

Company Registration No. 03904535

Artilium plc

Report and Financial Statements.

30 June 2011

Artilium plc

Report and financial statements 2011

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Company information

Directors

Mr L. Roukens
Mr T. Trainer
Mr A. Reinders

Secretary

MoFo Secretaries Limited

Registered Office

MoFo Notices Limited
Citypoint
One Ropemaker Street
London EC2Y 9AW

Principal Bankers

HSBC Bank plc
8 Stephenson Place
Birmingham B2 4NH

Solicitors

Morrison and Foerster (UK) LLP
CityPoint
One Ropemaker Street
London EC2Y 9AW

Nominated Advisor and Broker

Arbuthnot Securities Limited
Arbuthnot House
20 Ropemaker Street
London EC2Y 9AR

Auditors

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
Churchill House
Chalvey Road East
Slough
Berkshire SL1 2LS

Artilium plc

Chairman's statement

I am pleased to report that the Group is steadily progressing implementing the process it started in the prior year, moving from Capital Expenditure ("CAPEX") to Operational Expenditure ("OPEX") as its core business model. The fact that recurring revenue is now at the basis of its finance, has had a positive impact thus far and it is anticipated that the growth will increase rapidly over the coming business year.

In addition I am very pleased to announce that the Group has successfully commenced the roll out of a new strategy which will allow it to increase its market. Instead of limiting itself to the telco market, the Group will now also market to Mobile Virtual Network Enablers ("MVNEs") and Fortune 500 companies, the early results of which are already visible. This gives us great confidence in the future of the Group.

I would like to extend my sincere thanks to my fellow Board members and to the Group's entire staff for their commitment and dedication in supporting the implementation of the OPEX business model and the roll out of the new strategy.

Adriaan Reinders
Executive Chairman

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Chief Executive's statement

Overview

After a difficult period in which Artilium survived on a minimal revenue stream, we have now reached two main goals: the Group was operating at cash flow break even toward the end of the period and we have secured several subscriber fee based platforms and brought them live. This resulted in our first year with an EBITDA* positive result excluding non-operational items since the Group was established. Also we have been able to conclude an extension of the KPN contract ahead of schedule and reengineered the contractual obligations into a continuous involvement of Artilium and therefore a continuous revenue stream. Based on these achievements, management believes it is ready to take the next step and enter into a growth phase. This phase of growth is to be seen as autonomous growth, but could also include acquisitions in distribution and/or technology extension.

Operations

Operationally, we have been very focused on improving the quality of our services to our existing customers. We had some issues on the platform with KPN Group Belgium, but we have mastered these issues and stabilised the platform, which is now fully under control. As a result we have improved several elements of our ARTA solution and are now better equipped to profit from the scalable architecture of this platform and roll it out to other customers. In addition, we have delivered the new projects in Belgium (Interfon on Mobistar) and the Netherlands (NarrowMinds on T Mobile). Both platforms are ready for service and the first Mobile Virtual Network Operators ("MVNOs") and brands will be entering the market over the next few months.

The focus of our R&D team in Scotland has been on developing the first handset connected solutions in our presence solutions resulting in the launch of our Continuous Location Client (CLC) for BlackBerry, Android and iPhone in February of this year. The R&D team in Belgium has been working on the improvement of the efficiency of the AAA (Authentication, Authorisation and Accounting) function of our platform; this will result in a lower Total Cost of Ownership (TCO) for our customers as hardware can be used more efficiently. Also we have been working on the continuous improvement of our rating, charging, service delivery and customer care functionalities. We will keep on working on the improvement of our solution together with our partners to optimise the result for our customers.

The next phase

Management believes that the most difficult period is behind us and that we can now build on a growth strategy. This strategy can be based on autonomous growth through partners, but can also include mergers and acquisitions in both distribution as well as technology companies. The focus is now shifting from stabilisation to growth, and from organic internal to external growth and will be supported by the new Board appointments which will bring a new level of expertise to the executive management team.

Market Dynamics

We see an increase in requests coming from operators. These have not directly translated into new projects, as sales cycles are long. We believe that delays in the signing of contracts on our CLC solution is principally a lack of focus on sales and the absence of a distribution channel. These issues have been addressed and we have now recruited relevant staff to focus on these matters and improve our sales performance and distribution capabilities together with partners.

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Chief Executive's statement

Financial Results

The Group agreed a long term strategic plan at the outset of previous financial year. This plan moves the Group to an OPEX business model (predictable recurring revenue) and also has significant cost saving measures embedded in it (significantly reducing operating expenses) aimed at achieving cash flow break even in the current period.

As we move to the OPEX business model, revenues for the year ended 30 June 2011 were €6.1 million (2010: €3.2 million) of which a significant element came from the CAPEX sales of Artilium licenses (including the release of the remaining deferred income with respect to the 2008 KPN contract). Revenues also came from professional services, relating to project management and implementation services and an increasing proportion is now represented by recurring revenue coming from maintenance and support contracts, including monthly subscriber fees. As planned, we significantly decreased activity in the low margin area of resale of hardware already last year and as a result revenues from this activity have remained stable at €0.4 million versus €0.3 million in the previous year. The quality of earnings has significantly improved and equally importantly, revenues are in line with our longer term strategic plan and demonstrate the Group is capable of performing against its targets.

Revenue for the year comprises the full recognition of the deferred income with respect to the KPN deal for €2.1 million. As already announced in previous communications, these revenues being booked in the year ended 30 June 2011, they do not have a cash effect and therefore do not have a material impact on the operation of the business. Excluding the release of the remaining deferred income of the KPN contract, revenue has grown by 25%.

The Group generated a gross profit of €5.3 million or 86.4% of revenues (2010: €2.2 million or 68.1% of revenues) and incurred an operating loss of €0.9 million (2010: €3.9 million), inclusive of operating expenses of €6.3 million (2010: €6.2 million).

The administrative expenses are impacted by unfavourable exchange rate fluctuations of €0.6 million while in 2010 there was a positive impact of €0.5 million. Depreciation and amortisation furthermore impact these administrative expenses with €0.6 million (2010: €0.7 million). In the current financial year, the operating loss includes a charge for share-based payments and share options of €0.1 million (2010: €0.7 million) but holds no other charges for one-off elements (2010: €0.5 million). Stripping all of these non-operational items from the administrative expenses provides a better view of the underlying result of the Group's operations.

The underlying operating costs of the business before non-operational items, share-based payment expenses and one-off items are €4.9 million (2010: €4.8 million) contributing to an operating profit before non-operational items of €0.4 million. This is not only a major improvement versus the same period last year (2010 loss before non-operational items: €2.7 million) but is, more importantly, fully in line with our strategic plan.

Excluding the deferred income release gives an operating loss before non-operational items over the year of €1.7 million versus €2.7 million in previous year. In the second half of the year, the underlying operating loss before non-operational items excluding the deferred income release was €0.7 million and the Group was operating at cash flow break even towards the end of the period.

Outlook

We are trading in line with market expectations and we expect to continue our revenue growth path. We are focused on delivering on existing projects, securing the contracts currently under negotiation and rolling out further technological advancements under the ARTA family of products.

Our presence capabilities have been ported to be smartphone-connected next to the operator connected solutions we already have in place. We can now offer our presence solutions independent of the operator. The next step is to be able to deliver our intelligent routing and community services directly to the smartphone user as well. This will open up a complete new potential, customer base and distribution approach in addition to operators and resellers and we can now address our customers via existing ICT delivery channels to large enterprises.

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Chief Executive's statement

We have taken the position that our solution will be a multi vendor support strategy. The ARTA platform will therefore be the linking pin between the different smart phone platforms for location, state, presence and convergence solutions.

ARTA will open the possibility to the enterprise market to make the (smart) phone a tool in the business process and integrate it with existing ICT solutions like ERP systems.

Maarten Bisseling
Chief Executive

* EBITDA is Earnings before interest, taxes, depreciation and amortisation. For the sake of this calculation exchange rate fluctuations and one-off items are not included.

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Directors' report

The Directors present their annual report on the affairs of Artilium plc and its subsidiaries (the "Group"), together with the financial statements and auditor's report, for the year ended 30 June 2011.

Principal activities

Artilium plc (the "Company", "Artilium") 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.

Artilium is headquartered in Bruges, Belgium and has an office in Dunfermline, Scotland.

Business review

The Group agreed a long term strategic plan at the outset of previous financial year. This plan moves the Group to an OPEX business model (predictable recurring revenue) and also has significant cost saving measures embedded in it (significantly reducing operating expenses) aimed at achieving cash flow break even in the current period.

The Directors refer to the Chief Executive's statement for an explanation of the financial results of the Group.

Principal risks and risk management

There are a number of potential risks and uncertainties which could have a material impact on the Group's long term performance and cause actual results to differ materially from expected and historical results. The Group's financial risk management policies and procedures are also discussed in Note 32 of the financial statements.

The Group is strongly focused on software development and is currently engaged in the further upgrading of its existing ARTA platform. There are risks associated with the development of this software, inherent in any software development. The risk is managed through detailed project management and resource planning in order to limit delays as much as possible.

As reported before, the Group has delivered a geo redundant, scalable MVNO environment to KPN which went live on 1 July 2009. As this contract with KPN was terminated in the course of the year ending 30 June 2011, there are no more risks of incurring penalties under that licence deal. The Group reported in May 2011 that it has extended its contract with KPN, albeit on a subscriber fee model. Having singled out certain risks in the new contract and having seen no material breaches under the former contract, the Group is confident that the risk of material breaches under the current contract is substantially mitigated.

Software development is very dependent on the quality of the people and there is a risk that key employees may leave the Group, which could delay development. The risk is managed by ensuring that remuneration levels are competitive, the work is interesting and there are opportunities for personal development.

The Group's sales can be for significant sums of money and there is a risk of non-payment and delays by customers. Many of the Group's customers are significant, well established companies with good credit ratings but the risk remains that the Group may not be paid and delay in payment for its services which could lead to liquidity issues. The Group's finance team has regular collection calls with its customers, which it considers to be good practice, although the Group has had very few doubtful debtor issues the last few years.

We refer to the paragraph on going concern for further details on the going concern risk.

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Directors' report

Going concern

The Directors have adopted the going concern basis in preparing the financial statements having carried out a going concern review. In carrying out the review the Directors have made assumptions about the revenue that will be generated to December 2012 based on its pipeline.

The Group has focussed on its existing customers and home markets, mainly with KPN GB but has also delivered the new projects in Belgium (Interfon on Mobistar) and The Netherlands (Narrowminds on T Mobile). In order to reach the break even point in 2012, the Group has now already secured more than 40% of its expected revenue for the year to June 2012, the expected revenue being a combination of recurring revenue included within concluded contracts and proposals to existing and new customers for their estimate of the likelihood of winning these on a project by project basis. This is the result of the Group's strategy to move to a recurring revenue based business model. The incoming cash flows will as such be spread over the total life as opposed to licence sales where the cash is paid up front. This is giving the Group greater visibility and predictability of its revenues. The extension of the KPN contract has contributed significantly in bringing the Group such stable prediction of its revenue pattern. However, as this future revenue is not fully supported by sales contracts or confirmed orders yet, there is material uncertainty as to the amount of revenue that the Group will generate.

The Group also adjusted its cost base to reflect and fit with the new business model. The real effect of these changes did come into full effect in the previous period and did remain at its same level in the year ending 30 June 2011, clearly proving the sustainability of the cost level reductions.

As highlighted above, there is a material uncertainty related to events or conditions, related to revenues, which may cast significant doubt on the entity's ability to generate sufficient cash flows to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However the Directors consider that the assumptions made are appropriate and are satisfied that the Group is a going concern. The directors monitor the cash position of the business on a regular basis and consider the various sources of finance available to the Group, the directors would seek to access these sources of finance as necessary.

Carrying value of long term assets

The Directors have carried out impairment tests on the carrying value of the Group's intangible assets and goodwill and concluded that these assets are not impaired. In arriving at this conclusion the Directors have used a value-in-use calculation and made assumptions about revenue in the near and longer term, which, due to the nature of the Group sales and the time-scales involved are not supported by sales contracts. There is thus material uncertainty as to the amount of revenue that will be generated, which may cast significant doubt as to the carrying value of these assets.

For the purpose of impairment testing the Company as a whole is considered as one single cash-generating unit because of the way it is structured, managed and measured by management. The Group tests goodwill and other intangible assets annually for impairment or more frequently if there are indications that it might 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 to reduce the carrying amount of any goodwill.

