



Report & Financial Statements

(formerly known as Future Internet Technologies plc)

30 June 2007

Board of Directors & Advisors

Directors:	Mr P Gratton Mr R Marcus Mr T Lynch Mr P Thornton Mr R Hooper Mr M Hulme Mr P Kendall	Solicitors:	Morrison and Foerster CityPoint (7th Floor) One Ropemaker Street London EC2Y 9AW
Secretary:	Mofo Secretaries Limited	Registrars:	Capita Registrars 34 Beckenham Road Beckenham Kent BR3 4TU
Registered office:	MOFO Notices Limited CityPoint (7th Floor) One Ropemaker Street London EC2Y 9AW	Nominated Advisors:	Deloitte & Touche Corporate Finance Athene Place 66 Shoe Lane London EC4A 3BQ
Registered number:	3904535 (England and Wales)	Brokers:	Panmure Gordon & Co Moorgate Hall 155 Moorgate London EC2M 6XB
Auditors:	Deloitte & Touche LLP 180 Strand London WC2R 1BL		
Principal bankers:	HSBC Bank plc 8 Stephenson Place Birmingham B2 4NH		

Chairman's & Chief Executive's statement

Overview

Following the acquisition of Artilium N.V. in January 2007, the re-admission to AIM and the subsequent change of name to Artilium plc, the Company is pleased to report the achievement of key milestones set out by management for the financial year ended 30 June 2007.

Firstly, the Company has effectively managed a significant transformation of the business by divesting loss-making operations; expanding the board with recognised industry experts, and building a senior leadership team with executives from Microsoft, T-Mobile and other market leading communication companies; and defining a strategic roadmap which expands Artilium's proven technology and core expertise in unifying fixed, mobile and IP networks for expansion into new territories and market segments.

Secondly, Artilium is delighted to announce that it has achieved sales volumes of £4.5 million for the year ended 30 June 2007 (2006: £612,000 representing only four months of revenue from subsidiary acquired in March 2006) which represents a more than 50% increase on a year-on-year basis, the key benchmark defined by management following the annual general meeting (AGM) on 5 January 2007.

Finally, as expected, the Company reports a loss of £4.8 million for the year, of which £1.9 million is related to a discontinued operation, divested during the year. The remaining loss from continuing operations of £2.9 million includes a number of one-off costs in relation to the re-organisation of the Company, and the cost of completing the acquisition of Artilium N.V. and the subsequent re-listing of the Company.

Artilium is well-positioned to capitalise on opportunities in the unified communications market, a rapidly evolving segment championed

by Microsoft, Cisco and other major industry leaders. The Company develops innovative mobility software solutions which unify fixed, mobile and IP networks to enable operators to easily deliver and monetize advanced differentiated services to a broad range of market segments. Artilium's solutions drive revenues for operators and managed services providers.

Key developments during the year

The results for the twelve months ended 30 June 2007 reflect a period of significant operational transformation within the Company.

On 11 September 2006, the Board of Directors authorised the sale of certain of the Company's intellectual property and physical assets pertaining to a potential consumer offering in the retail unified communications market.

On 12 December 2006, a circular was issued to shareholders outlining the terms of the completion of the acquisition of Artilium N.V. The Company's ordinary shares were restored to trading on 13 December 2006.

Since the acquisition of Artilium N.V. and the subsequent placing and capital reorganisation completed in January of this year, we have laid the foundations for a successful business in the communications sector.

To secure a base in the US and gain key technical expertise, on 21 March 2007, the Company completed the acquisition of a 31% stake in Chinook Hosting Corporation, paying approximately £300,000 in cash. Chinook was founded in 2006 by technology professionals with experience in developing, deploying and hosting Microsoft technologies. This acquisition provides us with ready access



Robert Marcus
Chief Executive Officer

“Results for the twelve months ended 30 June 2007 are in line with our expectations.”

to the US hosting market and represents a major step ahead for our new voice solutions business.

On 2 April 2007, Robert Marcus was appointed as Chief Executive. An experienced leader of emerging technology businesses, his career includes over nine years at Microsoft where he served most recently as a director on the company's mergers and acquisitions team. He is an expert in unified communications and led Microsoft's unified communications strategy.

Against this backdrop, we are pleased to report that results for the twelve months ended 30 June 2007 are in line with our expectations.

Performance

Over the past 12 months, we have delivered a strong performance from our communications convergence software business. We saw growth among new and existing customers and deployed multiple installations within major telecommunications and cable operator accounts.

Financial Results

In line with our expectations, revenue increased to £4.5 million for the year ended 30 June 2007 (2006: £612,000 representing only four months of revenue from the subsidiary acquired in March 2006). Furthermore, as anticipated, the Company reported a loss from continuing operations for the year ended 30 June 2007 of £2.9 million. However, this loss includes a number of one-time charges in relation to the reorganisation of the company, and the cost of completing the acquisition of Artilium N.V. and the subsequent re-listing of the Company totalling around £500,000. The loss also includes an accounting charge related to awards

under new share based payment schemes of £707,000, depreciation and amortisation of £281,000 and a minority interest expense of £110,000. The Company also reported a loss from discontinued operations of £1.9 million in relation to its discontinued retail unified communications business which was disposed of in September 2006.

Artilium N.V., the Group's Belgian subsidiary, reported a profit before tax of £281,000 on a stand-alone basis.

Strategy

In the year ahead, the company will continue to build upon its regional success in the Benelux, expanding aggressively into new geographic and technology markets. Geographic growth will include a launch in the United States, and the targeting of dynamic convergence markets in Western and Central Europe.

The Company will release new mobile unified communications technologies in 2008 targeting network operators with solutions designed for prosumers, mobile professionals who are sophisticated purchasers of goods and services and who demand a more unified communications experience that allows them to connect and collaborate seamlessly across their business and social networks.

The Company sells indirectly via partnerships that are directly managed and supported by a dedicated sales force responsible for leading the partner's sales engagement, pipeline development and deal close process. The strategy is designed to ensure scale of market penetration that is both tightly coordinated and highly directed. Partners include telecoms infrastructure providers, systems integrators, managed services providers and IT companies. Microsoft engagement will be a central focus; Artilium has achieved select Gold Certified Partner status at Microsoft, bringing it into a much closer strategic business and technology engagement with Microsoft.

To achieve its vision and growth goals the Company will continue to invest in people:

Board appointments

- Richard Hooper CBE, Chairman of Informa plc until May of this year has joined the board as a Non-Executive Director. He was founding Deputy Chairman of the UK communications regulator, OFCOM, Chairman of the Radio Authority, and CEO of the value added services division of British Telecom.
- Michael Hulme, a convergence expert, joined the board as a Non-Executive Director. He is Honorary Professor of the Institute for Advanced Studies at Lancaster University, Director of the Centre for the Study of Media Technology and Culture, and Director of the Social Futures Observatory think-tank.
- Philip Kendall joined the Artilium board as a Non-Executive Director. A Senior Adviser at Hawkpoint Partners Ltd, Philip brings with him a wealth of experience in the global capital markets arena, having spent some 30 years in the City and on Wall Street. Philip assumed the chair of the Audit Committee from the date of his appointment. As a practising banker and a former partner at PriceWaterhouseCoopers, Philip has all of the necessary relevant experience for this role.
- Having successfully steered the company through its transition and introduced Robert Marcus as Chief Executive, Paul Gratton will step down as Artilium's Executive

Chairman, remaining on the board as a Non-Executive Director. It is intended that Paul will step down as Executive Chairman at the Company's AGM to be held on 28 November 2007 and, subject to the passing of necessary shareholder resolutions, be succeeded by Richard Hooper in the newly created role of Non-Executive Chairman.

Executive Management appointments

- Stewart Emerson, was appointed Vice President, Worldwide Sales. Stewart has extensive C-level telecoms sector sales experience. He was former Head of Web and tele-sales at T-Mobile International, and previously head of Nortel EMEA Business Development.
- Charlotte Massard, was appointed Vice President, Business Development. She is a specialist in telecoms sector business development. Charlotte was the vice president at IDT responsible for pan-European strategy and business development, and head of EMEA business and channel development for Verestar.
- Anne Walker was appointed Vice President of Marketing. Anne is a marketing professional specialized in working with entrepreneurial companies in rapidly evolving market sectors. She was Senior Vice President at the PR firm The MWW Group focused on emerging technologies, and headed European marketing for Softbank-backed wireless company Ripcord.
- Simon Wood was appointed Vice President of Program Management. Simon is an expert in the discipline of software development and quality

assurance. He was CTO of Windows Mobile developer flyingSPARK, head of quality at TAG Electronic Systems (TAG McLaren) and held senior engineering positions at Racal Research.

