

	As at 31 December 2007 £	As at 31 December 2006 £	As at 30 June 2007 £
Cash and cash equivalents	46,593	166,070	44,046
Bank overdraft	-	(5,059)	-

Cash and bank overdrafts	**46,593**	**161,011**	**44,046**

6. Events occurring after the balance sheet date

On 1 February 2008 the company announced the allotment of shares to Security Change Limited in satisfaction of a £250,000 secured convertible loan facility dated 28 August 2007. The conversion price was 1p per share which represented a premium to the closing market price of the shares the day before the loan facility was announced on 29 August 2007.