Cash flows for the impairment test have been forecasted for five years and a terminal value has been calculated for the years beyond that. The terminal value is based on the average over the five year net cash flow forecast to perpetuity using a discount rate of 15% (2010: 15%), which is appropriate for the Company. The WACC would need to increase to more than 17% for the goodwill to be impaired. The growth rate factor used in perpetuity in the discounted cash flow model is estimated to be 3% (2010: 3%) in line with long-term forecasts for economic growth expected in Belgium as this is the principal market. The sales growth rate used during the five year forecast is estimated to be around 15% based on management's best estimate of the market opportunities. Based on these

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Directors' report

assumptions the recoverable amount exceeds the carrying amount by €5.4 million. If the net present value of forecast future cash flows decreased by 23.55% the recoverable amount will be less than the carrying amount.

Last year, in the cash flow forecast, the future revenue was estimated by the Company using a probability criterion based on a weighted average approach by phases defined by the Board of Directors. During the year, the Board of Directors decided to change the estimation approach for recognising future revenue in the cash flow forecast by performing an in-depth analysis of the sales pipeline and after discussion with the Business Development responsible, a selective approach is undertaken and the selected future revenue is factored in the cash flow forecast without using a probability criterion. Management consider that the updated estimation methodology is more appropriate due to the size and nature of contracts the Group enters in to and gives a better estimate of expected cash flow.

The Group's cost base is forecasted to increase at the rate of 10% per year for the five year forecast period. This is based on management's historic experience of cost increases, and the forecast increases in revenue.

As a consequence of the material uncertainty on revenue highlighted above the auditors have issued an opinion that includes an emphasis of matter paragraph related to this uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and the carrying value of the Group's non-current assets. However the Directors consider that the assumptions made are appropriate and are satisfied that the Group's non-current assets are not impaired.

Events since the balance sheet date

There are no significant events to be reported since the balance date except for the changes in the Board of Artilium plc on which we reported in our Director's report. The Directors refer to the RNS released on 9 September 2011 with respect to the expiry of warrants. No warrants have been executed so they all lapsed per 25 September 2011.

Capital Structure

The Company's share structure is set out in Note 22 to the financial statements.

On 17 June 2011 the Company raised €1.457.000 (at 8.5p) via placing of 15.206.739 ordinary shares with Herald Investments, existing shareholders, managements and Directors. The €3.295.000 loan notes have been converted to equity on the same date.

The existing share options relate to Fred Mulder and Robert Marcus, former Directors of the Company and Maarten Bisseling, CEO of the Company.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Replacement of Directors

As set out in the Company's Articles of Association, at every Annual General Meeting at least one third of the Directors shall retire from office by rotation.

On 25 October 2011 the following changes to the Board will happen. Mr Lex Roukens and Mr Tom Trainer will resign as Non-Executive Board members and will be replaced by Mr Jan-Paul Menke and Mr Peter CA De Jong. Mr Jan-Paul Menke and Mr Peter CA De Jong will both be appointed as Non-Executive Board members. Additionally, Mr Maarten Bisseling, will step in as Executive Board Member and will remain in place as CEO.

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Directors' report

Financial Management

Reports are made to the Directors on a regular basis of key performance indicators (“KPIs”) which it uses to monitor the Group. These indicators include key financial measures of revenue and costs compared to the prior year and the budget and forecast and an analysis of the sales pipeline against target. Non-financial KPI’s include reviews of ongoing projects where development of progress against plan is measured and timeliness of the resolution of customer enquiries and bugs. The Company sets a high standard in measuring progress of projects against plan in which overruns need to be well documented and underpinned with evidence as to the reasons why overruns are incurred. In the financial year ended 30 June 2011 majority of the projects completed did not have significant unexplained overruns. As to the resolution of customer enquiries and bugs, the Company measures after delivery of the project how much aftercare is required to satisfy the customer’s needs. In the financial year, the Company has seen no fundamental delays in any of the projects delivered.

Information about the use of financial instruments by the Group is disclosed in Note 32 to the financial statements.

Future developments

Management believes that the most difficult period is behind us and that we can now build on a growth strategy. This strategy can be based on autonomous growth through partners, but can also include mergers and acquisitions in both distribution as well as technology companies. The focus is now shifting from stabilisation to growth, and from organic internal to external growth and will be supported by the new Board appointments announced today which will bring a new level of expertise to the executive management team.

Dividends

The Directors do not recommend a dividend for the year (2010: nil).

Directors

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

Name	Particulars
Mr F. Mulder	Executive Chairman (resigned on 14 December 2010)
Mr A. Reinders	Non Executive, Executive Chairman (appointed 15 December 2010)
Mr T. Trainer	Non Executive
Mr L. Roukens	Non Executive (appointed 15 December 2010)

Directors' interests

As a result of the share placing on 17 June 2011 the three Directors acquired 725.385 ordinary shares (Adriaan Reinders 259.066, Tom Trainer 259.066 and Lex Roukens 207.253), representing a 5% interest in the share capital of the Company. Interests in share options are disclosed below.

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Directors' report

Directors' share plans

Unapproved share option plan: awards are made to employees with the exercise price based on the market price of the Company's shares at the date of the award. These awards have a three year vesting period and a five year exercise period.

The performance period for these shares is three years and the vesting is dependent on the Company's Total Shareholder Return (TSR) over that period with a base share price of £1. No shares will vest if:

- (a) The TSR performance of the Company is below that of the AIM index
- (b) 1/3 will vest if the TSR performance is equal to the AIM index
- (c) 2/3 will vest if the TSR performance is equal to that of the AIM index plus 10%

And all of the shares will vest if the Company's performance is equal to that of the AIM index plus 35%. The performance criteria are at the discretion of the Remuneration Committee.

New awards were made to key management on June 24 2010, with the exercise price determined by the Remuneration Committee and varying on each vesting date. These awards vest in tranches and vesting dates of tranches are different between members of key management. For these awards there are no further performance criteria.

Director	At 1 July 2010	Lapsed during the year	At 30 June 2011	Date of Grant	Exercise Price	Earliest exercise date	Expiry date
Tom Trainer	904.470	(904.470)	-	-	-	-	-
Fred Mulder	2.713.409	(1.713.409)	1.000.000	24 June 2010	6 - 30p	24 June 2010	24 June 2020
Total	3.617.879	(2.617.879)	1.000.000				

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 payables of the Group at 30 June 2011 were equivalent to 85 days (2010: 94 days), based on the average daily amount invoiced by suppliers during the year. Trade payables of the Company were equivalent to 54 days (2010: 30 days).

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Directors' report

Special business

The notice convening the AGM to be held at the offices of Morrison & Foerster (UK) LLP, CityPoint, One Ropemaker Street, London, EC2Y 9AW on 9 December 2011 at noon has been despatched to shareholders under separate cover.

Donations

The Company has made no political or charitable donations during the year.

By order of the Board,

Adriaan Reinders
Executive Chairman
24 October 2011
Company No. 03904535

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Corporate Governance

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 of the Group, the UK Corporate Governance Code has been followed, except where otherwise stated.

Under the AIM rules the Company is not required to comply with the UK Corporate Governance 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 September 2010 and the Combined Code in so far as it can be applied practically, given the size and the nature of its operations. Throughout the financial period the Board comprised two non Executive Directors and an Executive Chairman (this role being held by Fred Mulder until 14 December 2010 and following Mr Mulders' resignation, by Adriaan Reinders). The Board is satisfied that throughout the period it was appropriately constituted and in compliance with both the Corporate Governance guidelines published by the QCA and the Combined Code in so far as is practicable for a Company of its size. The Board notes that Mr Reinders acts as Executive Chairman but also notes that Mr Maarten Bisseling, who is not a Director of the Company, fulfils the role of Chief Executive Officer and reports directly to the Board.

The Board of Directors

The Board has regular monthly meetings to primarily discuss the Company strategy, current progress in achieving the Company's 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 2011 the Board consisted of one Executive Director and two non Executive Directors. Details of the Directors are set out in the Director's Report. The Company has a policy of appointing a separate Chairman and CEO.

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.

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Corporate Governance

Committees

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

Audit Committee

The Audit Committee, with effect from 14 December 2010, comprises Tom Trainer (Chairman), Adriaan Reinders and Lex Roukens. Tom Trainer replaced Fred Mulder as Chairman of the Committee on 14 December 2010 and on the same date Mr Roukens joined the Committee. Its terms of reference indicate at least two regular meetings per year and its formal meetings, to review the audit for the year ended 30 June 2011, took place on 24 August 2011 and 20 October 2011, which was attended by all members of the committee. The Committee received a copy of the auditor's report to management prior to the meeting and had an opportunity to comment. The meeting was attended by the auditors. The head of finance and representatives of the external auditors are normally invited to attend meetings. 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, with effect from 14 December 2010, comprises Lex Roukens (Chairman), Adriaan Reinders and Tom Trainer. Mr Roukens replaced Fred Mulder as Chairman of the Committee on 14 December 2010. The Company's policy is to remunerate senior management 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 and the senior management of the Company. The principal objective of the committee is to ensure that members of the senior 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, with effect from 14 December 2010, is comprised of Adriaan Reinders (Chairman), Tom Trainer and Lex Roukens. Its function is to consider the appointment and reappointment of Directors when appropriate.

Relations with shareholders

The Company encourages dialogue with its shareholders and responds to all enquiries verbally or in writing. The Chairman and Maarten Bisseling (Group Chief Executive 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.

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Corporate Governance

	Basic salary/fee Eur'000	Benefits in kind Eur'000	Bonus Eur'000	Group national insurance cost Eur'000	Total cost of employment Eur'000
Directors					
Fred Mulder	31	-	-	-	31
Tom Trainer	30	-	-	-	30
Adriaan Reinders	30	-	-	-	30
Lex Roukens	79	-	-	-	79
	170	-	-	-	170
Key Management Personnel					-
Maarten Bisseling	240	-	-	-	240
	240	-	-	-	240
Total	410	-	-	-	410

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Directors' responsibilities statement

The Directors are responsible for preparing the Directors' 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. Under that law the Directors have to prepare the Group financial statements and have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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.

By order of the Board,

Adriaan Reinders
Executive Chairman
24 October 2011
Company No. 03904535

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Independent auditors' report to the members of Artilium plc

We have audited the financial statements of Artilium plc for the year ended 30 June 2011 which comprise the Group and parent Company statement of financial position, the Group and parent Company income statements, the Group and parent Company statements of total comprehensive income, the Group and parent Company statements of cash flows, the Group and parent Company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union-

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement on page 15, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion on financial statements

With respect to €2,570 million included in total group revenue of €6,121 million in the year ended 30 June 2011, and deferred revenue amounts of €0,333 million (2010: €2,073 million) disclosed in Note 19 of the group financial statements, the audit evidence available to us was limited. We were unable to ascertain, for a material contract of the group, whether management's estimate of the fair value of both the delivered and undelivered elements of the contract were reasonable. As a result of this we have been unable to obtain sufficient appropriate audit evidence concerning both revenue and deferred revenue balances in respect of this individual contract.

Qualified opinion on financial statements

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, the financial statements:

Artilium plc

Independent auditors' report to the members of Artilium plc

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2011 and of the Group's and the parent Company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - going concern

In forming our opinion on the financial statements we have considered the adequacy of the disclosures made in Note 3 of the financial statements concerning the Group and parent Company's ability to continue as a going concern. The Group incurred a net loss of €2,892 million during the year ended 30 June 2011.

As explained in Note 3, the Directors' assessment as to the appropriateness of the going concern basis includes an expectation of future revenues which is only partially supported by sales contracts or confirmed sales orders, and as such is inherently uncertain. If future revenue does not meet expectations, the Group and parent Company may not be able to generate sufficient cash flows to pay debts as they fall due or continue as a going concern.

We also draw attention to the disclosures made in Note 3 of the financial statements concerning the carrying value of non-current assets of €10,9 million included in the consolidated statement of financial position. The assessment that these assets are not impaired includes an expectation of future revenues which is only partially supported by sales contracts or confirmed sales orders, and as such is inherently uncertain.

These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty which may cast significant doubt about the Group and parent Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and parent Company were unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to revenue and deferred revenue in respect of an individual contract, described above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made.