Outlook

Artilium is well positioned to emerge as a leader in the unified communications market. In the year ahead we will build on the strong foundations laid over the course of the past twelve months, extending Artilium's existing offerings into new geographic markets, and launching new solutions. We will invest heavily in channel and partner development, including the strategic partnership with Microsoft. We have the team and the technology necessary to drive a transformational shift in business growth and expansion.

Paul Gratton, Chairman

Robert Marcus, Chief Executive Officer

11 September 2007

“Artilium develops innovative solutions which unify networks to enable operators to deliver and monetize differentiated services to new market segments.”

Robert Marcus, Chief Executive Officer

Directors' report

Unified communications by Artidium delivers on the promise of convergence

The Directors present their annual report on the affairs of Artidium plc, its subsidiaries and its associate (the 'Group'), together with the financial statements and auditors' report, for the year ended 30 June 2007.

Principal activities

On 24 May 2007 Future Internet Technologies plc changed its name to Artidium plc.

Artidium plc (the 'Company', 'Artidium') operates in the business-to-business communications sector delivering innovative software solutions which layer seamlessly over disparate fixed, mobile and IP networks to enable the deployment of converged services and applications.

Customers include Mobile Network Operators ('MNOs'), Mobile Virtual Network Operators ('MVNOs'), Mobile Virtual Network Enablers ('MVNEs'), Fixed and Alternative Operators, Hosting Providers, System Integrators and Managed Service Providers.

Artidium is building on its success in the heart of Europe and moving into new markets with an expanded solution offering.

Unified communications converges computing with phone systems to deliver messaging, conferencing and voice services as part of one unified experience. As a result, people can easily and quickly manage all their communications from differing service providers in the format they desire – whether it's listening to emails from their phone, managing voicemails from the computer or calling a contact directly from email. Unified communications by Artidium delivers on the promise of convergence, increasing productivity, reducing cost, and simply making life easier.

Artidium is headquartered in London, England with offices in Bruges, Belgium and Seattle in the United States.

Business review

The operating loss for the Group for the year to 30 June 2007 incorporating a full 12 months of trading from Artidium N.V. amounted to £3.0 million (2006: £1.9 million). At 30 June 2007 the Group had consolidated net assets of £10.8 million (2006: £4.3 million). Total headcount of the Group at year end was 39.

On 11 September 2006, the Board of Directors agreed the sale, to Flasket Limited, of certain of the Group's intellectual property and physical assets pertaining to a potential consumer offering. This transaction represents a discontinued operation, see notes 2 and 11 of the financial statements.

As a result of the sale of certain assets to Flasket Limited, the Group will no longer pursue the creation of a consumer branded 'Unified Communication Service'. Instead, the Group will focus upon opportunities in the business-to-business ("B2B") and business-to-business-to-customer ("B2B2C") unified communication sector.

On 12 December 2006, a circular was issued to shareholders outlining the terms of the completion of the acquisition of Artidium N.V. and the lifting of the trading suspension of the Company's shares which resumed trading on 13 December 2006.

On 5 January 2007 the issued ordinary share capital of the Company was consolidated on the basis of 1 new ordinary share, with a nominal value of 5 pence, (a 'New Ordinary Share') for

We believe we now have the leadership team that will enable us to build a great long-term business

every 5 ordinary shares of 1p each. All fractions resulting from the consolidation were aggregated, and sold in the market for the benefit of the Company.

On 5 January 2007, the shareholders voted at the company's AGM to approve the completion of the acquisition of Artilium N.V. and the placing of 3,000,000 New Ordinary Shares.

On 21 March 2007, the Company completed the acquisition of a minority stake in the Seattle based company, Chinook Hosting Corporation ('Chinook'). Chinook was founded in 2006 by technology professionals with experience in developing, deploying and hosting Microsoft technologies. Its vision is to create a Redmond/Seattle-based hosting company that collaborates closely with Microsoft and technology partners to bring a suite of products and services to market that are easy to use, easy to sell, cutting edge and operationally stable. Artilium paid approximately £300,000 in cash for a 31% stake.

The Group's financial and risk management policies are set out in the Corporate Governance Statement

Details of significant events since the balance sheet date are also contained in note 38 to the financial statements.

The Directors have made significant progress on establishing the key performance indicators ('KPIs') with which it uses to monitor the group. These indicators include a number of improved processes around the sales cycle, project management of deployments and other key operational control areas.

In the coming year management will continue to build upon the foundations laid over the course of the past twelve months. We will extend Artilium's product offering into new geographic markets whilst, at the same time, invest significantly in refining and broadening Artilium's solution portfolio. We believe we now have the leadership team that will enable us to build a great long term business; with an innovative set of offerings that address customer unified communications and convergence needs.

Dividends – The Directors do not recommend a dividend for the year (2006 – nil).

Directors

The directors, who served throughout the year except as noted, were as follows:

Name	Particulars	
Mr P Gratton	Executive Chairman Acting Chief Executive Officer	Appointed 10 September 2006, Resigned 2 April 2007
Mr R Marcus	Chief Executive Officer	Appointed 2 April 2007
Mr T Lynch	Chief Financial Officer	
Mr P Thornton	Senior Non Executive	
Mr R Hooper	Non Executive	Appointed 23 May 2007
Mr M Hulme	Non Executive	Appointed 23 May 2007
Mr R Armstrong	Non Executive	Resigned 21 March 2007
Mr T Casaer	Non Executive	Appointed 27 September 2006, Resigned 21 March 2007
Mr R Bonnier	Chief Executive Officer	Resigned 10 September 2006
Mr J Morley	Non Executive	Resigned 6 September 2006.

Mr Lynch, Mr Marcus, Mr Thornton, Mr Hooper and Mr Hulme will be retiring at the next annual general meeting and, being eligible, all will offer themselves for re-election.

Mr P Gratton

Paul (age 47) had a career in banking with Midland Bank, First Direct and Prudential before joining Egg as Chief Operating Officer in 1998. In 2001 Paul became Chief Executive Officer of Egg and sat on the Prudential Group Executive Committee between 2002 and 2004. He resigned as Chief Executive Officer of Egg in February 2006 on the delisting of Egg following Prudential's decision to reintegrate Egg.

Mr R Marcus

Robert (age 45) joined Artilium after nine years at Microsoft, where he served most recently as a director on the company's elite mergers and acquisitions team. Robert is a thought-leader in unified communications and voice-data convergence and was responsible for both areas at Microsoft. He also served as Director of Strategic Business Development and Communications in Microsoft's worldwide partner group (the division responsible for 97% of company revenue), and led a specialist sales organisation 500+ strong in the same division. Prior to joining Microsoft, Robert was Chief Executive Officer of ConnectSoft, a frontrunner in unified communications.

Mr T Lynch

Tony (age 37) joined the Company from Aspect Capital Limited a specialist hedge fund manager where he held the position of Director of Finance. Tony's previous positions include Chief Operating Officer and Company Secretary at Select Asset Management Limited, in Sydney and Group Financial Controller at Egg. Previously, he was an audit manager in the Financial Markets Division at Arthur Andersen.

Mr P Thornton

Paul (age 60) has over 30 years' experience in management consultancy, and is a former president of the Management Consultancies Association. He enjoyed a number of senior positions before founding his own consultancy, French Thornton in 1994 which was bought

by ITNET plc (now Serco plc) in 2000. Since leaving the firm in 2003, Paul has divided his time between independent consulting activities, non-executive appointments and charitable activities. Paul was Chairman of flyingSPARK, the UK based mobile applications software developer, until its sale to the management team in 2006.

Mr R Hooper C.B.E

Richard (age 68), Chairman of Informa plc until May of this year, has joined the board as non-executive director. He brings wide experience of the media and communications industry. He was founding Deputy Chairman of the communications regulator OFCOM, Chairman of the Radio Authority, and CEO of the value added services division of British Telecom.

Mr M Hulme

Michael (age 50) is Honorary Professor and Associate Fellow of the Institute for Advanced Studies at Lancaster University where he is a member of the Lancaster University Development Board. He is a Fellow of the UK's Royal Society of Arts and a member of the Market Research Society. Michael is Director of the Centre for the Study of Media Technology and Culture, a social insight consultancy and director of the Social Futures Observatory an independent think-tank closely associated with the Institute for Advanced Studies.

Directors' interests

The directors who held office at 30 June 2007 had the following interests in the shares and warrants of group undertakings:

	30 June 2007	30 June 2006
Ordinary 5p shares		
Mr P Gratton	-	-
Mr R Marcus	-	-
Mr T Lynch	-	-
Mr P Thornton	389,600	339,600*
Mr R Hooper	-	-
Mr M Hulme	-	-

*The company carried out a 1 for 5 share consolidation on 5 January 2007. Mr Thornton's holding of new 5p shares at 30 June 2006 is the equivalent of 1,698,000 old 1p shares.

The aggregate director's beneficial interests in the Company's issued share capital amounted to 0.7% (2006: 46.0%).

Directors' share plans

Awards under the share plans are made by the Company at the discretion of the Remuneration Committee and will generally be consistent with the Association of British Insurers (ABI) guidelines for share awards within public companies. All awards may vary to reflect local fiscal and regulatory requirements. The Committee sees it as important for Executives to have the opportunity to build a significant share interest in the company and will use share awards to deliver this. Awards can be made in the following schemes which were approved by shareholders at the Company's Annual General Meeting on 5 January 2007:

- Unapproved Share Option Plan. Awards will be made as options over shares in Artidium. The exercise price will be based on the market price of Artidium shares at the date the award is made or determined. Performance conditions will be set at the discretion of the

Remuneration Committee, and the Committee intends that all awards other than the Founder Awards will have such conditions. These awards have a vesting period of 3 years and can be exercised up to 7 years after the end of the vesting period.

- Long Term Incentive Plan – Incentive Awards. Awards will be made either as conditional share awards (i.e. with holding conditions) or as nil cost options or as performance shares (both with conditions for vesting). Awards will be subject to stretching performance conditions determined by the Remuneration Committee. The vesting period of these awards is 3 years.

Long Term Incentive Plan – Basic Annual Award and Matching Awards. Basic Annual Awards of shares may be offered as an alternative to the annual discretionary bonus. Basic Annual Awards are exercisable after one year (or on exit if earlier). Matching awards may be made

at the same time as a Basic Annual Award and in a proportion determined by the Remuneration Committee. Matching Awards are exercisable after one year (and not on earlier exit).

- Founders Awards are share awards made to a small number of executives under any of the plans to reflect the re-listing of the Company

on the AIM and on a basis that reflects their achievement up to that time and / or commitments made to these employees on joining the company.

The directors who held office at 30 June 2007 had the following interests in the above mentioned share plans.

Share options*

Director	At 30 June 2006	Granted during year	At 30 June 2007	Date of Grant	Exercise Price*	Earliest exercise date	Expiry date
P Gratton	-	100,000	100,000	26 Feb 2007	73.5p	4 Apr 2007	25 Mar 2017
P Gratton	-	136,055	136,055	26 Feb 2007	73.5p	8 Jan 2008	25 Mar 2017
P Gratton	-	136,054	136,054	26 Feb 2007	73.5p	8 Jan 2009	25 Mar 2017
P Gratton	-	136,054	136,054	26 Feb 2007	73.5p	8 Jan 2010	25 Mar 2017
T Lynch	-	108,844	108,844	26 Feb 2007	73.5p	8 Jan 2008	25 Mar 2017
T Lynch	-	108,844	108,844	26 Feb 2007	73.5p	8 Jan 2009	25 Mar 2017
T Lynch	-	108,843	108,843	26 Feb 2007	73.5p	8 Jan 2010	25 Mar 2017
R Marcus	-	333,334	333,334	2 Apr 2007	73.5p	2 Apr 2008	15 Mar 2009
R Marcus	-	333,333	333,333	2 Apr 2007	73.5p	2 Apr 2009	15 Mar 2010
R Marcus	-	333,333	333,333	2 Apr 2007	73.5p	2 Apr 2010	15 Mar 2011

Share in the Long Term Incentive Plan**

Director	At 30 June 2006	Granted during year	At 30 June 2007	Date of Grant	Vesting date
R Marcus	-	900,000	900,000	30 April 2007	30 April 2010

*The Share Schemes were approved at the Company's Annual General Meeting on 5 January 2007. The Remuneration Committee met on 19 January 2007 and confirmed that prior to the Company posting its re-admission document to shareholders it had been agreed that options would be granted to the Executive Directors and certain other employees with an option price based on the share price of the Company for the 5 trading days following re-admission.

**The performance period for the Long Term Incentive Plan ('LTIP') award is the period starting on 8 January 2007 and ending on 1 April 2010, or on such earlier date as the shares vest according to the rules of the scheme, and the base price for the Company's Total Shareholder Return (TSR) calculation shall be £1.00, which is the price at which new shares were issued in the relisting. The performance conditions operate such that no shares will vest should the TSR performance of the Company be below that of the AIM index. One third of the shares will vest if the performance of the Company is equal to that of the AIM index, increasing to two thirds of the shares if the Company's performance is equal to that of the AIM index plus 10% and all of the shares if the Company's performance is equal to AIM index plus 35%. The Committee understands from its advisors that these levels of performance are broadly equivalent to that which would have placed the company at median, upper quartile and upper decile in the AIM over a 3-year period.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Supplier payment policy

The Company's policy, which is also applied by the Group, is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payments by inclusion of the relevant terms in contracts; and
- pay in accordance with the Company's contractual and other legal obligations.

Trade creditors of the Group at 30 June 2007 were equivalent to 45 days (2006: 41 days), based on the average daily amount invoiced by suppliers during the year.

Fixed assets

The Company does not have any interests in land and buildings.

Special business

The Company's shareholders approved a 1 for 5 share consolidation at the AGM of 5 January 2007. Five old 1p shares were replaced by one new 5p share.

The notice convening the AGM to be held at the offices of Morrison & Foerster, CityPoint, One Ropemaker Street, London, EC2Y 9AW on 28 November 2007 at 11am can be found in a separate notice accompanying the Annual Report.

Auditors

In the case of each of the persons who are directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

On 22 November 2006, Deloitte & Touche LLP were appointed as auditors of the Company. The previous auditors, Orolus Limited resigned on the same day.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board,



Paul Gratton, Chairman
11 September 2007

Corporate governance statement

The Directors are responsible for and committed to achieving a good standard of corporate governance of the Company. This statement sets out the main corporate governance practices that were in operation throughout the financial year, except where otherwise stated.

Under the AIM rules the Company is not required to comply with the 2003 Financial Reporting Council Combined Code (the 'Combined Code'). However, the Company has taken appropriate steps to comply with the corporate governance guidelines published by the Quoted Companies Alliance ('QCA') in July 2005 and the Combined Code in so far as it can be applied practically, given the size and the nature of its operations.

The Board of Directors

The Board meets monthly to primarily discuss the Company strategy, current progress in achieving company goals and future performance of the Company. In addition the Board has a schedule of matters reserved for its decision which includes, but is not restricted to:

- approval of interim and annual reports;
- establishment of long term goals;
- review and adoption of annual budgets for the financial performance of the Company;
- ensure implementation of adequate internal controls; and
- executive remuneration and appointments.

Board members are provided with a formal agenda and a set of Board papers in advance of the meeting for each agenda item to be discussed at the meeting and additional information is provided as required.

As at 30 June 2007 the Board consisted of three executive directors and three non executive directors. Details of the directors are set out in the Directors Report. The Company has a policy of appointing a separate Chairman and CEO and has three directors acting in a non-executive capacity. However, on Robert Bonnier's resignation as CEO on 10 September 2006, the Chairman, Paul Gratton was appointed acting CEO. The Company appointed Robert Marcus as Chief Executive Officer on 2 April 2007 and, on that date; Paul Gratton resigned as acting CEO and maintained his position as Executive Chairman.

Risk management and internal controls

The directors acknowledge their responsibility for the Company's and the Group's systems of internal control, which are designed to safeguard the assets of the group and ensure the reliability of financial information for both internal use and external publication. Overall control is ensured by a detailed reporting and review system covering both technical progress of projects and the state of the group's financial affairs.

The board has put in place procedures for identifying, evaluating and managing any significant risks that face the Group. Any system of internal control can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated. The directors, having reviewed the effectiveness of the system of internal financial, operational and compliance controls and risk management, consider that the system of internal control operated effectively throughout the financial year and up to the date the financial statements were signed.

Committees

Each of the following committees has its own terms of reference.