James Rogers
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Slough
24 October 2011

Artilium plc

Consolidated income statement Year ended 30 June 2011

	Notes	2011 Eur'000	2010 Eur'000
Continuing Operations			
Revenue	4	6.121	3.183
Cost of sales		(830)	(1.016)
Gross profit		5.291	2.167
Other operating income		231	173
Administrative expenses		(6.323)	(6.246)
Restructuring costs	8	(118)	(7)
Operating loss		(919)	(3.913)
Finance costs	7	(1.226)	(303)
Other gains and losses	9	(875)	597
Loss before tax		(3.020)	(3.619)
Tax	10	128	110
Loss for the year from continuing operations		(2.892)	(3.509)
Basic & diluted loss per share in euro cents from continuing operations	11	(3,04)	(3,88)

Artilium plc

Consolidated statement of total comprehensive income Year ended 30 June 2011

	2011 Eur'000	2010 Eur'000
Loss for the year	(2.892)	(3.509)
Other comprehensive income for the year:		
Exchange differences on translation of foreign operations	671	(492)
Total comprehensive income for the year attributable to owners of the parent	(2.221)	(4.001)

Artilium plc

Consolidated statement of financial position As at 30 June 2011

	Notes	2011 Eur'000	2010 Eur'000
Non-current assets			
Goodwill	12	10.571	10.571
Intangible assets	13	133	585
Property, plant and equipment	14	189	323
Deferred tax assets	17	8	58
		10.901	11.537
Current assets			
Trade and other receivables	16	1.126	1.160
Cash and cash equivalents		1.039	1.441
Financial instruments	32	-	153
		2.165	2.754
Total assets		13.066	14.291
Non-current liabilities			
Convertible loan notes	34	-	2.288
Deferred tax liabilities	17	39	216
Long term provisions	21	52	342
Deferred Income	19	-	2.073
		91	4.919
Current liabilities			
Trade and other payables	19	2.682	2.406
Obligations under finance lease	18	-	5
Bank loans	20	50	172
Provisions	21	325	1.110
Financial instruments	32	-	266
		3.057	3.959
Total liabilities		3.148	8.878

Artilium plc

Consolidated statement of financial position (continued) As at 30 June 2011

	2011 Eur'000	2010 Eur'000
Equity attributable to owners of the parent		
Share capital	9.634	6.639
Share premium account	44.445	40.783
Capital redemption reserve	6.503	6.503
Share based payment reserve	3.211	3.142
Translation reserve	(1.637)	(2.308)
Own shares	(2.336)	(2.336)
Retained deficit	(49.902)	(47.010)
Total equity	9.918	5.413
Total liabilities and equity	13.066	14.291

The financial statements were approved by the Board of Directors and authorised for issue on 24 October 2011. They were signed on its behalf by:

Adriaan Reinders
Director
Company No. 03904535

Artilium plc

Consolidated statement of changes in equity Year ended 30 June 2011

	Share capital	Share premium account	Capital redemption reserve	Share based payment reserve	Translation reserve	Own shares	Retained deficit	Total
	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000
Balance at 1 July 2009	6.639	40.783	6.503	2.462	(1.816)	(2.336)	(43.501)	8.734
Recognition of share-based payment charge	-	-	-	680	-	-	-	680
Transaction with owners	-	-	-	680	-	-	-	680
Loss for the period	-	-	-	-	-	-	(3.509)	(3.509)
Other comprehensive income for the period	-	-	-	-	(492)	-	-	(492)
Total comprehensive income for the period	-	-	-	-	(492)	-	(3.509)	(4.001)
Balance at 1 July 2010	6.639	40.783	6.503	3.142	(2.308)	(2.336)	(47.010)	5.413
Nominal value of shares issued	863	-	-	-	-	-	-	863
Premium arising on issue of placement shares	-	603	-	-	-	-	-	603
Capital increase upon conversion of convertible loan notes	2.132	-	-	-	-	-	-	2.132
Premium arising upon conversion of convertible loan notes	-	3.092	-	-	-	-	-	3.092
Expenses of share issues	-	(33)	-	-	-	-	-	(33)
Recognition of share-based payment charge	-	-	-	69	-	-	-	69
Transaction with owners	2.995	3.662	-	69	-	-	-	6.726
Loss for the period	-	-	-	-	-	-	(2.892)	(2.892)
Other comprehensive income for the period	-	-	-	-	671	-	-	671
Total comprehensive income for the period	-	-	-	-	671	-	(2.892)	(2.221)
Balance at 30 June 2011	9.634	44.445	6.503	3.211	(1.637)	(2.336)	(49.902)	9.918

Artilium plc

Consolidated cash flow statement Year ended 30 June 2011

	Notes	2011 Eur'000	2010 Eur'000
Net cash used in operating activities	25	(2.173)	(3.002)
Investing activities			
Purchases of property, plant and equipment		-	(15)
Proceeds from disposal of property, plant and equipment		-	-
Purchase of intangibles		-	-
Net cash used in investing activities		-	(15)
Financing activities			
Repayments of obligations under finance leases		(5)	(8)
Proceeds on swap transactions		-	298
Proceeds on issue of shares		1.322	-
Cost of capital increase		(33)	-
Convertible loan received	34	800	2.500
New bank loan		100	150
Interest paid		(169)	(45)
Bank loan repayment		(222)	(270)
Net cash from financing activities		1.793	2.625
Net decrease in cash and cash equivalents		(380)	(392)
Cash and cash equivalents at beginning of year		1.441	2.325
Effect of foreign exchange rate changes		(22)	(492)
Cash and cash equivalents at end of year		1.039	1.441

Artilium plc

Notes to the consolidated financial statements Year ended 30 June 2011

1. General information

Artilium plc is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Directors' report on pages 6 to 11. The Group's principle place of business is Belgium. The ultimate parent Company of the Group is Artilium plc.

These financial statements are presented in round thousand Euro's because that is the principal currency the Group operates in. Foreign operations are included in accordance with the policies set out in Note 2.

Standards adopted early by the Group

The Group has not adopted any standards or interpretations early in either the current or the preceding financial year.

New significant standards adopted in the current period

No new significant standards were adopted in the current period.

Standards and interpretations effective in the current period but with no significant impact

IAS 24 Related Party Transactions (Amendment)

The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation (Amendment)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. The Group is not subject to minimum funding requirements. The amendment to the interpretation therefore had no effect on the financial position or performance of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid". As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued as payment of a debt should be measured at the fair value of the equity instruments

Notes to the consolidated financial statements Year ended 30 June 2011

issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment. The first adoption of the interpretation therefore had no effect on the financial position or performance of the Group.

Improvements to IFRSs (issued April 2010)

In April 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

IFRS 1 (Amendment), First-time Adoption of IFRS (effective from 1 January 2010). This amendment introduces some new exemptions.

IFRS 2 (Amendment), Share-based Payment – Group cash-settled and share-based payment transactions (effective from 1 January 2010), issued in June 2009.

IFRS 1 (Amendment; issued January 2010), Limited exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010).

Amendment to IFRS 1 (Issued May 2010), First-time adoption of International Financial Reporting Standards (effective from 1 January 2011). Additional guidance is given on presentation and disclosure with regard to accounting policy changes in the year of adoption, use of deemed cost for operations subject to rate regulation and interim reporting for part of the period covered by the first IFRS financial statements.

Amendment to IFRS 3 (issued May 2010), Business Combinations (effective for annual periods beginning on or after 1 July 2010). This amendment deals with transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS and measurement of non-controlling interests and introduces an exemption for un-replaced and voluntarily replaced share-based payment awards.

Standards and interpretations that are not yet effective in 2011 and have not been early adopted.

IFRS 9 (Issued November 2009), Financial Instruments (effective from 1 January 2013). The present version of the new standard mainly simplifies the classification and measurement of financial assets.

IFRS 10 Consolidated Financial Statements (effective from 1 January 2013), which replaces IAS 27 and SIC-12.

IFRS 11 Joint Arrangements (effective from 1 January 2013).

IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2013).

IFRS 13 Fair Value Measurement (effective from 1 January 2013).

Amendments to IAS 19 Revised Employee Benefits (effective from 1 January 2013).

At this stage, the Group does not expect first adoption of the above interpretations and new standards to have a material impact on the financial statements.

Artilium plc

Notes to the consolidated financial statements Year ended 30 June 2011

2. Significant accounting policies

Basis of accounting

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

The financial statements have been prepared on the historical cost basis, except that they have been modified to include the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries) 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 results of the subsidiaries acquired are 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. Intra-Group losses are eliminated, except to the extent that they provide evidence of the impairment of the asset transferred.

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. 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.

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.

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

Notes to the consolidated financial statements Year ended 30 June 2011

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 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 from platform contracts is recognised in accordance with the Group's accounting policy on completion of contracts. Revenue comes from 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.

Revenue from the sale of software licences is recognised when the following criteria are met:

- persuasive evidence of an arrangement exists;
- delivery has occurred;
- the vendor's fee is fixed or determinable; and
- collectability is probable.

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.

Notes to the consolidated financial statements Year ended 30 June 2011

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.

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), except for the parent Company whose functional currency is sterling, and whose presentation currency is Euros, in order to ensure consistency of presentation for the consolidated and parent Company accounts. For the purpose of the consolidated financial statements, the results and financial position of each Group Company are expressed in Euro, which is 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 recognised in Other Comprehensive Income 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.

Notes to the consolidated financial statements Year ended 30 June 2011

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, 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.

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Notes to the consolidated financial statements Year ended 30 June 2011

Property, 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%
Motor vehicles	20%

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 profit or loss.

The Directors consider the reasonableness of the useful economic life and residual value estimates on an annual basis.

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.

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. No reversal of impairment losses took place in the year.

Notes to the consolidated financial statements Year ended 30 June 2011

Software Development Costs

Development costs are capitalised as an intangible asset included within other intangible assets, provided that the following criteria are demonstrated:

- the technical feasibility of completing the intangible asset so it will be available for use or sale;
- the intention to complete the intangible asset for use or sale;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The costs are capitalised from the date that the above criteria are satisfied and are amortised once the intangible asset has been completed and either brought into use or released for sale. The costs will be amortised over the expected economic life of the intangible asset over four years, and included within administrative expenses. If the above criteria are not demonstrated the development costs are expensed as they are incurred. In most cases these recognition criteria are not met.

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.

Financial assets

All financial assets (loans and receivables, trade and other receivables and cash and cash equivalents) are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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Notes to the consolidated financial statements Year ended 30 June 2011

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 33.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. A provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the income statement.

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Notes to the consolidated financial statements Year ended 30 June 2011

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 (trade and other payables and bank loans) and equity instruments are classified according to the substance of the contractual arrangements entered into. The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Borrowings

Interest-bearing loans and overdrafts are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement or redemption, are recognised in the income statement over the term of the instrument using an effective rate of interest.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivatives

Derivative financial liabilities are measured initially at fair value, and carried subsequently at fair value with gains or losses recognised in profit or loss.

Operating loss

Operating loss is stated after charging restructuring costs but before investment revenues and finance costs.

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Notes to the consolidated financial statements Year ended 30 June 2011

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

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 the Black-Scholes 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. Equity reserves comprise:

Capital redemption reserve

On 22 December 2005 the Company bought back all of its issued deferred share capital comprising 900.447 shares with a nominal value of £4.99 each for a total consideration of 1 pence. The effect of this transaction was to reduce issued share capital by €6.503.000 and create a capital redemption reserve of the same amount.

Share based payment reserve

The share-based payment transaction reserve is used to recognise the value of equity-settled share-based payment transactions provided to the Directors, including key management personnel, as part of their remunerations. Refer to Note 6 for further details.

Translation reserve

The foreign-currency translation reserve is used to record exchange differences arising from the translation of Sterling £ for Artilium plc and Artilium LTD to the presentation currency of Euro.

Own share

The own share reserve represents the cost of shares in Artilium plc purchased and held by the Artilium plc Employee Benefit Trust to satisfy options and share awards under the Group's Employee Share Schemes.

Notes to the consolidated financial statements Year ended 30 June 2011

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).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue recognition

In the previous financial year, the new management team completed an exercise to estimate the relative fair value of software delivered under the KPN licence agreement of 19 March 2008, and of software and functionalities yet to be delivered. Given the nature of the licence agreement, it was not possible to provide sufficient audit evidence to support management's estimates and a disclaimer of audit opinion was issued on the financial statements for the year ended 30 June 2009 and limitation of scope audit opinion for the year ended 30 June 2010 and 30 June 2011.