Audit Committee

The Audit Committee comprises Paul Thornton (Chairman) and Richard Hooper. Its terms of reference indicate at least two regular meetings per year and its formal meeting, to review the 2007 audit, took place on 4 September 2007. All directors received a copy of the audit report prior to the meeting and had an opportunity to comment. The meeting was attended by the auditors. The finance director and a representative of the external auditors are normally invited to attend meetings. Other directors or staff may be invited to attend, as considered beneficial by the committee. The Audit Committee's primary responsibilities are to review the effectiveness of the company's systems of internal control, to review with the external auditors the nature and scope of their audit and the results of the audit, and to evaluate and select external auditors.

Remuneration Committee

The Remuneration Committee plans to meet at least twice in each year. It has met five times since it was set up upon readmission to AIM. Its members are the non-executive directors of the Company and the Committee is chaired by Paul Thornton. The Company's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee agrees with the Board a framework for the remuneration of the chairman, the executive directors and the senior management of the Company. The principal objective of the committee is to ensure that members of the executive management of the Company are provided incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. Non-executive fees are considered and agreed by the Board as a whole.

Nomination Committee

The Nomination Committee is comprised of Paul Thornton (Chairman), Richard Hooper and Michael Hulme. It meets at least once a year and its function is to consider the appointment and reappointment of Directors.

Relations with shareholders

The Company encourages dialogue with its shareholders and responds to all enquiries verbally or in writing either personally or through its PR agency, Financial Dynamics Limited. The Chief Executive and the Chief Financial Officer are the principal spokesmen for the Company. The Annual General Meeting is used as an opportunity to communicate with investors and all shareholders have at least 21 days notice of the Annual General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the group financial statements under IFRSs (IFRSs) as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The directors believe the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the accounts.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Artilium plc

We have audited the group and parent company financial statements (the 'financial statements') of Artilium plc for the year ended 30 June 2007 which comprise consolidated and individual company income statements, the consolidated and individual company balance sheets, the consolidated and individual company cash flow statements, the consolidated statement of recognised income and expenses, the individual company statement of changes in equity, and the related notes 1 to 55. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 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 the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Corporate Governance statement. 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 outside the Annual Report.

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 judgments 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 financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the group's and the parent company's affairs as at 30 June 2007 and of the group's and the parent company's loss for the year then ended;
- 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.

Separate opinion in relation to IFRS

As explained in Note 2, the group in addition to complying with its legal obligation to apply those IFRSs adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs as at 30 June 2007 and of its loss for the year then ended.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London
11 September 2007

Consolidated income statement. Year ended 30 June 2007

	Notes	2007 £'000	2006 £'000 Restated (See note 2)
Continuing operations			
Revenue	4	4,549	612
Cost of sales		(1,295)	(56)
Gross profit		3,254	556
Other operating income	4	7	-
Administrative expenses		(6,222)	(2,428)
Other operating expenses		-	(6)
Share of results of associate		(30)	-
Operating loss		(2,991)	(1,878)
Investment revenues	7	124	135
Other losses	8	-	(698)
Finance costs	9	(5)	(349)
Loss before tax		(2,872)	(2,790)
Tax	10	(24)	(152)
Loss for the year from continuing operations		(2,896)	(2,942)
Discontinued operations			
Loss for the year from discontinued operations	11	(1,885)	(981)
Loss for the year		(4,781)	(3,923)
Equity holders of parent		(4,671)	(3,158)
Minority interest		(110)	(765)
		(4,781)	(3,923)
Loss per share in pence			
Loss per share in pence from continuing operations	12	(6.12)	(9.85)
Loss per share in pence from discontinued operations	12	(4.14)	(4.44)
Total loss per share in pence		(10.26)	(14.29)

The Company's shareholders approved a 1 for 5 share consolidation at the AGM on 5 January 2007. Five old 1p shares were replaced by one new 5p share. As a result the comparative loss per share figures above have been restated using the number of issued new shares. Loss per share in pence for 2006 using the number of issued old shares was 1.98p from continuing operations and 0.88p from discontinued operations.

Consolidated
statement of
recognised
income
and expense.
Year ended
30 June 2007

	2007 £'000	2006 £'000
Exchange differences on translation of foreign operations	14	2
Net income recognised directly in equity	14	2
Loss for the year	(4,781)	(3,923)
Total recognised income and expense for the year	(4,767)	(3,921)
Attributable to:		
Equity holders of parent	(4,657)	(3,156)
Minority interest	(110)	(765)
	(4,767)	(3,921)

Consolidated
balance
sheet.
Year ended
30 June 2007

	Notes	2007 £'000	2006 £'000
Non-current assets			
Goodwill	13	6,211	2,697
Intangible assets	14	774	837
Plant and equipment	15	634	170
Deferred tax asset	20	51	119
Interests in associate	17	401	-
		8,071	3,823
Current assets			
Inventories	18	58	118
Trade and other receivables	19	2,208	1,925
Cash and cash equivalents		3,162	1,911
		5,428	3,954
Total assets		13,499	7,777
Current liabilities			
Trade and other payables	22	1,884	2,849
Obligations under finance leases	21	25	4
Provisions	23	458	425
		2,367	3,278
Non-current liabilities			
Obligations under finance leases	21	52	-
Deferred tax liabilities	20	226	180
Total liabilities		2,645	3,458

Consolidated
balance
sheet
continued

	Notes	2007 £'000	2006 £'000
Equity			
Share capital	24	2,625	1,769
Share premium account	25	19,770	9,033
Capital redemption reserve	24	4,493	4,493
Option to acquire minority interest	26	-	(1,611)
Share warrant reserve	27	216	336
Share option reserve	30	707	-
Share of equity of associate	17	97	-
Translation reserve	28	16	2
Own shares	29	(2,550)	-
Retained earnings	31	(14,520)	(9,849)
Equity attributable to equity holders of the parent		10,854	4,173
Minority interest		-	146
Total equity		10,854	4,319
Total liabilities and equity		13,499	7,777

The financial statements were approved by the Board of Directors and authorised for issue on 11 September 2007. They were signed on its behalf by:



Tony Lynch
Director

Consolidated
cash flow
statement.
Year ended
30 June 2007

	Notes	2007 £'000	2006 £'000
Net cash used in operating activities	33	(5,051)	(1,732)
Investing activities			
Interest received		124	135
Sale of investments		-	21
Purchases of property, plant and equipment		(712)	(34)
Proceeds from disposal of property, plant and equipment		30	-
Purchases of investments		(334)	(691)
Acquisition of subsidiary	32	(1,414)	(4,370)
Net cash used in investing activities		(2,306)	(4,939)
Financing activities			
Repayments of obligations under finance leases		73	(5)
Proceeds on issue of shares		11,071	8,046
Loan to employee benefit trust		(2,550)	-
Net cash from financing activities		8,594	8,041
Net increase in cash and cash equivalents		1,237	1,370
Cash and cash equivalents at beginning of year		1,911	552
Effect of foreign exchange rate changes		14	(11)
Cash and cash equivalents at end of year		3,162	1,911

Notes to the consolidated financial statements. Year ended 30 June 2007

1. General information

Artium plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 2. The nature of the Group's operations and its principal activities are set out in the Directors' report on pages 7 to 13.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

At the date of authorisation of these financial statements, the following new standards, amendments and interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 7 'Financial Instruments: Disclosures' (effective from 1 July 2007) and amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures' (effective from 1 July 2007)

The Directors anticipate that the adoption of these standards, amendments and interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 July 2007.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements have also been prepared in accordance with IFRSs adopted by the European Union.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The prior comparatives in the Financial Statements have been restated to reflect the impact of discontinued operations in relation to a business unit divested during the year.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entity controlled by the Company (its subsidiary) made up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The result of the subsidiary acquired during the year is included in the consolidated income statement from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investment in Associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results of assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of the individual investments. Losses of the associate in excess of the Group's interest in those associates is not recognised.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisitions is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's identifiable net assets of the associate at the date of acquisition (i.e. the discount on acquisition) is credited to the profit and loss in the period of acquisition.

When a group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is

recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue is recognised for the sale of proprietary software, professional services, and the re-sale of third party hardware and software and after sale maintenance contracts.

Where the outcome of a contract can be estimated reliably, revenue and costs related to the sale of proprietary software and professional services are recognised by reference to the stage of completion on the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Sale of third party hardware and software is recognised when the goods are delivered and title has passed.

Maintenance revenue is recognised rateably over the support term concluded in the platform contract.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statement of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as an expense in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are

dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Taxation

The tax expense represents the sum of the current 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 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 amounts 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 generally 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 that 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 joint ventures, 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements 10%

Fixtures, equipment and motor vehicles 20% - 33%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that

are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets

are derecognised from the balance sheet when the Group's contractual rights to the cash flows expire or the Group transfers substantially all the risks and rewards of the financial asset. Financial liabilities are derecognised from the Group's balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Investments are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-Based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issued equity-settled payments to certain directors and advisors. Share-based payments are measured at their fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

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

Reportable segments

A reportable segment, as defined by IAS 14 Segmental Reporting, is a distinguishable business or geographical component of the Group, that provides products or services, that are subject to risks and rewards that are different from those of other segments. The Group has no reportable segments within its business.

3. Critical accounting judgements and key sources of estimation uncertainty**Critical judgements in applying the Group's accounting policies**

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Revenue Recognition

The revenue recognition policy was changed during the period as, due to the improved systems and procedures implemented, the company is now able to recognise revenue over the course of a contracted project. The directors believe that this policy better reflects the revenue earning process and aligns the company with industry practice.

The change in accounting policy has an immaterial impact on the prior year comparatives and therefore no restatement for the change in revenue recognition policy has been made.

Business combinations

Goodwill only arises in business combinations. The amount of goodwill initially recognised is dependent on the allocation of the purchase price to the fair value of the identifiable assets and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement. Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised

whereas indefinite lived intangible assets, including goodwill, are not amortised, and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at 30 June 2007 was £6.2 million (2006: £2.7 million).

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgement regarding the future financial performance of the particular legal entity in which the deferred tax asset has been recognised.

Tax provision

A tax provision of €544,000 was booked in the prior period in the books of Artilium N.V. relating to the write off a loan of €1.6 million made to a third party. This provision was made due to the probable likelihood that this transaction would be taxable under Belgium tax legislation. Management believe that there has been no change in circumstances since the prior year and therefore believe that this tax provision is appropriate for the current year.

4. Revenue

An analysis of the Group's revenue is as follows:

	2007	2006
	£'000	£'000
Sales of goods	4,549	612
Other operating income	7	-
Investment income: interest on bank deposits	124	135
	4,680	747

5. Loss for the year

Loss for the year has been arrived at after charging / (crediting):

	2007	2006
	£'000	£'000
Net foreign exchange gains	10	(11)
Operating lease rentals – land and buildings	233	47
Depreciation of property, plant and equipment	102	31
Amortisation of intangibles	179	60
Impairment of investment	-	698
Profit on sale of investments	-	(14)
Cost of inventories recognised as expense	-	56
Staff costs (see note 6)	2,665	786
Employee benefits	27	14
Auditors' remuneration for audit services (see below)	58	30

A detailed analysis of auditors' remuneration on a worldwide basis is provided below:

	2007	2006
	£'000	£'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	38	20
Fees payable to the Company's auditors and their associates for other services to the Group		
- The audit of the Company's subsidiaries pursuant to legislation	20	10
Total audit fees	58	30
- Tax services	30	8
- Corporate finance services	470	-
- Other services	84	-
Total non audit fees	584	8

6. Staff costs

The average monthly number of employees (including executive directors) was:

	2007 number	2006 number
Administration & development	35	30
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	2,242	678
Social security costs	403	95
Other pension costs (see note 37)	20	13
	2,665	786

Directors

	2007 £'000	2006 £'000
Directors' remuneration consists of:		
Emoluments	600	51
Fees	90	79
	690	130
Highest paid director:		
Emoluments	279	39

No contributions to personal pension schemes were made in respect of directors during the year (2006 - nil)

7. Investment revenue

	2007 £'000	2006 £'000
Interest on bank deposits	124	135

8. Other losses

	2007 £'000	2006 £'000
Impairment of investments	-	698

9. Finance costs

	2007 £'000	2006 £'000
Loans written off	-	(347)
Interest on obligations under finance leases	(5)	(2)
	(5)	(349)

10. Tax

	2007 £'000	2006 £'000
Analysis of taxation expense for the year:		
Current tax:		
UK tax	-	-
Overseas tax	(35)	(172)
Total current tax	(35)	(172)
Deferred tax :		
Origination and reversal of temporary differences	11	20
Total deferred tax	11	20
Total taxation expense in the income statement	(24)	(152)

The total taxation expense in the income statement relates to continuing operations.

The taxation expense due to discontinued operations is £nil.

10. Tax (continued)

The charge for the year can be reconciled to the loss per the income statement as follows:

	2007 £'000	2007 £'000	2006 £'000
	Continuing operations	Discontinued operations	
Loss before tax	(2,872)	(1,885)	(3,771)
Tax at the UK corporation tax rate of 30%(2006: 30%)	(861)	(566)	(1,131)
Effects of:			
Expenses not deductible for tax purposes	326	-	784
Provision in respect of tax exposures	-	-	374
Tax losses brought forward utilised in the year	(64)	-	(11)
Tax losses carried forward unutilised in the year	694	566	136
Non-tax effective consolidation adjustment	(80)	-	-
Impact of loss after tax of associate	9	-	-
Tax expense and effective tax rate for the year	24	-	152

11. Discontinued operations

On September 11, 2006, the Company disposed of its retail unified communication operation to Flasktent Limited. Trading activity and cash flows relating to this discontinued operation have been separately disclosed on

the face of the Consolidated Income Statement and notes to the consolidated cash flow statement and the results of these discontinued operations were as follows:

	2007 £'000	2006 £'000
Revenue	-	-
Expenses	(863)	(981)
Loss before tax	(863)	(981)
Loss on disposal of discontinued operations	(1,022)	-
Net loss attributable to discontinued operations	(1,885)	(981)

There was no tax charge associated with the net loss attributable to discontinued operations.

12. Losses per share

The warrants and share options on issue do not have a dilutive effect as the market price of ordinary shares exceeded the exercise price

of the warrants during the financial year. As a result, diluted loss per share is the same as basic earnings per share.

	2007 £'000	2006 £'000
Losses		
Losses from continuing operations for the purposes of basic losses per share being net losses attributable to equity holders of the parent	(2,786)	(2,177)
Losses from discontinued operations for the purposes of basic losses per share being net losses attributable to equity holders of the parent	(1,885)	(981)
	No.	No.
Number of shares		
Weighted average number of ordinary shares for the purposes of basic losses per share	45,525,727	22,110,549*

*The Company's shareholders approved a 1 for 5 share consolidation at the AGM of 5 January 2007. Five old 1p shares were replaced by one new 5p share. As a result these new shares are equivalent to 110,552,747 old shares

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating units ('CGUs'). The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The rate used to discount the forecast cash flows is 12 per cent.

13. Goodwill

	£'000
Cost	
At 1 July 2006	2,697
Recognised on acquisition of subsidiary (see note 32)	3,389
Adjustment to fair value of deferred tax liability	125
At 30 June 2007	6,211
Accumulated impairment losses	
At 1 July 2006 and at 30 June 2007	-
Carrying amount	
At 1 July 2006	2,697
At 30 June 2007	6,211

14. Other intangible assets

	Telecommunications software platform £'000
Cost	
At 1 July 2006	897
Additions during the year	116
<hr/>	
At 30 June 2007	1,013
<hr/>	
Amortisation	
At 1 July 2006	60
Charge in period	179
<hr/>	
At 30 June 2007	239
<hr/>	
Carrying amount	
At 30 June 2006	837
<hr/>	
At 30 June 2007	774

The amortisation period for the Group's telecommunications software platform is 5 years.

15. Property, plant and equipment

	Leasehold improvements £'000	Fixtures & equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 July 2006	43	324	149	516
Additions	91	822	90	1,003
Disposals	-	(419)	(85)	(504)
At 30 June 2007	134	727	154	1,015
Accumulated depreciation				
At 1 July 2006	2	235	109	346
Charge for the year	11	74	17	102
Eliminated on disposals	-	-	(67)	(67)
At 30 June 2007	13	309	59	381
Carrying amount				
At 30 June 2006	41	89	40	170
At 30 June 2007	121	418	95	634

There were no impairment charges for the 2007 financial year (2006: nil).

The carrying amount of the Group's motor vehicles includes an amount of £77,000 (2006: £36,000) in respect of assets held under finance leases.

16. Subsidiaries

Details of the Company's subsidiaries at 30 June 2007 are as follows:

	Place of incorporation ownership (or registration) & operation	Proportion of ownership interest & voting power held	Method used to account for investment
Artilium N.V.	Belgium	100%	Purchase
Artilium Unified Communications Inc*	US	100%	Purchase

*This company was incorporated on 8 June 2007 and made no transactions during the year.