Based on the valuation exercise, 58.6% of the contract deliverables (€2.9 million) had been delivered at 30 June 2009, with 41.4% still to be delivered and held on the balance sheet as deferred income. No further software or functionalities were delivered during the year ended 30 June 2010, and therefore no licence revenue in respect of this contract was recognised. Revenue for the year ended 30 June 2011 comprises the full recognition of the deferred income with respect to the KPN deal for €2.1 million. As already announced in previous communications, these revenues being booked in the year ended 30 June 2011, they do not have a cash effect and therefore do not have a material impact on the operation of the business.

As in the previous year, a provision has been recognised for the estimated loss for the delivery of the maintenance and support services under this agreement.

Management consider that delivery of ARTA software occurs on provision of software to the customer and therefore this is accounted for as a sale of goods.

It is still not possible to provide sufficient audit evidence to support management's estimates of the fair value of elements of the contract delivered, and the auditors have modified their opinion on the financial statements for the year ended 30 June 2011 on this basis.

Going concern

The Directors have adopted the going concern basis in preparing the financial statements, having carried out a going concern review. In carrying out the review the Directors have made assumptions about the revenue that will be generated to December 2012 based on its pipeline.

The Group has focussed on its existing customers and home markets, mainly with KPN GB but has also delivered the new projects in Belgium (Interfon on Mobistar) and The Netherlands (Narrowminds on T Mobile). In order to reach the break even point in 2012, the Group has now already secured more than 40% of its expected revenue for the year to June 2012, the expected revenue being a combination of recurring revenue included within concluded contracts and proposals to existing and new customers for their estimate of the likelihood of winning these on a project by project basis. This is the result of the Group's strategy to

Notes to the consolidated financial statements Year ended 30 June 2011

move to a recurring revenue based business model. The incoming cash flows will as such be spread over the total life as opposed to licence sales where the cash is paid up front. This is giving the Group greater visibility and predictability of its revenues. The extension of the KPN contract has contributed significantly in bringing the Group such stable prediction of its revenue pattern. However, as this future revenue is not fully supported by sales contracts or confirmed orders yet, there is material uncertainty as to the amount of revenue that the Group will generate.

The Group also adjusted its cost base to reflect and fit with the new business model. The real effect of these changes did come into full effect in the previous period and did remain at its same level in the year ending 30 June 2011, clearly proving the sustainability of the cost level reductions.

As highlighted above, there is a material uncertainty related to events or conditions, related to revenues, which may cast significant doubt on the entity's ability to generate sufficient cash flows to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However the Directors consider that the assumptions made are appropriate and are satisfied that the Group is a going concern.

Functional currency of parent Company

Management consider that the parent Company operates its own distinct management function, rather than being an extension of the operation of Artilium NV. The parent Company incurs expenses principally in Sterling, and funding raised by the Company to fund the Group's operations is primarily generated in Sterling. Management therefore consider the functional currency of the parent Company to be Sterling.

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.

Carrying value of long-term assets

The Directors have carried out impairment tests on the carrying value of the Group's intangible assets and goodwill and concluded that these assets are not impaired. In arriving at this conclusion the Directors have used a value-in-use calculation and made assumptions about revenue in the near and longer term, which, due to the nature of the Group sales and the time-scales involved are not supported by sales contracts. There is thus material uncertainty as to the amount of revenue that will be generated, which may cast significant doubt as to the carrying value of these assets.

For the purpose of impairment testing the Company as a whole is considered as one single cash-generating unit because of the way it is structured, managed and measured by management. The Group tests goodwill and other intangible assets annually for impairment or more frequently if there are indications that it might 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 to reduce the carrying amount of any goodwill.

Cash flows for the impairment test have been forecasted for five years and a terminal value has been calculated for the years beyond that. The terminal value is based on the average over the five year net cash flow forecast to perpetuity using a discount rate of 15% (2010: 15%), which is appropriate for the Company.

Notes to the consolidated financial statements Year ended 30 June 2011

The WACC would need to increase to more than 17% for the goodwill to be impaired. The growth rate factor used in perpetuity in the discounted cash flow model is estimated to be 3% (2010: 3%) in line with long-term forecasts for economic growth expected in Belgium as this is the principal market. The sales growth rate used during the five year forecast is estimated to be around 15% based on management's best estimate of the market opportunities. Based on these assumptions the recoverable amount exceeds the carrying amount by €5.4 million. If the net present value of forecast future cash flows decreased by 23.55% the recoverable amount will be less than the carrying amount.

Last year, in the cash flow forecast, the future revenue was estimated by the Company using a probability criterion based on a weighted average approach by phases defined by the Board of Directors. During the year, the Board of Directors decided to change the estimation approach for recognising future revenue in the cash flow forecast by performing an in-depth analysis of the sales pipeline and after discussion with the Business Development department responsible, a selective approach is undertaken and the selected future revenue is factored in the cash flow forecast without using a probability criterion. Management consider that the updated estimation methodology is more appropriate due to the size and nature of contracts the Group enters in to and gives a better estimate of expected cash flow.

The Group's cost base is forecasted to increase at the rate of 10% per year for the five year forecast period. This is based on management's historic experience of cost increases, and the forecast increases in revenue.

As a consequence of the material uncertainty on revenue highlighted above the auditors have issued an opinion that includes an emphasis of matter paragraph related to this uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and the carrying value of the Group's non-current assets. However the Directors consider that the assumptions made are appropriate and are satisfied that the Group's non-current assets are not impaired.

4. Segmental information

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

	2011 Eur'000	2010 Eur'000
Software	2.493	12
Third party hardware and software	416	293
Sales of goods	2.909	305
Professional fees	1.509	1.000
Maintenance	1.703	1.878
Rendering of services	3.212	2.878
Total revenue	6.121	3.183

Segment reporting

The Group has determined, based on its business model and organisation structure, which contains one trading entity supported by an R&D function which is deemed to be an overhead, that it contains one operating segment. This drives the information presented internally to the Board of Directors which is considered to be the Group's Chief Operating Decision Maker ("CODM") which is reflected in the segmental disclosures.

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Notes to the consolidated financial statements Year ended 30 June 2011

IFRS 8 requires consideration of the CODM within the Group. In line with Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the Board of Directors, which reviews internally monthly management reports, budget and forecast information as part of this.

Operating segments have then been identified based on the internal reporting information, and management structures within the Group.

In accordance with IFRS 8 the continuing operations for the current period form one business located in Belgium. The business develops and sells IT software and delivers related installation and support services.

Year ended 30 June 2011	Per management accounts Eur'000	IFRS adjustments Eur'000	Per IFRS statutory accounts Eur'000
Revenue from external customers	6.121	-	6.121
Interest income	-	-	-
Interest expenses	-	1.226	1.226
Depreciation and amortisation	196	388	584
Income tax expense	16	(144)	(128)
Intangible assets	9	124	133
Other assets	24.839	(11.906)	12.933
Total assets	24.848	(11.782)	13.066
Deferred tax liabilities	4	35	39
Other liabilities	3.109	-	3.109
Total liabilities	3.113	35	3.148

Year ended 30 June 2010	Per management accounts Eur'000	IFRS adjustments Eur'000	Per IFRS statutory accounts Eur'000
Revenue from external customers	3.183	-	3.183
Interest income	-	-	-
Interest expenses	-	303	303
Depreciation and amortisation	268	477	745
Income tax expense	15	(125)	(110)
Intangible assets	73	512	585
Other assets	27.989	(14.283)	13.706
Total assets	28.062	(13.771)	14.291
Deferred tax liabilities	5	211	216
Other liabilities	8.249	413	8.662
Total liabilities	8.254	624	8.878

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Notes to the consolidated financial statements Year ended 30 June 2011

Geographical information

The Group revenue and location of non-current assets on a geographical segment is derived in the mainland Europe as follows:

	Revenues	2011 Non- current assets	Revenues	2010 Non- current assets
	Eur'000	Eur'000	Eur'000	Eur'000
Belgium	5.130	190	2.642	420
UK	466	10.711	318	11.117
Holland	459	-	159	-
France	52	-	34	-
Spain	14	-	30	-
Total revenue	6.121	10.901	3.183	11.537

The 2011 Group revenue of € 6.1 million includes € 2.1 million of previously deferred software licence revenue. This is recognised in the year ended 30 June 2011 as no further obligations in respect of the software licences exist.

Information about major customers

The Group has two customers, namely KPN Group Belgium (53%) and Lebara (12%), that represent more than 10% of 2011 revenue, net of recognition of prior deferred software licence revenue (2010: only KPN represented more than 10% of revenue). All other customers represent less than 10% of revenue.

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Notes to the consolidated financial statements Year ended 30 June 2011

5. Loss for the year

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

	2011 Eur'000	2010 Eur'000
Net foreign exchange gains	632	(509)
Operating lease rentals – land and buildings	177	152
Depreciation of property, plant and equipment	132	143
Amortisation of intangible assets	452	602
Share based payment expense	69	680
Staff costs	2.998	2.918
Provision for legal claim	-	500
Employee benefits	47	47
Auditors' remuneration for audit services	87	87

R&D costs incurred within the Group comprise approximately 40% of the staff costs for the year.

Reconciliation of operating loss before share-based payments and one-off items is provided below:

	2011 Eur'000	2010 Eur'000
Operating loss	(919)	(3.913)
Restructuring costs	118	7
Share based payment expense	69	680
Provision for loss making contract	(468)	(471)
Provision for legal claim	-	500
Operating loss before one-off items	(1.200)	(3.197)

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

	2011 Eur'000	2010 Eur'000
Fees payable to the Company's auditors for the audit of the Company's and consolidated annual accounts	59	59
- the audit of the Company's subsidiaries pursuant to legislation	10	10
Total audit fees	69	69
- Tax services	6	6
- Other services (*)	18	24
Total non-audit fees	24	24

(*) Other services are comprised of the auditor's review of the half-yearly annual report.

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Notes to the consolidated financial statements Year ended 30 June 2011

6. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2011 Number	2010 Number
Administrative and development	41	41
	Eur'000	Eur'000
Their aggregate remuneration comprised:		
Wages and salaries	2.385	2.366
Social security costs	548	501
Share based payment expense	69	680
Employee benefits	47	47
Other pension costs	65	52
Total included within administrative expenses	3.114	3.646

Redundancy and compensation:

	2011 Eur'000	2010 Eur'000
Redundancy and compensation	118	7
	118	7

Remuneration of key management personnel

The remuneration of key management personnel is set out below in aggregate:

	2011 Eur'000	2010 Eur'000
Short term employee benefits:		
Emoluments	110	102
Fees	410	379
Share based payment	69	680
	589	1.161

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Notes to the consolidated financial statements Year ended 30 June 2011

Directors of Artilium plc	2011 Eur'000	2010 Eur'000
Fred Mulder		
- Fees	31	62
- Share based payment	(40)	153
Tom Trainer		
- Fees	30	13
- Share based payment	-	-
Adriaan Reinders		
- Fees	30	25
- Share based payment	-	-
Lex Roukens		
- Fees	79	-
- Share based payment	-	-

Redundancy and compensation:

	2011 Eur'000	2010 Eur'000
Redundancy and compensation	-	40
	-	40

No contributions to personal pension schemes were made in respect of Directors during the year (2010: nil).
No Directors exercised share options in the year.

Artilium plc

Notes to the consolidated financial statements Year ended 30 June 2011

7. Finance costs

	2011 Eur'000	2010 Eur'000
Amortised cost convertible loan	831	257
Other interests	395	46
	1.226	303

8. Restructuring costs

	2011 Eur'000	2010 Eur'000
Redundancy and compensation	118	7
	118	7

The restructuring costs for the year ended 30 June 2011 mainly relate to severance packages for employees that were made redundant in the course of the year ended 30 June 2011.