17. Interest in Associates

A list of the significant investments in associates including the name, country of incorporation, proportion of ownership is given in note 46 to the Company's separate financial statements.

	2007 £'000	2006 £'000
Total assets	409	-
Total liabilities	(8)	-
Total equity	(97)	-
Revenues	2	-
Loss	(32)	-

18. Inventories

	2007 £'000	2006 £'000
IT hardware for resale	58	118

19. Trade and other receivables

	2007 £'000	2006 £'000
Amounts receivable for the sale of goods	665	767
Other debtors	1,018	301
Prepayments, accrued income and deferred expenses	525	857
	2,208	1,925

The average credit period taken on sales of goods is 100 days. No interest is charged on the receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £80,081 (2006: £83,028). This allowance has been determined by reference to past default experience.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Credit risk

The Group's principal financial assets are cash, trade and other receivables, and investments. The Group's credit risk is primarily attributable

to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity and cash flow risk

The Group is principally funded by equity, maintaining all its funds in bank accounts. The Group's policy is to minimise the risk by placing funds in risk free cash deposits.

Price risk

The Group is not exposed to any material price risks.

20. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £'000	Tax losses £	Total £
At 1 July 2005	-	-	-
(Charge)/credit to income statement	(36)	55	19
Acquisition of subsidiary	(80)	-	(80)
At 30 June 2006	(116)	55	(61)
Charge to income statement	66	(55)	11
Fair value adjustment	(125)	-	(125)
As 30 June 2007	(175)	-	(175)
		2007 £'000	2006 £'000
Deferred tax liability		(226)	(180)
Deferred tax asset		51	119
		(175)	(61)

At the balance sheet date, the Group has unused tax losses with a deferred tax value of £1,682,000 (2006: £137,000) and future tax deductions available in relation to share options with a deferred tax value of £274,000 (2006: £nil). No deferred tax asset has been recognised in relation to these items due to insufficient evidence of future appropriate profits in the UK.

At the balance sheet date, the Group has no Belgium tax losses carried forward (in 2006, a deferred tax asset of £55,000 was recognised in 2006 in relation to Belgium tax losses).

At the balance sheet date, the Group has recognised a deferred tax asset in relation to differences between the tax and accounting basis of depreciation in Belgium of £51,000 (2006: £64,000) and a deferred tax liability of £226,000 (2006: £180,000) relating to the intangible asset recognised on consolidation.

21. Obligations under finance leases

	Minimum lease payments		Present value of lease payments	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Amounts payable under finance leases:				
Within one year	25	4	25	4
Within two to five years	52	-	52	-
	77	4	77	4

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 3.5 years. For the year ended 30 June 2007 the average effective borrowing rate was 5.147 % (2006: 5.27%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Euros.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

22. Trade and other payables

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 45 days.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

	2007 £'000	2006 £'000
Trade creditors	1,085	1,118
Accruals	799	1,079
Other creditors	-	652
	1,884	2,849

23. Provisions

	Tax provision £'000	Warranty provision £'000	Total £'000
At 1 July 2006	376	49	425
Exchange difference	42	5	47
Utilisation of provision	-	(14)	(14)
At 30 June 2006	418	40	458
Included in current liabilities	418	40	458
Included in non-current liabilities	-	-	-
	418	40	458

The warranty provision represents management's best estimate of the Company's potential liability under customer service agreements. The tax provision represents management's best estimate of the Company's potential liability following the purchase and disposal of an investment.

24. Share capital

The Company's shareholders approved a 1 for 5 share consolidation at the AGM of 5 January 2007. Five old 1p shares were replaced by one new 5p share.

	2007 £'000	2006 £'000
Fully paid ordinary shares:		
Authorised: 1,050,676,946 (2006: 1,050,676,946) old ordinary shares of 1p each now replaced by new 5p shares as outlined below	10,507	10,507
210,135,390 (2006: 210,135,390) new ordinary shares of 5p each	10,507	10,507
Issued and fully paid:		
262,499,000 (2006: 176,900,000) old ordinary shares of 1p each now replaced by new 5p shares as outlined below	2,625	1,769
52,499,800 (2006: 35,380,000) new ordinary shares of 5p each	2,625	1,769
Deferred ordinary shares:		
Authorised: 900,447 (2006: 900,447) deferred ordinary shares of £4.99 each	4,493	4,493

24. Share capital (continued)

	2007 No. '000 Old 1p shares	2007 No. '000 New 5p shares	£'000
Fully paid ordinary shares:			
Balance at beginning of financial year	176,900	35,380	1,769
Shares issued by placement	15,000	3,000	150
Shares issued for acquisition consideration	2,000	400	20
Series 1 warrant conversion	53,349	10,670	533
Series 2 warrant conversion	15,250	3,050	153
Issued and fully paid:	262,499	52,500	2,625

Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

25. Share premium account

	Share premium £'000
Balance at 1 July 2006	9,033
Premium arising on issue of placement shares	2,850
Premium arising on issue of acquisition shares	380
Premium arising on Series 1 warrant conversion	5,868
Premium arising on Series 2 warrant conversion	2,135
Transfer from warrant reserve (see note 27)	120
Expenses of issue of equity shares	(616)
Balance at 30 June 2007	19,770

26. Option to acquire minority interest

	Option £'000
Balance at 1 July 2006	(1,611)
Option exercised (see note 32)	1,611
Balance at 30 June 2007	-

The share warrant reserve was created during the year ended 30 June 2006 to reflect the impact of warrants issued to certain advisors and directors in consideration of their services in relation to a previous placing. See Note 36 for further details.

27. Share warrants reserve

	Share warrants £'000
Balance at 1 July 2006	336
Warrants exercised during the year (see note 25)	(120)
Balance at 30 June 2007	216

28. Translation reserve

	Translation reserve £'000
Balance at 1 July 2006	2
Exchange differences on translation of overseas operations	14
Balance at 30 June 2007	16

The own shares reserve represents the cost of shares in Artidium plc purchased and held by the Artidium plc Employee Benefit Trust to satisfy options and share awards under the Group's Employee Share Schemes (see Note 30). 3 million Series 2 warrants were purchased by the Trust at a price of 10p per warrant in December 2006. These warrants were then exercised at a price of 75p and converted into ordinary 5p shares by the Trust.

29. Own shares

	Own shares £'000
Balance at 1 July 2006	-
Series 2 warrants purchased during the period	(300)
Warrants exercised during the period	(2,250)
Balance at 30 June 2007	(2,550)

30. Share based payments

The Company set up a share option scheme and long term incentive plan (LTIP) under which grants have been made to directors and certain employees.

The Remuneration Committee met on 19 January 2007 and confirmed that prior to the Company posting its re-admission document to shareholders it had been agreed that options would be granted to the Executive Directors and certain other employees with an option price based on the share price of the Company for the 5 trading days following re-admission

(73.5p). This figure had been agreed on the basis that it would be the market's value of the Company at a time when the market was in full possession of all the information relating to the enlarged group going forward. The options vest in equal tranches in January 2008, 2009 and 2010. If the options remain unexercised after a period of 10 years from the date of grant, the options expire.

Details of the share options outstanding during the year are as follows:

	2007		2006	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of year	-	-	-	-
Granted during the year	1,963,946	73.5p	-	-
Outstanding at the end of year	1,963,946	73.5p	-	-

There were no share options exercised during the period.

The Performance Period for the LTIP awards is the period starting on 8 January 2007 and ending on 1 April 2010, or on such earlier date as the shares vest according to the rules of the scheme, and the base price for the Company's Total Shareholder Return (TSR) calculation shall be £1.00, which is the price at which new shares were issued in the relisting. The performance conditions operate such that no shares will vest should the TSR performance of the Company be below that of the AIM index. One third of the shares will vest if the performance of the Company is equal to that of the AIM index, increasing to two thirds if the Company's performance is equal to that of the AIM index plus 10% and one times if it is equal to AIM index plus 35%. The Committee understands from its advisors that these levels of performance are broadly equivalent to that which would have placed the Company at median, upper quartile and upper decile in the AIM over a 3-year period.

There are currently a maximum of 1,163,000 share awards outstanding under the LTIP. The aggregate of the estimated fair values of the options and LTIP shares granted during the year was £3.5 million and the amount recognised as an expense during the year ended 30 June 2007 was £707,000. This valuation was carried out in accordance with independent advice from Price Waterhouse Coopers and a Binomial (Lattice) model deployed to arrive at the fair value of these share awards.

In the absence of a credible amount of past share price data for the Company, expected volatility was calculated using the historical volatility of similar listed companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

30. Share based payments (continued)

The inputs into the Binomial model were as follows:

	Share Options	LTIP
Share price	£1.32	£2.865
Exercise price	73.5p	n/a
Expected volatility	35%	35%
Expected life	3 years	3 years
Risk free rate	5.17%	5.37%
Expected dividends	-	-

31. Retained earnings

	2007 £'000	2006 £'000
Loss at beginning of the financial year	(9,849)	(6,691)
Net loss for the year	(4,671)	(3,158)
Loss at end of financial year	(14,520)	(9,849)

32. Acquisition of subsidiary

On 6 March 2006 the Company acquired 49% of the issued capital of Artilium NV ('Artilium') for cash consideration of €7.5 million (£5.2 million). As part of the transaction the Company was granted an option to acquire the balance of the issued share capital of Artilium within 12 months for consideration of 6 million ordinary shares in the Company. This option was exercised on 21 June 2006 although the deal terms were amended on 24 November 2006 by a settlement agreement between the Company and the vendor.

Under the terms of the settlement agreement, the Company acquired the remaining 51% of the issued share capital in Artilium for £1.4 million in cash and the issue of 400,000 ordinary shares in the capital of the Company credited as fully paid. This acquisition which constituted a reverse takeover under the AIM rules was approved by shareholders on 5 January 2007.

This transaction has been accounted for by the purchase method of accounting.

	£'000
Minority interest	36
Goodwill (see note 13)	3,389
Total consideration	3,425
Satisfied by:	
Cash	1,414
Shares	400
Option to acquire minority interest (see note 26)	1,611
	3,425
Net cash outflow arising on acquisition	
Cash consideration	(1,414)

The goodwill arising on the acquisition of Artilium is attributable to the anticipated profitability of the distribution of the Company's products in to new markets and the anticipated future operating synergies from the combination.

Artilium contributed £4.5 million revenue (2006:£0.6 million) and £281,000 profit before tax (2006: loss of £1.5 million) to the Group's loss before tax for the year.

If the acquisition of Artilium N.V. had been completed on the first day of the financial year, group revenues for the period would remain at £4.5 million and group profit attributable to equity holders of the parent would have been £171,000.

33. Notes to the cash flow statement

	2007	2006
	£'000	£'000
Loss from continuing operations	(2,896)	(2,942)
Loss from discontinued operations	(1,885)	(981)
Adjustments for:		
Investment revenues	(124)	(135)
Impairment of investment	-	698
Tax	-	152
Depreciation of property, plant and equipment	102	31
Amortisation of intangible assets	179	60
Share based payment expense	707	336
Gain on disposal of property, plant and equipment	30	(14)
(Decrease)/increase In provisions	(68)	425
	(3,955)	(2,370)
Operating cash flows before movements in working capital		
Decrease/(increase) in inventories	60	(34)
Increase in receivables – continuing operations	(989)	(1,139)
Decrease in receivables – discontinued operations	825	-
(Decrease)/increase in payables – continuing operations	(305)	2,163
Decrease in payables – discontinued operations	(687)	-
Cash generated by operations	(5,051)	(1,380)
Income taxes paid	-	(352)
Net cash (used in)/from operating activities	(5,051)	(1,732)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

34. Contingent liabilities

There were no contingent liabilities as at 30 June 2007 or 30 June 2006.

35. Operating lease arrangements

	2007	2006
	£'000	£'000
Minimum lease payments under operating leases recognised as an expense for the year	233	47

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2007	2006
	£'000	£'000
Within one year	263	224
In the second to fifth years inclusive	206	436
After five years	129	165
	598	825

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of 3 years.

36. Share warrants

On 23 November 2005, the Company undertook a placing of 160 million new shares at 5p per share for a cash consideration of £7.95 million. As part of that placing the directors put resolutions to shareholders, which were approved on 22 December 2005, enabling the Company to issue certain warrants to the places, certain advisors and directors.

Series 1 Warrants were exercisable at a price of 12p per Ordinary Share at any time from issue until 31 December 2007. Each investor subscribing for placing shares at 23 November 2005 was issued with one Series 1 Warrant for every two placing shares subscribed. In addition 333,333 Series 1 Warrants were issued to certain advisors to the placing in consideration for their services.

Series 2 Warrants were exercisable at a price of 15p per Ordinary Share at any time from issue until 31 December 2007. Series 2 Warrants were issued to certain advisors and directors in consideration for their services to the Company.

On 27 November 2006, an Extraordinary General Meeting of both classes of Warrants was convened and resolutions were passed to make the exercise of the Series 1 Warrants mandatory within a period of 30 days commencing the day after the resolutions were passed. The terms of the Series 2 Warrants remained unchanged. As a result, 52.5 million of the remaining Series 1 Warrants were exercised while the remainder expired.

36. Share warrants (continued)

In addition, 15 million Series 2 warrants were exercised during the year. Details of the warrants outstanding during the year are as follows:

	2007		2006	
	Number of warrants	Weighted average exercise price (p)	Number warrants	Weighted average exercise price (p)
Exercisable at the start of the year	121,483,333	-	-	-
Granted during the year	-	-	122,333,333	13.03
Exercised during the year	67,249,000	12.00	850,000	12.00
Expired during the year	26,984,333	12.00	-	-
Outstanding at the end of year	27,250,000	13.04	121,483,333	13.04
1 for 5 Share Consolidation conversion	5,450,000			
Exercised after share consolidation	50,000			
Exercisable at the end of the year*	5,400,000	75.00		

The weighted average share price at the date of exercise for warrants exercised during the period was 12 pence. All the Series 2 Warrants outstanding at the end of the period remain exercisable until 31 December 2007 at 75p per Ordinary Share.

37. Retirement benefit schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees of Artilium N.V. As for all Belgian defined contribution pension plans, minimum guaranteed rates of return apply on the employee and employer contributions as from 1 January 2004. Since the guarantee is primarily provided for by the insurance company, the pension plan is accounted for as a defined contribution plan.

The total cost charged to income of £29,083 (2006: £14,798) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 30 June 2007, all contributions due in respect of the current reporting period had been paid over to the scheme.

38. Events after the balance sheet date

Since the year end, 1.2 million Series 2 warrants have been exercised by warrant holders. As a result, the company has 53,699,900 5p ordinary shares in issue at the date of these financial statements and cash consideration of £900,000 has been received for these new shares.

There have been no other material events after the balance sheet date.

39. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries and other related parties are disclosed in the Company's separate financial statements.

Trading transactions

During the year the Company entered into the following transactions with related parties:

Remuneration of key management personnel

The Group has a related party relationship with the Directors of the Company as key management. At 30 June 2007, there were 3 (2006: 3) key management all of whom were directors of the Company. Key management remuneration is disclosed in note 6.

Related party transaction – Cold Investments Limited

Cold Investments Limited is an investment vehicle previously controlled by Robert Bonnier, who was a director of the Company. Flasktent Limited is controlled by Cold Investments Limited.

On 11 September 2006, the Board agreed the sale, to Flasktent Limited, of certain of the Group's intellectual property and physical assets pertaining to a retail unified communications business and the rights related thereto. The details of this transaction are outlined in note 11.

In September 2006, Artilium N.V. undertook a project as lead consultant on the construction of a unified communication platform with Flasktent Limited.

Artilium N.V. received £371,377 as payment for this project from Cold Investments Limited.

In December 2006, the Artilium plc Employee Benefit Trust purchased 1.5 million Series 2 warrants from Cold Investments at a price of 2p per warrant (equivalent of 150,000 'new share' warrants at 10p).

In January 2007, Cold Investments Limited participated in the placing of new shares by the company and purchased 1.43 million shares at a consideration of £1 per share.

In March 2007, Robert Bonnier sold his interest in Cold Investments and, to our knowledge, no longer has any connection to the Company.

Company
income
statement.
Year ended
30 June 2007

	Notes	2007 £'000	2006 £'000 Restated (See note 2)
Continuing operations			
Revenue		-	-
Cost of sales		-	-
Gross profit			
		-	-
Other operating income		-	-
Administrative expenses		(3,234)	(1,559)
Operating loss			
		(3,234)	(1,559)
Investment revenues – interest on bank deposits	43	123	126
Other losses		(4)	(10)
Loss before tax			
		(3,115)	(1,443)
Tax	44	-	-
Loss for the year from continuing operations			
	41	(3,115)	(1,443)
Discontinued operations			
Loss for the year from discontinued operations		(1,885)	(981)
Loss for the year			
		(5,000)	(2,424)

Statement of changes in equity. Year ended 30 June 2007

Equity comprises share capital, share premium, capital redemption reserve, warrants reserve, option to purchase minority interest and retained earnings.