9. Other gains and losses

	2011 Eur'000	2010 Eur'000
Movements in fair value of Lanstead financial instrument (Note 33)	(66)	394
Movements in fair value of option component of convertible loan (Note 34)	(524)	203
Loss arising on conversion of loan notes to equity (Note 34)	(285)	-
	(875)	597

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Notes to the consolidated financial statements Year ended 30 June 2011

10. Tax

	2011 Eur'000	2010 Eur'000
Analysis of taxation credit for the year:		
Current tax:		
UK tax	-	-
Overseas tax	-	-
Overprovision in previous periods	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of temporary differences	128	110
Total deferred tax	128	110
Total taxation credit in the income statement	128	110

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

	2011 Eur'000	%	2010 Eur'000	%
Loss before tax from continuing operations	(3.020)		(3.619)	
Tax expense at the theoretical domestic rates applicable to profits of taxable entities in the countries concerned of 22% (2010: 32%)	(654)	22	(1.158)	32
Effects of:				
Expenses not deductible for tax purposes	131	(4)	30	(1)
Depreciation in excess of tax depreciation	(48)	2	(17)	-
Tax losses brought forward utilised in the year	(599)	20	-	-
Tax losses carried forward unutilised in the year	1.170	(39)	1.124	(31)
Income not chargeable for tax purposes	(128)	4	(89)	3
Tax credit and effective tax rate for the year	(128)	4	(110)	3

The decrease in effective tax rate from 32% last year to 22% this year is due to the profit realised by Artilium NV (2010: loss) and the decrease in UK tax rate from 28% to 26%.

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Notes to the consolidated financial statements Year ended 30 June 2011

11. Loss per share

The share options in issue do not have a dilutive effect due to the result for the year being a loss, and as a result diluted loss per share is the same as basic earnings per share.

	2011	2010
	Eur'000	Eur'000
<hr/>		
Losses		
Losses from continuing operations for the purposes of basic & diluted loss per share being net losses attributable to equity holders of the parent	(2.892)	(3.509)
<hr/>		
	No.	No.
Number of shares		
Weighted average number of ordinary shares for the purposes of basic & diluted loss per share	95.108.226	90.446.964

The weighted average number of ordinary shares is calculated as follows:

	2011	2010
	No.'000	No.'000
<hr/>		
Issued ordinary shares		
Start of period	90.447	90.447
Effect of shares issued in the period	4.661	-
Weighted average basic and diluted number of shares for the period	95.108	90.447

Basic and diluted earnings per share is calculated as follows:

Loss for the year attributable to the equity shareholders of the Company (Eur'000)	(2.892)	(3.509)
Basic and diluted loss per share (Euro cent)	(3,04)	(3,88)

Notes to the consolidated financial statements Year ended 30 June 2011

12. Goodwill

	Eur'000
Cost	
At 1 July 2010	10.571
At 30 June 2011	10.571
Carrying amount	
At 1 July 2010	10.571
At 30 June 2011	10.571

The Directors have carried out impairment tests on the carrying value of the Group's intangible assets and goodwill and concluded that these assets are not impaired. In arriving at this conclusion the Directors have used a value-in-use calculation and made assumptions about revenue in the near and longer term, which, due to the nature of the Group sales and the time-scales involved are not supported by sales contracts. There is thus material uncertainty as to the amount of revenue that will be generated, which may cast significant doubt as to the carrying value of these assets.

For the purpose of impairment testing the Company as a whole is considered as one single cash-generating unit because of the way it is structured, managed and measured by management. The Group tests goodwill and other intangible assets annually for impairment or more frequently if there are indications that it might 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 to reduce the carrying amount of any goodwill.

Cash flows for the impairment test have been forecasted for five years and a terminal value has been calculated for the years beyond that. The terminal value is based on the average over the five year net cash flow forecast to perpetuity using a discount rate of 15% (2010: 15%), which is appropriate for the Company. The WACC would need to increase to more than 17% for the goodwill to be impaired. The growth rate factor used in perpetuity in the discounted cash flow model is estimated to be 3% (2010: 3%) in line with long-term forecasts for economic growth expected in Belgium as this is the principal market. The sales growth rate used during the five year forecast is estimated to be around 15% based on management's best estimate of the market opportunities. Based on these assumptions the recoverable amount exceeds the carrying amount by €5.4 million. If the net present value of forecast future cash flows decreased by 23.55% the recoverable amount will be less than the carrying amount.

Last year, in the cash flow forecast, the future revenue was estimated by the Company using a probability criterion based on a weighted average approach by phases defined by the Board of Directors. During the year, the Board of Directors decided to change the estimation approach for recognising future revenue in the cash flow forecast by performing an in-depth analysis of the sales pipeline and after discussion with the Business Development responsible, a selective approach is undertaken and the selected future revenue is factored in the cash flow forecast without using a probability criterion. Management consider that the updated estimation methodology is more appropriate due to the size and nature of contracts the Group enters in to and gives a better estimate of expected cash flow.

The Group's cost base is forecasted to increase at the rate of 10% per year for the five year forecast period. This is based on management's historic experience of cost increases, and the forecast increases in revenue.

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As a consequence of the material uncertainty on revenue highlighted above the auditors have issued an opinion that includes an emphasis of matter paragraph related to this uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and the carrying value of the Group's non-current assets.

13. Other intangible assets

	Telecommunications software platform
	Eur'000
Cost	
At 1 July 2009	5.040
Additions during the year	-
At 30 June 2010	5.040
Additions during the year	-
At 30 June 2011	5.040
Amortisation	
At 1 July 2009	3.854
Charge in period	601
Impairment	-
At 30 June 2010	4.455
Charge in period	452
At 30 June 2011	4.907
Carrying amount	
At 30 June 2010	585
At 30 June 2011	133

See Note 12 for intangible impairment testing.

The decrease in intangible assets compared to last year is explained by the amortisation charge of the year of € 0.5 million.

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Notes to the consolidated financial statements Year ended 30 June 2011

14. Property, Plant and Equipment

	Leasehold improvements Eur'000	Fixtures and equipment Eur'000	Motor vehicles Eur'000	Total Eur'000
Cost				
At 1 July 2009	73	1.006	71	1.150
Additions	-	15	-	15
Disposals	-	-	-	-
Exchange difference	-	3	-	3
At 30 June 2010	73	1.024	71	1.168
Additions	-	-	-	-
Disposals	-	-	(31)	(31)
Exchange difference	-	(5)	-	(5)
At 30 June 2011	73	1.019	40	1.132
Accumulated depreciation				
At 1 July 2009	24	625	51	700
Charge for the year	7	127	9	143
Eliminated on disposals	-	-	-	-
Exchange difference	-	2	-	2
At 30 June 2010	31	754	60	845
Disposals	-	-	(31)	(31)
Charge for the year	7	117	8	132
Exchange difference	-	(3)	-	(3)
At 30 June 2011	38	868	37	943
Carrying amount				
At 30 June 2011	35	151	3	189
At 30 June 2010	42	270	11	323

There were no impairment charges for the 2011 financial year.

The carrying amount of the Group's motor vehicles includes an amount of €nil (2010: €11.000) in respect of assets held under finance leases.

The decrease in Property, Plant and Equipment compared to last year is explained by the depreciation charge of the year.

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Notes to the consolidated financial statements Year ended 30 June 2011

15. Subsidiaries

Details of the Company's subsidiaries at 30 June 2011 are as follows:

	Place of incorporation ownership (or registration) and operation	Proportion of ownership interest and voting power held	Method used to account for investment
Artilium N.V	Belgium	100%	Acquisition accounting
Artilium UK Limited (formerly Trisent Communications Limited)	UK	100%	Acquisition accounting
Artilium Trustee Company Limited	UK	100%	Acquisition accounting

16. Trade and other receivables

	2011 Eur'000	2010 Eur'000
Amounts receivable for the sale of goods and services	1.155	1.418
Allowance for doubtful debts	(520)	(511)
	635	907
Other receivables	250	74
Prepayments, accrued income and deferred expenses	241	179
	1.126	1.160

Amounts receivable for the sale of goods are all denominated in Euros.

The Directors consider that the carrying amount of trade and other receivables above approximates to their fair value. The average credit period taken on sales of goods is 57 days (2010: 104 days). No interest is charged on the receivables.

The Group monitors the trade receivables on a regular basis to ensure that appropriate action is taken with slow paying customers. Many of the customers are large multinational companies which limits the extent of the credit risk. Of the trade receivables balance at the end of the year, €308.000 is due from KPN Group Belgium, the Group's largest customer, €194.000 is due from Interfon and €70.000 is due from Belgacom. There are no other customers who represent more than 10 per cent of the total balance of trade receivables.

Included within trade and other receivables is an amount of €142.000 (2010: €119.000) in respect of amounts that were past due as at 30 June, but not impaired. The Group believes that the balances are ultimately recoverable based on a review of past payment history and the credit quality of those customers.

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Notes to the consolidated financial statements Year ended 30 June 2011

The ageing analysis of past due but not impaired receivables are shown below:

	2011 Eur'000	2010 Eur'000
Up to three months	142	119
	142	119

The Group holds no collateral against these receivables at the balance sheet date.

As at 30 June 2011, €520.000 of trade receivables were impaired (2010: €511.000). This allowance is specific and has been determined by reference to the age of the debt or where amounts are in dispute on a customer by customer basis. To the extent they have not been specifically provided against, the trade receivables are considered to be of sound credit rating. The ageing analysis of the allowance for doubtful debts is as follows:

	2011 Eur'000	2010 Eur'000
Up to three months	3	-
Up to six months	4	-
Older than 6 months	513	511
	520	511

Movement in the Group's allowance for doubtful debt is as follows:

	2011 Eur'000	2010 Eur'000
Opening balance as at 1 July	511	509
Provision for receivables impairment	-	2
Receivables written off during the year	15	-
Exchange differences	(6)	-
Closing balance as at 30 June	520	511

The Group holds no collateral against these receivables at the balance sheet date.

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17. 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.

	Total Eur'000	
At 1 July 2009		(269)
Credit to income statement		110
At 30 June 2010		(159)
Credit to income statement		128
At 30 June 2011		(31)

	2011 Eur'000	2010 Eur'000
Deferred tax liability	(39)	(216)
Deferred tax asset	8	58
	(31)	(158)

At the balance sheet date, the Group has UK unused tax losses of €12.789.000 (2010: €10.252.000). No deferred tax asset has been recognised in respect of these items due to insufficient evidence of future appropriate profits in the immediate future in the UK.

At the balance sheet date, the Group has Belgium tax losses carried forward of €10.028.000 (2010: €11.887.000). No deferred tax asset has been recognised in respect of this due to insufficient evidence of future appropriate profits in the immediate future.

At the balance sheet date, the Group has recognised deferred tax assets in relation to differences between the tax and accounting basis of depreciation in Belgium of €8.000 (2010: €26.000). Last year's deferred tax asset balance also included €32.000 relating to the tax and accounting difference of the convertible loan (2011: €nil). A deferred tax liability of €39.000 (2010: €216.000) mainly in relation to the intangible assets recognised on consolidation of its subsidiaries was recognised.

**Notes to the consolidated financial statements
Year ended 30 June 2011**

18. Obligations under finance leases

	Minimum lease payments		Present value of lease payments	
	2011 Eur'000	2010 Eur'000	2011 Eur'000	2010 Eur'000
Amounts payable under finance leases:				
Within one year	-	5	-	5
Within two to five years	-	-	-	-
	-	5	-	5

Finance lease obligations are €nil as at 30 June 2011 compared to €5.000 last year (relating to motor vehicles under finance leases).

19. Trade and other payables

	2011 Eur'000	2010 Eur'000
Trade payables	1.187	892
Accruals	103	239
Other payables	1.392	1.275
Deferred income	485	524
	2.682	2.406

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 97 days (2010: 94 days).

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

Deferred income

	2011 Eur'000	2010 Eur'000
Long Term deferred income	-	2.073
	-	2.073

Previously deferred software licence revenue of €2.1 million has been recognised in the year ended 30 June 2011 as no further obligations in respect of the software licences exist.

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Notes to the consolidated financial statements Year ended 30 June 2011

20. Bank Loans

	2011 Eur'000	2010 Eur'000
Due within one year	50	172
Due within two to five years	-	-
	50	172

The bank loan per 30 June 2011 is mainly secured on the trade receivables of the Group. Interest rates are at a floating rate and are reset every quarter. The loan will mature on 31 December 2011. The Directors consider the fair value of the loan to approximate its cost.

21. Provisions

	Warranty provision Eur'000	Restructuring Eur'000	Loss making contract Eur'000	Settlement Eur'000	Total Eur'000
At 1 July 2009	143	682	1.252	-	2.077
Additions	3	-	-	500	503
Utilisation of provision	(117)	(540)	(471)	-	(1.128)
At 30 June 2010	29	142	781	500	1.452
Additions	52	12	-	-	64
Utilisation of provision	(29)	(142)	(468)	(500)	(1.139)
At 30 June 2011	52	12	313	-	377
Included in current liabilities	-	12	313	-	325
Included in non-current liabilities	52	-	-	-	52

The warranty provision represents management's best estimate of the Company's potential liability under customer service agreements. The provision is made from the date of provisional acceptance by the customer and is released on final acceptance. Generally the period between provisional and final acceptance is about 3 months.

The restructuring provision as at 30 June 2011 relates to the remaining outstanding severance payment regarding one employee dismissed in the course of year ended 30 June 2011.

A provision for a loss making contract was recognised in the year ended 30 June 2009 for the estimated loss for the delivery of the maintenance and support services under the KPN agreement. The provision will be released over the remaining term of the contract to March 2012.

In the course of October 2010, the Company was able to settle a long-standing dispute with QiComm Limited relating to a contract dating back to 2005 (which pre-dated the Company's ownership of Artilium NV); this was the last element of the Group's historical issues. A formal provision of €0.5 million covering the

Notes to the consolidated financial statements Year ended 30 June 2011

Company's maximum exposure to QiComm Limited was therefore recorded at 30 June 2010. The €0.5 million has been paid in course of the year ending 30 June 2011. Consequently, the provision has been utilised in the same year.

22. Share capital

	2011 Eur'000	2010 Eur'000
Fully paid ordinary shares:		
Authorised:		
300.000.002 (2010: 300.000.002) ordinary shares of 5p each	18.523	18.523
Issued and fully paid:		
143.278.794 (2010: 90.446.964) ordinary shares of 5p each	9.634	6.639
Deferred ordinary shares:		
Authorised:		
900.447 (2010: 900.447) deferred ordinary shares of £4,99 each	6.503	6.503
	2011 No. '000	2010 No. '000
Fully paid ordinary shares:		
Balance at beginning of financial year	90.447	90.447
Issued during the year	54.369	-
Not yet paid during the year	(1.537)	-
Issued and fully paid:	143.279	90.447

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

On 22 December 2005 the Company bought back all of its issued deferred share capital comprising 900.447 shares with a nominal value of £4,99 each for a total consideration of 1 pence. The effect of this transaction was to reduce issued share capital by €6.503.000 and create a capital redemption reserve of the same amount.

On 10 May 2011 the Company issued 1.565.842 ordinary shares of 8,5p each to the holders of the unsecured convertible loan in order to settle interests due on the first tranche of notes.

On 17 June 2011 the Company issued another 15.206.739 ordinary shares at 8,5p via placing. On the same date, the €3.295.000 10% secured loan notes were converted to equity in agreement with the loan holder. The notes were converted into ordinary shares at a price of 8,5p per share. A total of 37.596.725 new ordinary shares have accordingly been issued in connection with the conversion of the notes. As a result of the conversion of the loan notes the loss arising on the conversion amounted to €285.000 recorded under finance costs (see Note 24). The share issue cost relating to the private placement amounted to €33.000. The share premium on the conversion of the loan notes and the private placement is the difference between the share issue price of 8,5p less the authorised capital of 5p.

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23. Own Shares

	Own shares Eur'000
Balance at 1 July 2010	(2.336)
Balance at 30 June 2011	(2.336)

The own shares reserve represents the cost of shares in Artilium plc purchased and held by the Artilium plc Employee Benefit Trust to satisfy options and share awards under the Group's Employee Share Schemes (see Note 24). 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.

On 5 November 2008 the Remuneration Committee determined that the vesting conditions of an award to Robert Marcus under the LTIP scheme had been satisfied and Mr Marcus became entitled to 1.333.333 shares.

24. Share based payments

	Share based payment reserve 2011 Eur'000	Share based payment reserve 2010 Eur'000
Balance at 1 July	3.142	2.462
Charge for the year	69	680
Balance at 30 June	3.211	3.142

The Company has the following share plans in place.

Unapproved share option plan: Awards are made to employees with the exercise price based on the market price of the Company's shares at the date of the award. These awards have a three year vesting period and a five year exercise period. The performance criteria are at the discretion of the Remuneration Committee.

Awards were made to key management on 24 June 2010, with the exercise price determined by the Remuneration Committee and varying on each vesting date. These awards vest in tranches and vesting dates of tranches are different between members of key management. For these awards there are no further performance criteria. No new options were granted under this version of the plan in 2011 and 2.617.879 of the remaining outstanding options lapsed during the period between 1 July 2010 and 30 June 2011. The amount accounted for in the income statement for the year ended 30 June 2011 amounts to €69.000 (2010: €680.000).

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Notes to the consolidated financial statements Year ended 30 June 2011

Director	At 1 July 2010	Lapsed during the year	At 30 June 2011	Date of Grant	Exercise Price	Earliest exercise date (*)	Expiry date
Tom Trainer	904.470	(904.470)	-	-	-	-	-
Maarten Bisseling*	3.617.878	-	3.617.878	24 June 2010	6 - 30p	24 June 2010	24 June 2020
Fred Mulder	2.713.409	(1.713.409)	1.000.000	24 June 2010	6 - 30p	24 June 2010	24 June 2020
Total	7.235.757	(2.617.879)	4.617.878				

* Mr Bisseling is not a Director of the Company but is a Director of all of the Company's subsidiaries.

Founders awards : The options vest in equal tranches over a three year period and have an exercise period of one year. No new awards were made under this scheme during the year. For reasons as explained below, Robert Marcus also surrendered all his previous rights under this plan in 2009. The amount charged to the income statement of the current year amounts to €nil (2010 : €72.000).

Long term incentive plan : Under this plan, 2.667.000 long term awards were granted to Robert Marcus on 5 November 2008 with a vesting date of the third anniversary of grant on the basis of fully vesting if the Company's average share price for the five trading days prior to vesting is equal to 150% of the Company's average share price for the five trading days prior to grant, increased at the rate of 50% per annum. The initial share price for these purposes was 13,9p being the average share price for the five days preceding the date of grant. The exercise price of the options is 0,0 p. The contracted life of these options is 12 months after vesting date. The award was made to Robert Marcus on the basis that all prior LTIP and option awards made to him were waived. On 1 July 2009 the Remuneration Committee resolved that Mr Marcus' resignation would not result in the lapse of the new award. The modified options were not on terms which are beneficial to Robert Marcus given their lower fair value as compared to the LTIP and founder awards that were waived, accordingly, the revised share option valuation was not taken into account and the charge under the previous plan continued to be charged to the income statement. The amount recognised as an expense during the year ended 30 June 2011 was €nil (2010 : €250.000).

Former Director	At 1 July 2010	At 30 June 2011	Date of Grant	Vesting date
Robert Marcus	2.667.000	2.667.000	8 September 2008	8 September 2011
Total	2.667.000	2.667.000		

The total amount recognised as an expense during the year ended 30 June 2011 was €69.000 (2010: €680.000). The total amount charged to the income statement in previous years and reversed through the income statement of current year amounts to €40.000 (2010 : €nil). The share price as at 30 June 2011 was 11,38 pence (2010: 11,50 pence). The highest share price during the year was 14,25 pence and the lowest share price was 9,00 pence.

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The options awarded in the year to 30 June 2010 were as follows:

	Share options granted 24 June 2010
Share price	£0,115
Exercise price	£0,06 - £0,3
Expected volatility	60%
Expected life	10
Risk free rate	3,50%

25. Notes to the cash flow statement

	2011 Eur'000	2010 Eur'000
Loss from continuing operations	(2.892)	(3.509)
Adjustments for:		
Taxation	(128)	(110)
Depreciation of property, plant and equipment	132	142
Amortisation of intangible assets	452	602
Share based payment expense	69	680
Release deferred income KPN	(2.073)	-
(Decrease)/increase in provisions	(1.075)	(1.125)
Finance Costs	1.266	303
FVTPL for financial instruments	875	(597)
Other	90	(31)
Operating cash flows before movements in working capital	(3.284)	(3.645)
Decrease/(increase) in receivables	659	727
(Decrease)/increase in payables	415	(84)
Cash used by operations	(2.173)	(3.002)
Income taxes paid	-	-
Net cash outflow from operating activities	(2.173)	(3.002)

26. Contingent liabilities

As at 30 June 2011 (and as had been the case per 30 June 2009 and 2010) the Company continued to be involved in litigation with a former Director of the Company with regard to certain claims for consultancy and other fees and expenses. During the year ended 30 June 2010 the former Director retained legal counsel (having previously acted as a litigant in person) and substantially amended the pleadings in the case to request substantial but unquantified damages from the Company. The Company's legal advisers continued to advise that the case was without merit and on 26 August 2011 the case was settled by the Company paying

Notes to the consolidated financial statements Year ended 30 June 2011

the former Director the sum of €6.000 (inclusive of all damages, interest and costs). The Company's legal advisers strongly recommended settlement on the basis that the costs of defending the action, opportunity cost of management time in attending a 3 to 4 day trial in London, and the risk of not being able to recover the full costs of the case from the former Director's consultancy Company if the Company were successful, justified settlement of the case at this level.

27. Operating lease arrangements

	2011 Eur'000	2010 Eur'000
Minimum lease payments under operating leases recognised as an expense for the year	177	152

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:

	2011 Eur'000	2010 Eur'000
Within one year	130	132
In the second to fifth years inclusive	426	457
	556	589

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.

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28. Share warrants

As at 25 September 2008, proceeds of £2,2 million, prior to expenses, were raised from placees in respect of 9,498,104 placing shares at a price of 23,25p each. Included in this amount is 95,805 placing shares subscribed for by employees of Artilium. These placees will each receive a warrant to subscribe for one new ordinary share at a price of 28,85p exercisable at any time during the three year period from issue.

Details of the warrants outstanding during the year are as follows.

		2011		2010
	Number of warrants	Weighted average exercise price (in pence)	Number of warrants	Weighted average exercise price (in pence)
Exercisable at the start of the year	9,498,104	28,85	9,498,104	28,85
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	9,498,104	28,85	9,498,104	28,85

No warrants were exercised during the periods. The warrants expire on 25 September 2011.

29. Retirement benefit schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees of Artilium NV. 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 €65,000 (2010: €52,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 30 June 2011, all contributions due in respect of the current reporting period had been paid over to the scheme.

30. Events after the balance sheet date

There are no significant events to be reported since the balance date except for the changes in the Board of Artilium plc on which we reported in our Director's report. The Directors refer to the RNS released on 9 September 2011 with respect to the expiry of warrants. No warrants have been executed so they all lapsed per 25 September 2011.

31. 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.

Notes to the consolidated financial statements Year ended 30 June 2011

Trading transactions

During the year, sales of goods and services to Narrowminds Holdings BV amounted to €318.000 (2010: €nil). Lex Roukens is a minority shareholder in Narrowminds Holdings BV.

Remuneration of key management personnel

The Group has a related party relationship with key management. Key management compensation is disclosed in Note 6.

Transactions with Directors and key management

Directors and key management (and also a few employees) have taken up a total of 1.647.739 ordinary shares out of the 15.206.739 ordinary shares relating to the capital increase on 17 June 2011.

32. Financial instruments

Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies.

The book value of the Group's financial instruments at the year end is shown below:

	Notes	2011 Eur'000	2010 Eur'000
Financial assets:			
Loans and receivables:			
Trade and other receivables	16	885	981
Cash and cash equivalents		1.039	1.441
		<u>1.924</u>	<u>2.422</u>
Financial assets (equity swap)	33	-	153
		<u>1.924</u>	<u>2.575</u>
Financial liabilities:			
Amortised cost:			
Trade and other payables	19	2.579	2.167
Bank loans	20	50	172
Financial liabilities (convertible loan notes)	34	-	2.288
		<u>2.629</u>	<u>4.627</u>
Financial liabilities designated as FVTPL (equity conversion feature in loan notes)	34	-	266
		<u>2.629</u>	<u>4.893</u>

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The Directors consider that the financial instruments designated as FVTPL are classified as Level 2 financial assets and liabilities under the hierarchy set out in IFRS 7, as the fair values have been calculated using valuation models where the inputs are based on observable market data, the principal inputs being the share price and historical volatility of the Company's shares. Further details of the valuation of these instruments is provided in Notes 33 and 34.

Financial risk management

The Group has exposure to the risks from its use of financial instruments. These risks include credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk.

Credit risk

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 Group monitors the trade receivables on a regular basis to ensure that appropriate action is taken with slow paying customers. Many of the customers are large multinational companies which limits the extent of the credit risk.

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

Of the trade receivables balance at the end of the year, €308.000 is due from KPN Group Belgium, the Group's largest customer, €194.000 is due from Interfon and €70.000 is due from Belgacom. There are no other customers who represent more than 10 per cent of the total balance of trade receivables.