	2007 £'000	2006 £'000
Balance at 1 July	4,905	559
Net loss for the year	(5,000)	(2,424)
	(95)	(1,865)
(Decrease)/increase in share capital	856	(2,885)
Increase in share premium	10,737	6,437
Reversal of option to purchase minority interest	1,611	(1,611)
(Decrease)/increase in share warrant reserve	(120)	336
Increase in share based payment reserve	707	-
Purchase of own shares	-	4,493
Balance at 30 June	13,696	4,905

Company
balance
sheet.
Year ended
30 June 2007

	Notes	2007 £'000	2006 £'000
Non-current assets			
Plant and equipment	48	327	11
Investments	47	8,186	3,566
		8,513	3,577
Current assets			
Trade and other receivables	49	2,919	2,089
Cash and cash equivalents		2,920	1,211
		5,839	3,300
Total assets		14,352	6,877
Current liabilities			
Trade and other payables	50	(656)	(1,972)
Net current assets		5,183	1,328
Net assets		13,696	4,905
Equity			
Share capital	24	2,625	1,769
Share premium account	25	19,770	9,033
Capital redemption reserve		4,493	4,493
Option to purchase minority interest	26	-	(1,611)
Share warrants reserve	27	216	336
Retained earnings	52	(14,115)	(9,115)
Share based payment reserve	30	707	-
Total equity		13,696	4,905

The financial statements were approved by the Board of Directors and authorised for issue on 11 September 2007. They were signed on its behalf by:



Tony Lynch
Director

Company
cash flow
statement.
Year ended
30 June 2007

	Notes	2007 £'000	2006 £'000
Net cash used in operating activities	53	(7,394)	(2,345)
Investing activities			
Interest received		124	126
Purchases of property, plant and equipment		(355)	(12)
Sale of investments		11	21
Purchase of investment		(334)	-
Acquisition of subsidiary		(1,414)	(5,177)
Net cash used in investing activities		(1,968)	(5,042)
Financing activities			
Proceeds on issue of shares		11,071	8,046
Net cash from financing activities		11,071	8,046
Net increase in cash and cash equivalents		1,709	659
Cash and cash equivalents at beginning of year		1,211	552
Cash and cash equivalents at end of year		2,920	1,211

Notes to the company financial statements. Year ended 30 June 2007

The auditors' remuneration for audit services to the Company was £58,000 (2006: £30,000).

40. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as

those set out in note 2 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

41. Loss for the year

Loss for the year has been arrived at after charging/(crediting):

	2007	2006
	£'000	£'000
Net foreign exchange losses	9	(11)
Depreciation of plant and equipment	28	1
Staff costs (see note 42)	1,228	160
Auditors' remuneration for audit services (see below)	58	30

42. Staff costs

The average monthly number of employees (including executive directors) was:

	2007	2006
	number	number
Administration	6	2

	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	1,001	143
Social security costs	127	17
	1,228	160

43. Investment revenue

	2007 £'000	2006 £'000
Interest on bank deposits	123	126

44. Tax

Current tax is calculated at 30% (2006: 30%) of the estimated assessable loss for the year.

	2007 £'000	2006 £'000
Current tax	-	-

The charge for the year can be reconciled to the profit per the income statement as follows:

	2007 £'000 Continuing operations	2007 £'000 Discontinued operations	2006 £'000
Loss before tax	(3,115)	(1,885)	(2,424)
Tax at the UK corporation tax rate of 30%(2006: 30%)	(935)	(566)	(727)
Expenses not deductible for tax purposes	243	-	602
Tax losses brought forward utilised	-	-	(11)
Unutilised tax losses carried forward	692	566	136
Tax expense and effective tax rate for the year	-	-	-

At the balance sheet date, the Company has unused tax losses with a deferred tax value of £1,682,000 (2006: £137,000) and future tax deductions available in relation to share options with a deferred tax value of £274,000 (2006: £nil). No deferred tax asset has been recognised in relation to these items due to insufficient evidence of future appropriate profits in the UK.

45. Subsidiaries

Details of the Company's subsidiaries at 30 June 2007 are as follows:

	Place of incorporation ownership (or registration) & operation	Proportion of ownership interest & voting power held	Method used to account for investment
Artilium N.V.	Belgium	100%	Purchase
Artilium Unified Communications Inc*	US	100%	Purchase

*This company was incorporated on 8 June 2007 and made no transactions during the year

46. Interest in associate

Details of the Company's associate at 30 June 2007 are as follows:

	Place of incorporation ownership (or registration) & operation	Proportion of ownership interest in ordinary bearer shares	Method used to account investment
Chinook Hosting Corporation	United States	31%	Equity

47. Investments

	Investment in subsidiary £'000	Investment in associate £'000	Total £'000
Cost			
At 1 July 2006	3,566	-	3,566
Additions	4,286	334	4,620
Disposals	-	-	-
At 30 June 2007	7,852	334	8,186
Provision			
At 1 July 2006	-	-	-
Charge for the year	-	-	-
At 30 June 2007	-	-	-
Carrying amount			
At 30 June 2006	3,566	-	3,566
At 30 June 2007	7,852	334	8,186

48. Property, plant and equipment

	Fixtures & equipment £'000	Leasehold improvements £'000	Total £'000
Cost			
At 1 July 2006	12	-	12
Additions	264	91	355
Disposals	(11)	-	(11)
At 30 June 2007	265	91	356
Accumulated depreciation			
At 1 July 2006	1	-	1
Charge for the year	20	8	28
At 30 June 2007	21	8	29
Carrying amount			
At 30 June 2006	11	-	11
At 30 June 2007	244	83	327

49. Trade and other receivables

	2007 £'000	2006 £'000
Prepayments and deferred expenses	369	849
Other debtors	-	204
Receivable from Group Companies	2,550	1,036
	2,919	2,089

The carrying amount of these assets approximates their fair value.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 66 days.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

50. Trade and other payables

	2007	2006
	£'000	£'000
Trade creditors	442	1,026
Accruals	214	807
Other creditors	-	101
Payable to Group companies	-	38
	656	1,972

51. Share capital, share premium account, capital redemption reserve, option to purchase minority interest and share warrant reserve

The movements on these items are disclosed in notes 24 to 27 to the consolidated financial statements.

52. Retained earnings

	2007	2006
	£'000	£'000
Balance at 1 July 2006	(9,115)	(6,691)
Net loss for the year	(5,000)	(2,424)
Balance at 30 June 2007	(14,115)	(9,115)

53. Notes to the company cash flow statement

	2007 £'000	2006 £'000
Loss from continuing operations	(3,115)	(1,443)
Loss from discontinued operations	(1,885)	(981)
Adjustments for:		
Investment revenues	(124)	(126)
Loss on disposal of investments	-	(4)
Depreciation of property, plant and equipment	28	1
Share based payment expense	707	336
	(4,389)	(2,217)
Operating cash flows before movements in working capital		
Increase in receivables – continuing operations	(1,652)	(2,084)
Decrease in receivables – discontinued operations	825	-
(Decrease)/increase in payables – continuing operations	(1,491)	1,956
Decrease in payables – discontinued operations	(687)	-
Cash used in operating activities	(7,394)	(2,345)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

54. Operating lease arrangements

	2007 £'000	2006 £'000
Minimum lease payments under operating leases recognised in income for the year	182	20

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2007 £'000	2006 £'000
Within one year	212	176
In the second to fifth years inclusive	-	247
	212	423

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 years and rentals are fixed for an average of 4 years. The current office lease contains a break clause at 30 June 2008 which is likely to be exercised by the Company.

55. Related party transactions

Transactions between the Company and its subsidiary are disclosed in this note:

Trading transactions

During the year, Company entered into the following transactions with related parties:

	Purchase of goods		Amounts owed by related parties		Amounts owed by related parties	
	2007	2006	2007	2006	2007	2006
	£'000	£'000	£'000	£'000	£'000	£'000
Artilium N.V.	565	37	-	-	-	37
Artilium plc Employee Benefit Trust	-	-	2,500	-	-	-

Artilium N.V. is a subsidiary of the Company as disclosed in note 45.

Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Artilium plc Employee Benefit Trust purchased 3 million series 2 warrants at a price of 10p per warrant in December 2006. The warrants were then exercised at a price of 75p and converted into ordinary 5p shares by the Trust.

A loan was obtained from the Company to satisfy the purchases by the Trust.

No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

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