The Group's maximum exposure to credit risk, gross of any collateral held, relating to its financial assets is equivalent to their carrying value. All financial assets have a fair value which is equal to their carrying value.

There are no significant credit risks arising from financial assets that are neither past due nor impaired.

Liquidity and cash flow risk

The Group is principally funded by reserves, bank loans and convertible loan note borrowings. The Group maintains its cash funds in bank accounts. The Group's policy is to minimise the risk by placing funds in risk free cash deposits.

The Group closely monitors its access to bank and other credit facilities and available cash in comparison to its outstanding commitments on a regular basis to ensure that it has sufficient funds to meet the obligations of the Group as they fall due. The Board receives regular cash flow forecasts so that management can ensure that its obligations can be satisfied or financing is put in place when required.

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As at 30 June 2011, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

30 June 2011

	Current		Non-current
	within 6 months	6 to 12 months	1 to 5 years
	Eur'000	Eur'000	Eur'000
Bank loans	50	-	-
Trade and other payables	2.579	-	-
	2.629	-	-

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting period as follows:

30 June 2010

	Current		Non-current
	within 6 months	6 to 12 months	1 to 5 years
	Eur'000	Eur'000	Eur'000
Bank loans	88	84	-
Convertible loan notes	-	250	2.750
Trade and other payables	2.167	-	-
Finance lease obligations	2	3	-
	2.257	337	2.750

Interest rate risk

At 30 June 2011, the Group had finance leases amounting to €nil (2010: €5.000), bank loans of €50.000 (2010: €172.000) and financial liabilities (related to the convertible loan notes) of €nil (2010: €2.288.000). The Group's borrowings are at fixed rates of interest and there is therefore no exposure to movements in interest rates.

Any surplus funds are deposited in interest bearing accounts at variable rates and are therefore exposed to movements in interest rates. Funds are deposited on a short term basis and interest rates are monitored by the Head of Finance. The movement in interest rates would have an immaterial impact on the finances of the Company.

Foreign currency risk

The Group's centre of operations is in Belgium and it is therefore exposed to currency movements of the Euro against the Pound Sterling. This is hedged to some extent by the expenses incurred in Belgium. The Group does not enter into any forward exchange contracts to cover the remaining foreign exchange risk.

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Sensitivity analysis

The Group faces currency exposures on the translation of the trading results and the net assets of the British subsidiaries. The year end and average exchange rates used when translating the results for the year from Pound Sterling to Euro are 1,1085 and 1,1677 respectively.

The following table details the sensitivity analysis of the movements of the Pound Sterling to the Euro for the Group's results.

	2011 Eur'000	2010 Eur'000
Impact on equity		
10% increase in GBP fx rate against Euro	1.954	1.892
10% decrease in GBP fx rate against Euro	(1.954)	(1.892)
Impact on profit or loss		
10% increase in GBP fx rate against Euro	(275)	(86)
10% decrease in GBP fx rate against Euro	275	86

Capital management

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade in the foreseeable future. The Group also aims to maximise its capital structure of debt and equity so as to minimise its cost of capital.

The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its gearing ratio on a regular basis.

The Group considers its capital to include share capital, share premium, translation reserve, retained earnings, interest in own shares, capital redemption reserve, share-based payment reserve and net debt as noted below.

Net debt includes short and long-term borrowings (including overdrafts and lease obligations) net of cash and cash equivalents.

33. Lanstead

On 18 October 2010, the swap agreement was settled between Lanstead Capital L.P. and Artilium plc. There was no penalty on early settlement of the contract. The text described below sets out the historical transactions.

On 25 September 2008, Artilium completed the placing of 21,290,322 shares to Lanstead Capital L.P. ("Lanstead") subject to an equity swap pricing mechanism (the "Lanstead Placing").

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The Lanstead Placing has been set up so that Lanstead hedge the consideration they pay for shares in Artilium against the performance of Artilium's share price over a 24 month period. At the date of the transaction, 25 September 2008, Artilium issued to Lanstead 21.290.322 shares, consisting of:

- i) Transaction fee shares of 1.935.484 as part of the fee payment to Lanstead for entering into this transaction (the "Fee Shares");
- ii) 19.354.838 shares subject to an equity swap agreement (the "Swap Shares") for maximum consideration of £4.500.000 based on share price performance over a 24 month period.

In return, Lanstead were transferred the shares at the date of the transaction from which date they effectively had voting rights for all these Swap Shares. Artilium will receive cash consideration for these shares in accordance with 24 swap agreements, one swap for each of the 24 months proceeding the transaction. The amount of cash received is in accordance with a schedule of the contract, whereby Artilium will receive a certain amount of cash if the share price is the same as the reference price at each swap agreement date. The table below summarises this schedule.

Swap Number	Share amount	Transfer amount in GBP	Reference price
Swaps 1 – 3	2.307.693	600.000	£0,26 per share
Swaps 4 – 6	2.068.965	600.000	£0,29 per share
Swaps 7 – 12	3.379.824	1.047.745	£0,31 per share
Swaps 13 – 24	6.759.648	2.252.255	£0,41 per share

To the extent that the share price is less than the reference price then a pro-rata amount of cash is received i.e. share price / reference price multiplied by the transfer amount as per the schedule of the equity swap agreement.

At inception, the fair value of the swap shares (deferred consideration) was determined based on a discounted cash flow model and amounted to €2.894.000. The fair value of the swap shares at 30 June 2011 amounted to €nil (2010: €153.000) since a final settlement was made. In the period between 1 July 2010 and 30 June 2011 the remaining swaps were settled and cash was received for a total amount of €89.000 (2010: €298.000). The decrease in the fair value of the swap shares since 1 July 2010 amounted to €66.000 (2010: increase of € 394.000).

In order to determine the fair value of the swap shares at 30 June 2010 following assumptions were used:

	30 June 2010
Price of the shares at valuation date	£0,1024

The discount rate used in the valuation was interpolated from a GBP zero-coupon yield curve.

Between the date of suspension of the Artilium shares as at 24 June 2009 and the lifting of the suspension on 12 November 2009, the Company were informed by Lanstead Capital L.P. that this suspension would not result in a material breach under the contract and the period of suspension would be regarded as a grace period. The contract was amended to defer the equity swaps by 3 months and 15 days to reflect the suspension period.

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34. Convertible loan notes

The Company issued €2.5 million 10% denominated convertible loan notes on 5 November 2009 at an issue price of €1 per note. Each note entitles the holder to convert to one ordinary share at a cost of 20p per share (£sterling). The loan notes are convertible at the option of the holders at any time after 30 April 2010. The loan notes shall also become repayable or convert into Ordinary Shares on the earlier of an acquisition requiring shareholder approval or 18 months after the date of the Loan Notes Instrument. If the notes have not been converted, they will be redeemed on the earlier of a major acquisition approved by shareholders or 30 June 2012. Interest of 10% will be paid annually until that settlement date.

Subsequent to initial measurement and until the 18th of October 2010, the Company has designated the embedded derivative element of the convertible loan as a financial liability at fair value through profit or loss (FVTPL). The residual financial liability component is measured at amortised cost using the effective interest method.

The interest expense for the period between 30 June 2010 and 18 October 2010 (€140,000) is calculated by applying an effective interest rate of 17.6% to the liability component. No interest was paid in this period. The difference between the carrying amount of the derivative financial instrument component per 30 June 2010 and 18 October 2010 represents the change in the fair value of the financial instrument. The change in the fair value results in an income of €151,000 which is recognised in profit and loss under other gains and losses.

The Company issued a further €0.8 million 10% coupon convertible secured loan notes on 18 October 2010 at an issue price of €1 per note. Each note entitles the holder to convert to one ordinary share at an exercise price of 8,50p per share (£sterling). The loan notes are convertible at the option of holders at any time between the date of issue and up to and including 30 June 2012 into Artilium plc ordinary shares.

The existing unsecured loan notes of €2.5 million 10% coupon convertible loan notes have been rebased on the same terms as the new loan notes and these fall due for repayment on 30 June 2012.

Given that the redemption amount, the exercise price and some of the holders of the loan notes have changed, the Company was required to adopt extinguishment accounting to the €2.5 million 10% coupon convertible loan notes on 18 October 2010. The profit and loss impact on the application of extinguishment accounting was a gain of €44,000 and was accounted for under other gains and losses in the income statement.

The revised loan notes being €3.3 million 10% coupon convertible loan notes have been accounted for in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The embedded derivative component was valued using an option pricing model. The initial carrying amount of the financial liability is the residual amount after separating the embedded derivative. The fair value of the embedded derivative element on initial recognition was €1.2 million.

Subsequent to initial measurement and until the 17th of June 2011 at which date the loans were redeemed for shares, the Company has treated the embedded derivative element of the convertible loan as a financial liability at fair value through profit or loss (FVTPL). The residual financial liability component is measured at amortised cost using the effective interest method.

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Notes to the consolidated financial statements Year ended 30 June 2011

The interest expense for the period between 18 October 2010 and 17 June 2011 (€690.000) is calculated by applying an effective interest rate of 3,799% to the liability component. No interest was paid in this period. The difference between the carrying amount of the derivative financial instrument component per 18 October 2010 and 17 June 2011 represents the change in the fair value of the financial instrument. The change in the fair value results in a loss of €719.000 which is recognised in profit and loss under other gains and losses.

On 17th of June 2011, the €3.3 million 10% secured loan notes were converted to equity in agreement with the loan holder. The notes were converted into ordinary shares at a price of 8,5p per share. A total of 37.596.725 new ordinary shares have accordingly been issued in connection with the conversion of the notes. As a result of the conversion of the loan notes the loss arising on the conversion amounted to €284.000 recorded under other gains and losses.

For purposes of determining the value of the liability component of the €2.5 million 10% denominated convertible loan notes issued on 5 November 2009, the inputs into the black & scholes model were as follows:

Share price	p11.25
Expected volatility	75%
Expected life	2,65 years
Risk free rate	4%
Coupon	10%

For purposes of determining the value of the liability component of the €3.3 million 10.0% denominated convertible loan notes issued on 18 October 2010, the inputs into the Black-Scholes model were as follows:

Share price	p9.00
Expected volatility	75%
Expected life	1,70 years
Risk free rate	4%
Coupon	10%

Artilium plc

Company income statement Year ended 30 June 2011

	Notes	2011 Eur'000	2010 Eur'000
Revenue		-	-
Administrative expenses		(2.172)	(5.162)
Operating loss		(2.172)	(5.162)
Investment revenue	38	-	80
Finance costs	39	(1.433)	(119)
Other Gains & losses	40	(875)	597
Loss before tax	36	(4.480)	(4.604)
Tax	41	-	-
Loss for the year from continuing operations		(4.480)	(4.604)

Artilium plc

Company statement of total comprehensive income Year ended 30 June 2011

	2011 Eur'000	2010 Eur'000
Loss for the year	(4.480)	(4.604)
Other comprehensive income for the year:		
Exchange differences on translation into the presentation currency	(1.625)	953
Total comprehensive income for the year attributable to owners of the parent	(6.105)	(3.651)

Artilium plc

Company statement of financial position As at 30 June 2011

	Notes	2011 Eur'000	2010 Eur'000
Non-current assets			
Investments	43	18.901	21.053
		18.901	21.053
Current assets			
Trade and other receivables	44	1.736	1.792
Cash and cash equivalents		698	1.035
Financial instruments	49	-	153
		2.434	2.980
Total assets		21.335	24.033
Non current liabilities			
Convertible loan note	49	-	(2.288)
Current liabilities			
Trade and other payables	45	(4.606)	(5.371)
Financial instruments	49	-	(266)
Net current assets		(2.172)	(2.657)
Net assets		16.729	16.108
Equity			
Share capital		9.634	6.639
Share premium account		44.445	40.783
Capital redemption reserve		6.503	6.503
Share based payment reserve		3.211	3.142
Translation reserve		(5.455)	(3.830)
Retained earnings		(41.609)	(37.129)
Total equity		16.729	16.108

The financial statements were approved by the Board of Directors and authorised for issue on 24 October 2011.
They were signed on its behalf by:

Adriaan Reinders
Director
Company No. 03904535

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Company statement of changes in equity Year ended 30 June 2011

	Share capital	Share premium account	Capital redemption reserve	Share based payment reserve	Translation reserve	Retained deficit	Total
	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000
Balance at 1 July 2009	6.639	40.783	6.503	2.462	(4.783)	(32.525)	19.079
Recognition of share-based payment charge	-	-	-	680	-	-	680
Transaction with owners	-	-	-	680	-	-	680
Loss for the period	-	-	-	-	-	(4.604)	(4.604)
Other comprehensive income for the period	-	-	-	-	953	-	953
Total comprehensive income for the period	-	-	-	-	953	(4.604)	(3.651)
Balance at 30 June 2010	6.639	40.783	6.503	3.142	(3.830)	(37.129)	16.108
Nominal value of shares issued	863	-	-	-	-	-	863
Premium arising on issue of placement shares	-	603	-	-	-	-	603
Capital increase upon conversion of debt	2.132	-	-	-	-	-	2.132
Premium arising upon conversion of debt	-	3.092	-	-	-	-	3.092
Expenses of share issues	-	(33)	-	-	-	-	(33)
Recognition of share-based payment charge	-	-	-	69	-	-	69
Transaction with owners	2.995	3.662	-	69	-	-	6.726
Loss for the period	-	-	-	-	-	(4.480)	(4.480)
Other comprehensive income for the period	-	-	-	-	(1.625)	-	(1.625)
Total comprehensive income for the period	-	-	-	-	(1.625)	(4.480)	(6.105)
Balance at 30 June 2011	9.634	44.445	6.503	3.211	(5.455)	(41.609)	16.729

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Company cash flow statement Year ended 30 June 2011

	Notes	2011 Eur'000	2010 Eur'000
Net cash used in operating activities	46	(2.292)	(4.313)
Investing activities			
Interest received		-	80
Net cash from investing activities		-	80
Financing activities			
Proceeds on swap transactions		-	298
Proceeds on issue of shares		1.322	-
Cost of capital increase		(33)	-
Convertible loan received	49	800	2.500
Interest paid		(116)	(4)
Net cash from financing activities		1.973	2.794
Net decrease in cash and cash equivalents		(319)	(1.439)
Cash brought forward		1.035	1.521
Effect of foreign exchange rate		(18)	953
Cash and cash equivalents at end of year		698	1.035

Notes to the Company financial statements Year ended 30 June 2011

35. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union.

The financial statements have been prepared on the historical cost basis, except that they have been modified to include the revaluation of certain financial instruments. The principal accounting policies adopted are the same as those set out in Note 2 to the consolidated financial statements except as noted below. Balances receivable and payable from Group companies are classified as loans and receivables, and carried at amortised cost.

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

Impairment losses recognised in the year

In the year ending 30 June 2010, the Group assessed the recoverable amount of the investment and receivable balance with Artilium NV and Artilium UK Limited, and determined that the carrying value of the Artilium UK investment and receivable was impaired by € 4.060.000. The impairment on the Artilium UK Limited receivable has been increased with the amount at which the receivable itself increased over the year ending 30 June 2011. As a result the full receivable on Artilium UK Limited per 30 June 2011 has been impaired. The impact for the year is €480.000.

The recoverable amount of the investments in the Artilium NV and Artilium Ltd is determined based on a value in use calculation of these entities which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period and a terminal value. The terminal value is based on the year five net cash flows forecast to perpetuity using a discount rate of 15% (2010: 15% per annum), which is appropriate for the Company. The growth rate factor in the discounted cash flow model is estimated to be 3% (2010: 3%) in line with long term forecasts for economic growth. The sales growth rate used during the five year forecast is estimated to be around 15% based on management's best estimate of the market opportunities.

The Directors have made assumptions about revenue in the near and longer term as part of this value in use calculation, which, due to the nature of the Company's sales and the time-scales involved are not supported by sales contracts. There is thus uncertainty as to the amount of revenue that will be generated, however the Directors are confident that this calculation supports their assessment that the investment balance in Artilium NV is recoverable and not impaired.

Due to uncertainty over the timing of cash flows related to Artilium UK Limited, the Directors consider it to be prudent to provide in full for the investment and receivable balances related to this entity. The Directors believe these amounts will be ultimately recoverable, and the Company will continue to support this business.

The impairment loss has been included in the administrative expenses line item in the income statement.

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Notes to the Company financial statements Year ended 30 June 2011

36. Loss for the year

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

	2011 Eur'000	2010 Eur'000
Net foreign exchange gains	993	(364)
Share based payment expense	69	680
Staff costs (see Note 37)	109	53
Professional fees	87	203
Accountancy fees	27	3
IT services	-	1
Travel expenses	5	18
Provision for investments and receivable balances	480	4.060
Auditors' remuneration for audit services		
- Company's and consolidated annual accounts	59	59
Charge through management expenses to other Group companies	21	-

37. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2011 Eur'000	2010 Eur'000
Administration	2	1

Their aggregate remuneration comprised:

Wages and salaries	109	53
Share based payment expense	69	680
	178	733

	2011 Eur'000	2010 Eur'000
Redundancy and compensation	-	40
	-	40

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Notes to the Company financial statements Year ended 30 June 2011

38. Investment revenue

	2011 Eur'000	2010 Eur'000
Interest on bank deposits	-	80

39. Finance costs

	2011 Eur'000	2010 Eur'000
Amortised cost convertible loan	831	257
Other interests	341	-
Interest on balances relating to Group companies	261	(138)
	1.433	119

40. Other gains and losses

	2011 Eur'000	2010 Eur'000
Movements in fair value of Lanstead financial instrument	(66)	394
Movements in fair value of option component of convertible loan notes	(524)	203
Loss arising on conversion of loan notes to equity	(285)	-
	(875)	597

41. Tax

	2011	2010
Current tax	-	-

Current tax is calculated at 26% (2010: 28%) of the estimated assessable loss for the year.

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Notes to the Company financial statements Year ended 30 June 2011

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

	2011 Eur'000	%	2010 Eur'000	%
Loss before tax from continuing operations	(4.480)	-	(4.604)	-
Tax expense at the theoretical domestic rates applicable to profits of taxable entities in the countries concerned of 26%	(1.165)	26	(1.289)	28
Effects of:				
Expenses not deductible for tax purposes	-	-	1.115	(24)
Tax losses carried forward unutilised in the year	1.165	(26)	283	(6)
Income not chargeable for tax purposes	-	-	(109)	2
Tax credit and effective tax rate for the year	-	-	-	-

At the balance sheet date, the Company has unused tax losses with a deferred tax value of €10.064.000 (2010: €8.111.000). No deferred tax asset has been recognised in respect of these items due to insufficient evidence of future appropriate profits in the immediate future in the UK.

42. Subsidiaries

Details of the Company's subsidiaries at 30 June 2011 are as follows:

	Place of incorporation ownership (or registration) and operation	Proportion of ownership interest and voting power held	Method used to account for investment
Artilium N.V	Belgium	100%	Acquisition accounting
Artilium UK Limited (formerly Trisent Communications Limited)	UK	100%	Acquisition accounting
Artilium Trustee Company Limited	UK	100%	Acquisition accounting

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Notes to the Company financial statements Year ended 30 June 2011

43. Investments

	Investment in subsidiary Eur'000
At 1 July 2009	11.046
Additions	10.599
Exchange differences	1.310
At 30 June 2010	22.955
Additions	-
Exchange differences	(2.347)
At 30 June 2011	20.608
Provision	
At 1 July 2009	-
Charge for the year	1.902
At 30 June 2010	1.902
Exchange differences	(195)
At 30 June 2011	1.707
Carrying amount	
At 30 June 2010	21.053
At 30 June 2011	18.901

44. Trade and other receivables

	2011 Eur'000	2010 Eur'000
Prepayments and deferred expenses	16	-
Other receivables	149	42
Receivable from Group companies	1.571	1.750
	1.736	1.792

The Company holds no collateral against these receivables at the balance sheet date. The carrying amount of trade and other receivables approximates to their fair value.

Notes to the Company financial statements Year ended 30 June 2011

45. Trade and other payables

	2011 Eur'000	2010 Eur'000
Trade payables	224	91
Accruals	95	135
Group Companies	4.287	5.145
	4.606	5.371

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates to their fair value.

46. Notes to the Company cash flow statement

	2011 Eur'000	2010 Eur'000
Loss for the year	(4.480)	(4.604)
Adjustments for:		
Investment revenues	-	(80)
Share based payment expense	69	680
FVTPL for financial instruments	875	(597)
Provision for investments and receivable balances	480	4.060
Finance expenses	1.438	119
Other	87	(50)
	(1.531)	(472)
Operating cash flows before movements in working capital		
Increase in receivables	(164)	(8.459)
Decrease/Increase in payables	(597)	4.618
Cash used in operating activities	(2.292)	(4.313)

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Notes to the Company financial statements Year ended 30 June 2011

47. Related party transactions

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

Trading transactions

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

	Amounts owed by related parties	
	2011	2010
	Eur'000	Eur'000
Artilium N.V	-	-
Artilium plc Employee Benefit Trust	1.571	1.750
Artilium UK Limited (formerly Trisent Communications Limited)	-	-

The balance due from Artilium UK Limited of € 2.418.000 at 30 June 2011 has been fully provided for.

	Amounts payable to related parties	
	2011	2010
	Eur'000	Eur'000
Artilium N.V	4.287	5.145

Artilium NV is a subsidiary of the Company.

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 10 pence per warrant in December 2006. The warrants were then exercised at a price of 75 pence and converted into ordinary 5 pence shares by the Trust. A loan was obtained from the Company to satisfy the purchases by the Trust. In the financial year ending 30 June 2009 the corresponding receivable on the Trust decreased from €3million at the beginning of the year to €1.7 million at 30 June 2009 as a result of the grant of 1.333.333 shares to Robert Marcus at a price of 85 pence.

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

Remuneration of the Directors of the Company is disclosed in Note 6.

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Notes to the Company financial statements Year ended 30 June 2011

48. Financial instruments

Financial risk management

The Group's risk management policies are set out in Note 32 to the financial statements. These are equally applicable to the Company.

The book value of the Company's financial instruments at the year end is shown below:

	Notes	2011 Eur'000	2010 Eur'000
Financial assets:			
Loans and receivables:			
Trade and other receivables	44	1.736	1.792
Cash and cash equivalents		698	1.035
		<u>2.434</u>	<u>2.827</u>
Financial instruments designated as FVTPL		-	153
		<u>2.434</u>	<u>2.980</u>
Financial liabilities:			
Amortised cost:			
Trade and other payables	46	4.511	5.237
Financial liabilities	49	-	2.288
		<u>4.511</u>	<u>7.525</u>
Financial instruments designated as FVTPL	49	-	266
		<u>4.511</u>	<u>7.791</u>

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Notes to the Company financial statements Year ended 30 June 2011

49. Financial instruments

The Company issued €2.5 million 10% denominated convertible loan notes on 5 November 2009 at an issue price of €1 per note. Each note entitles the holder to convert to one ordinary share at a cost of 20p per share (£sterling). The loan notes are convertible at the option of the holders at any time after 30 April 2010. The loan notes shall also become repayable or convert into Ordinary Shares on the earlier of an acquisition requiring shareholder approval or 18 months after the date of the Loan Notes Instrument. If the notes have not been converted, they will be redeemed on the earlier of a major acquisition approved by shareholders or 30 June 2012. Interest of 10% will be paid annually until that settlement date.

The Company issued a further €0.8 million 10% coupon convertible secured loan notes on 18 October 2010 at an issue price of €1 per note. Each note entitles the holder to convert to one ordinary share at an exercise price of 8,50p per share (£sterling). The loan notes are convertible at the option of holders at any time between the date of issue and up to and including 30 June 2012 into Artilium plc ordinary shares.

The existing unsecured loan notes of €2.5 million 10% coupon convertible loan notes have been rebased on the same terms as the new loan notes and these fall due for repayment on 30 June 2012.

The revised loan notes being €3.3 million 10% coupon convertible loan notes have been accounted for in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The embedded derivative component was valued using an option pricing model. The initial carrying amount of the financial liability is the residual amount after separating the embedded derivative.

On 17th of June 2011, the €3.3 million 10% secured loan notes were converted to equity in agreement with the loan holder. The notes were converted into ordinary shares at a price of 8,5p per share. A total of 37,596,725 new ordinary shares have accordingly been issued in connection with the conversion of the notes.

50. Share based payments

Disclosure of the share plans the Company has in place are disclosed in Note 24. Management consider that all options have been issued to key management personnel in respect of services provided to the parent Company, in their capacity as the Group's management function.